

The Auditor-General  
Audit Report No.29 2012–13  
Performance Audit

## **Administration of the Veterans' Children Education Schemes**

**Department of Veterans' Affairs**

Australian National Audit Office

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ISSN 1036-7632

ISBN 0 642 81321 3 (Print)

ISBN 0 642 81322 1 (On-line)

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Canberra ACT  
30 April 2013

Dear Mr President  
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Veterans' Affairs in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament. The report is titled *Administration of the Veterans' Children Education Schemes*.

Following its presentation and receipt, 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 'Ian McPhee', is positioned above the printed name and title.

Ian McPhee  
Auditor-General

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

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# Abbreviations

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ADF	Australian Defence Force
AICS	Assistance for Isolated Children Scheme
ATO	Australian Tax Office
DC	Deputy Commissioner
DEEWR	Department of Education, Employment and Workplace Relations
DHS	Department of Human Services
DIISRTE	Department of Industry, Innovation, Science, Research and Tertiary Education
DOLARS	Departmental On-line Accounting and Reporting System
DVA	Department of Veterans' Affairs
EAS	Education Assistance Service
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FTB	Family Tax Benefit
IPS	Integrated Payments System
ITAA	<i>Income Tax Assessment Act 1997</i>
KPIs	Key Performance Indicators
MRCA	<i>Military Rehabilitation and Compensation Act 2004</i>
MRCAETS	Military Rehabilitation and Compensation Act Education Training Scheme
PBS	Portfolio Budget Statements

PRS	Participant Registration Service
SCES	Soldiers' Children Education Scheme
VCEB	Veterans' Children Education Board
VCES	Veterans' Children Education Scheme
VEA	<i>Veterans' Entitlements Act 1986</i>
VIEW	Veterans' Information Enquiry Window



# Glossary

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Boards	The state-based Education Boards established under legislation to perform certain functions under the two education schemes. Their specific functions are set out in legislative instruments and include assisting in the supervision of the education of students and monitoring their progress.
Entitlement	A right to a particular payment or benefit, creating an obligation on the Australian Government to provide the entitlement if the relevant criteria are satisfied.
Schemes	The Veterans' Children Education Scheme and the Military Rehabilitation and Compensation Act Education and Training Scheme.



## **Summary and Recommendations**

# Summary

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## Introduction

1. The Department of Veterans' Affairs (DVA) is the primary service delivery agency responsible for developing and implementing programs that assist the veteran community, including compensation and related support for veterans and their dependants. The Veterans' Children Education Scheme (VCES) and the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS) are similar education schemes (Schemes) established to support the young dependants of deceased or severely disabled veterans. The purpose of these compensatory Schemes is to provide financial assistance, student support services, and guidance and counselling for eligible children to help them achieve their full potential in education or career training.<sup>1</sup> These Schemes followed the Soldiers' Children Education Scheme, which was established in 1921 to support the children of deceased and disabled World War I veterans.

2. Eligibility for the Schemes is generally restricted to the young dependants of veterans<sup>2</sup> who have been killed or severely incapacitated as a result of service related injury or disease.<sup>3</sup> In addition, Vietnam veterans' children who are diagnosed with a depressive disorder or are assessed as vulnerable are eligible for assistance. Children whose veteran parent had operational service but whose death was not war-caused, and who are not in the care of their surviving parent, are also eligible for assistance. In 2011–12, expenses for the Schemes totalled \$19.2 million, including \$15.9 million in benefits<sup>4</sup>, assisting over 3500 students.<sup>5</sup>

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<sup>1</sup> The Schemes are established by legislative instruments pursuant to the *Veterans' Entitlement Act 1986*, Section 117, and the *Military Rehabilitation and Compensation Act 2004*, Division VI, Section 258. The relevant instruments are: Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

<sup>2</sup> For the purposes of this audit the term 'veteran' refers to a veteran or a past, present or deceased member of the Australian Defence Force or Peacekeeping Force.

<sup>3</sup> DVA Factsheet DP43, *Disability Pension and War Widow's/Widower's Pension Rates and Allowances*, 20 March 2012, p. 5.

<sup>4</sup> The cost of benefits is estimated from DVA payment data. The Department of Veterans' Affairs, *Annual Report 2011–12*, p. 128 reported that the Schemes incurred departmental expenses of \$3.3 million.

<sup>5</sup> The number of students assisted is calculated from the number of students in receipt of an education allowance during 2011–12 (3559 students). It does not include a small number of students who may have received only additional tuition or special financial assistance.

3. As financial assistance alone may not be sufficient for eligible children to achieve their full potential in education or career training, the Schemes establish state-based volunteer Education Boards to support eligible children in their education and training.<sup>6</sup> Board members may be nominated by ex-service organisations, educational institutions or DVA, and must be personally interested in, and able to contribute to, the educational welfare of eligible students.<sup>7</sup>

4. The main functions of the Boards are to:

- provide or arrange expert guidance to assist students plan their studies;
- assist in supervising the education of primary and secondary students, and monitor their progress; and
- refer students and their families to community welfare, education, guidance and counselling services, where appropriate.<sup>8</sup>

5. DVA appoints a departmental officer as VCES Secretary to each Education Board.<sup>9</sup> The VCES Secretaries provide secretariat support to the Boards and manage state-based business units responsible for client service delivery. The business units advise clients, assess eligibility, process claims and payments, monitor student progress and arrange student support services in consultation with the Boards.

6. The Schemes have rules established by legislation, which govern student eligibility and the level of veteran disability required to qualify a dependent child for assistance. In general, students must be between the minimum school age and 25 years at the time of application, and enrolled in full-time study in Australia. As defined by the Schemes, the 'child' of a veteran includes any young person who is, or was immediately before the death of the veteran, wholly or substantially dependent on the veteran.<sup>10</sup>

7. The Schemes are established to provide the following forms of assistance:

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<sup>6</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.5.

<sup>7</sup> *ibid.*, Section 6.2. The majority of Board members are experienced educationists, including current and former school principals, academics, psychologists, senior teachers and counsellors.

<sup>8</sup> *ibid.*, Section 6.5.

<sup>9</sup> *ibid.*, Section 1.2.

<sup>10</sup> Veterans' spouses are not eligible for assistance under the Schemes.

- financial assistance—education allowances, rent assistance, tertiary scholarships and tertiary fares allowance;
- student support services—additional tuition for remedial purposes (up to \$2000 per year), and special financial assistance in exceptional circumstances (up to \$2000 per year)<sup>11</sup>; and
- guidance and counselling—expert guidance to assist students in planning their studies, supervision of primary and secondary students' education and monitoring their progress, referral to community services where appropriate, and visits to country students.<sup>12</sup>

8. Many of the financial benefits paid by the Schemes are also available to students in the general community under social security programs. For instance, the Schemes' education allowances for students aged 16 years or more are set at Commonwealth Youth Allowance rates.<sup>13</sup> However, in contrast to most social security benefits, the assistance provided by the Schemes is a form of compensation and not subject to a parental or student means test.

9. The VCES is established under the *Veterans' Entitlement Act 1986* (VEA), and the MRCAETS is established under the *Military Rehabilitation and Compensation Act 2004* (MRCA). The VEA and MRCA are the principal Acts that provide military compensation for veterans and their dependants. The VEA covers service prior to July 2004, and the MRCA covers the subsequent period. Under the VEA and MRCA, the Repatriation Commission and the Military Rehabilitation and Compensation Commission (the Commissions) are responsible for the administration of their respective Schemes. In practice, the Commissions delegate most of their administrative functions to DVA.<sup>14</sup>

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<sup>11</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 5.2–5.3. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 5.2–5.3.

<sup>12</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

<sup>13</sup> Youth Allowance is generally not available for students under 16 years old. Youth Allowance for secondary students 16 years or more and living at home was replaced by a higher rate of FTB Part A from 1 January 2012. The Schemes' education allowances continue to be linked to Youth Allowance rates.

<sup>14</sup> Repatriation Commission, *Annual Report 2010–11*, p. 26. Military Rehabilitation and Compensation Commission, *Annual Report 2010–11*, p. 32.

## Audit objective and scope

10. The audit objective was to assess the effectiveness of DVA's administration of the veterans' children education schemes.

11. The scope of the audit was the administration of the VCES and MRCAETS, including the assessment of student eligibility. It did not include DVA processes for assessing veterans' service related disabilities or cause of death. Further, the audit did not examine the Long Tan Bursary Scheme as it is administered by the Australian Veterans' Children Assistance Trust on behalf of DVA.

## Overall conclusion

12. The Veterans' Children Education Scheme and the Military Rehabilitation and Compensation Act Education and Training Scheme (the Schemes) provide assistance to the young dependants of Australian Defence Force (ADF) members who have died or been severely injured as a result of their military service. The Schemes provide assistance to students in the form of financial assistance, student support services, and guidance and counselling. In 2011–12 the Schemes assisted 3559 eligible students, providing an estimated \$15.9 million<sup>15</sup> in benefits, with administrative costs of \$3.3 million.

13. The two Schemes comprise a mature program, and DVA has implemented generally effective administrative arrangements for their delivery. The department has established processes to accurately determine client eligibility, process claims and make payments. In the student sample examined by the ANAO, eligibility was accurately assessed in all cases, and benefit entitlements were paid in accordance with legislation. Further, the Schemes are supported by experienced VCES Secretaries with national responsibility for the Schemes' day-to-day administration, operating out of Brisbane, Adelaide and Hobart.

14. However, there are aspects of the Schemes' administration and current operations that would benefit from review. At a threshold level, there has been a degree of misalignment since 2007–08 between the legislative instruments

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<sup>15</sup> For 2011–12, DVA reported that the Veterans' Children Education Scheme program had administered expenses of \$16.8 million. These expenses include the cost of the Long Tan Bursary Scheme, which was outside the scope of this audit and is therefore not included in the \$15.9 million mentioned in paragraph 12. Department of Veterans' Affairs, *Annual Report 2011–2012*, p. 128.

establishing the Schemes<sup>16</sup> and their practical operation. In 2007–08, DVA reduced the level of administrative support for student assistance provided through the Schemes' volunteer Education Boards, particularly visits to students living outside capital cities, as provided for in the legislative instruments. While acknowledging the lack of alignment between current practice and the legislative instruments, DVA advised the ANAO that the Schemes' development since the instruments were made reflects a situation where the level of support and assistance provided to students through the modern education system is much improved.<sup>17</sup> As the Schemes have a legislative basis, the misalignment between the relevant legislative instruments and current administrative practice requires attention, a point acknowledged by DVA during the course of the audit.

15. Further, the department has not conducted significant formal planning or evaluation for the Schemes since their introduction and there would be benefit in developing an evaluation strategy to assess the extent to which they are achieving their objectives. An evaluation strategy could be developed concurrently with the proposed review of alignment between administrative practice and the legislative instruments, to establish a basis for assessing the effectiveness of any future changes to the Schemes.

16. During the life of the Schemes, changes in the wider social policy environment have at various times challenged DVA's policy and coordination capacity. Changes in the external policy and program environment have included: the raising of the minimum school leaving age; and the shift from Youth Allowance to Family Tax Benefit as the main source of government assistance for families with older teenagers; the Education Tax Refund Payment; the Schoolkids Bonus; the Income Support Bonus and changes to student Relocation and Start-up Scholarships. No advice was provided to the Commissions<sup>18</sup> and service delivery staff on the implications for the Schemes when the minimum school leaving age was raised. The ANAO's analysis also indicates that at least as far back as 2004 some students may have been

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<sup>16</sup> The Schemes are established by legislative instruments pursuant to the *Veterans' Entitlement Act 1986*, Section 117, and the *Military Rehabilitation and Compensation Act 2004*, Division VI, Section 258. The relevant instruments are: Veterans' Children Education Scheme Instrument 1992 No. 11, and the Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4.

<sup>17</sup> DVA advised the ANAO that: 'The level of support and assistance provided to students through the modern education system is far superior than it was in 1993 when the current version of the Scheme was drafted.'

<sup>18</sup> The Repatriation Commission and the Military Rehabilitation and Compensation Commission, discussed in paragraph nine.



financially better off by claiming benefits other than those offered by the VCES.<sup>19</sup> However, DVA did not formally notify affected clients of this option until January 2012. While the interaction between the Schemes and other government programs is often complex, appropriate liaison and coordination arrangements with other agencies can contribute to the effective administration of the Schemes. The establishment of an interdepartmental working group on student issues in August 2012 provides a vehicle to improve communication and policy coordination between DVA and the Department of Human Services (DHS).

17. The Schemes are treated as a stand-alone program in DVA's Portfolio Budget Statement (PBS) and annual report, providing visibility for reporting purposes. However, DVA currently reports on Scheme deliverables solely in terms of student numbers as at 30 June each year. There is scope to further develop the reporting framework by reporting on the three main services delivered by the Schemes: financial assistance, student support services, and guidance and counselling. In addition, the Schemes' performance information could be improved by developing key performance indicators (KPIs) to demonstrate the extent to which the Schemes are achieving their objectives, as the current KPI focuses solely on the proportion of critical errors in payments. DVA has acknowledged the benefit of reviewing its deliverables and KPIs with a view to developing measures that are outcomes and quality based, rather than purely output based.

18. The ANAO has made two recommendations directed towards DVA improving the alignment between administrative practice and legislation, and performance reporting for the Schemes. The ANAO has also noted, as discussed at paragraph 26 below, the need for DVA to ensure that all requirements for Working With Children Checks are satisfied.

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<sup>19</sup> VEA single orphans aged 16 years or more may have been financially better off by claiming the VEA orphan's pension and FTB than receiving a VCES education allowance.

## Key findings by chapter

### Chapter 2: Delivery of client services

19. A formal application must be lodged with DVA in order for students to receive assistance under the Schemes. As the Schemes are a form of compensation, it is important that DVA raises awareness of the Schemes in the eligible population. DVA advised the ANAO that veteran families are advised of the Schemes when a veteran qualifies for a pension for severe disability, or when his or her death is accepted as service related. However, eligibility for the Schemes is broader than these two client groups. Further, apart from recent war widow(er)s, DVA does not identify and follow-up eligible veteran families who have not claimed their compensatory entitlements under the Schemes.<sup>20</sup> As DVA had not measured the take-up of the Schemes in the eligible population, the ANAO investigated DVA's databases for this purpose. Departmental databases contain valuable information about the Schemes' catchment population, in particular, the veteran families with school-age children who are not registered for assistance under the Schemes. DVA has advised that it will in future obtain regular reports of all clients with eligibility for the Schemes who are not claiming benefits, and follow-up such clients.

20. DVA has assisted the Commissions in preparing legislative instruments that provide a framework for administering the Schemes, and has also implemented a policy manual to guide the Schemes' decision-makers. The Schemes had a comprehensive procedural manual that incorporated specific service delivery standards until 2007–08, when service delivery was rationalised from six state-based locations to three, and the number of VCES Secretaries was halved. The Schemes continue to have coverage under the generic service delivery standards in DVA's Service Charter, which apply to all programs administered by DVA.

21. The department has a strong focus on the accurate assessment of eligibility and payment of benefits. Financial assistance accounts for most of the Schemes' costs (98 per cent of administered expenses), and is provided as direct payments to students or their parents in the form of education allowances, tertiary scholarships and rent assistance. The ANAO conducted an examination of the payment records of a sample of students and found that

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<sup>20</sup> DVA has initiated a project to follow-up all war widow(er)s whose partners died in service after 1999, to ensure that they are aware of their entitlements. These families account for about five per cent of the Schemes' students.

DVA had accurately assessed student eligibility, and processed and paid all claims in the sample in accordance with the Schemes' rules. The ANAO also examined the payment of tertiary scholarships, which should be paid automatically to eligible tertiary students without the need to submit an additional claim. There was no evidence of non-payment of scholarships to eligible tertiary students in the sample examined.

**22.** Other benefits, including additional tuition and special financial assistance, are provided to a minority of students. In 2011–12, the Schemes provided additional tuition to an estimated 390 students (or 11 per cent of students) and special financial assistance to 23 students (or 0.6 per cent of students). The provision of additional tuition is restricted to remedial assistance.

**23.** Volunteer Education Boards, including experienced educationists and counsellors with links to the veteran community, have long been established in each state to oversight the education of eligible children. In practice, the Boards rely on referrals and resourcing from DVA to perform their functions, which include: providing and arranging expert guidance to assist students in the planning of their studies; assisting in supervising the education of primary and secondary students and in monitoring their progress; and referring students and their families to community welfare, education, guidance and counselling services where appropriate.

**24.** Since the number of VCES Secretaries was reduced from six to three in 2007–08, the Boards have largely ceased country visits (which are required by legislation) and most Boards review less than five per cent of students annually. DVA monitors the Schemes' primary and secondary students by sending an annual questionnaire to each school. VCES Secretaries review the responses, and prioritise the most difficult cases for referral to the Boards for advice. While DVA's annual survey helps to monitor students' progress, the Boards and the VCES Secretaries consider that the survey does not replace the former outreach program, which was wound back with the reduction in VCES Secretaries and the VCES travel budget.<sup>21</sup> Under the outreach program, in addition to seeking school reports, DVA sought direct contact with students and their families to offer support through meetings, workshops and school visits, in conjunction with Board members. The program often identified issues

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<sup>21</sup> At the same time the number of VCES Secretaries was halved, the Schemes' travel budget was reduced by 75 per cent from about \$40,000 to \$10,000.

that schools were unaware of—such as students’ difficult home circumstances—and brought together the full range of support services offered by schools and the Schemes to assist students. The program also facilitated the mentoring of students by Board members. DVA advised that since their introduction, the Schemes have developed in a way which reflects a situation where the level of support and assistance provided to students through the modern education system is much improved.

25. Nevertheless, there are aspects of the Schemes’ administration and current operations that would benefit from review. At a threshold level, there has been a degree of misalignment since 2007–08 between the legislative instruments establishing the Schemes and current administrative practice. As the Schemes have a legislative basis, the misalignment between the relevant legislative instruments and current administrative practice requires attention, a point acknowledged by DVA. As part of the review, there would be merit in DVA considering support arrangements for eligible students in circumstances where local schools may not have the capacity to provide counselling and support.

26. The department has a system in place for obtaining Working With Children Checks for staff and Board members in Western Australia, South Australia and the Northern Territory, and maintains their currency. In contrast, the Working With Children Checks for staff and Board members in the eastern states have been patchy, with DVA not obtaining Checks for some individuals, while allowing others to lapse. In July 2012, the ANAO sought evidence of Checks for the Schemes’ staff and Board members, in accordance with statutory requirements and the requirements of the Education Schemes’ Policy Manual. The department did not apply for some Checks until 2013, and evidence of completed Checks for several individuals remained outstanding at the conclusion of the audit. There is scope for significant improvement in this area of DVA’s administration. In its response to the final report, as presented in Appendix 1, DVA has offered its assurance to the ANAO that the department’s responsibilities with respect to meeting the requirements for working with children have now been addressed (with the exception of one still outstanding), and will be closely managed in future.

### Chapter 3: Advising clients and stakeholders

27. The VCES and MRCAETS are mature schemes with well established service delivery arrangements. However, there have been significant developments in the broader social policy environment, including changes to the minimum school leaving age and Commonwealth family assistance, which have implications for the Schemes.

28. The Schemes' legislative instruments restrict the payment of homeless allowance to students who have reached the minimum school leaving age. When the minimum school leaving age was raised to 17 years, the homeless allowance was no longer available to 15 or 16 year old students, although it is not clear that this was the intent of the Commissions, who are responsible for the legislative instruments. However, no policy advice was provided to the Commissions, the Boards or service delivery staff on this issue.

29. The interaction between the Schemes' entitlements and social security benefits is complex. Veteran families can receive both Family Tax Benefit (FTB) and payments from the Schemes until a child turns 16 years old, and families must then choose between the two. In addition, when a student turns 16, he or she cannot concurrently receive both the VEA orphan's pension and a VCES education allowance.<sup>22</sup> However, the VEA orphan's pension and FTB payments may be received concurrently. The ANAO's analysis indicates that at least as far back as 2004, VEA single orphans aged 16 years or more may have been financially better off by claiming the VEA orphan's pension and FTB than claiming a VCES education allowance. However, DVA did not advise VEA orphans and their guardians of this option until January 2012. DVA's service delivery staff were formally notified of the interaction between FTB, the VEA orphan's pension and the Schemes in February 2012.

30. To effectively administer the Schemes, DVA needs to monitor wider developments, assess their implications, develop timely policy responses as necessary, and provide appropriate advice to clients to ensure that they are fully aware of their entitlement options. DVA's policy development and coordination arrangements have at times struggled to keep pace with wider changes in social policy and programs that interact with the Schemes. DVA has advised the ANAO that it has recently established a DHS/DVA Student Working Group to strengthen the management of policy coordination, and that

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<sup>22</sup> *Veterans' Entitlement Act 1986*, Section 13(7)(h).

it has sought to more proactively engage with FaHCSIA, DEEWR and DHS in implementing a number of recent new policy proposals. The working group, in particular, provides a vehicle to improve communication and policy coordination with other agencies.

31. At the end of each financial year, DVA issues clients with payment summaries that show which payments are assessable income for taxation purposes. The Schemes' clients rely on this advice to complete their income tax returns. In May 2012, DVA received advice from the Australian Taxation Office (ATO) that did not align with DVA's previous understanding, and raised a number of questions about the taxation treatment of some of the Schemes' benefits. DVA advised the ANAO that it is continuing to consult with the ATO on aspects of that advice.

## **Chapter 4: Reporting and evaluation**

32. DVA has structured the Schemes as a single program under the government's performance reporting framework, which provides visibility and enhanced accountability for the Schemes. In 2011–12 DVA changed the program's objective from: 'provide financial assistance to eligible students... to assist with their education needs' to: 'provide financial assistance and support services to eligible students to help them achieve their full potential in education'. The revised program objective better reflects the legislated purpose of the Schemes.

33. DVA currently reports on Scheme deliverables solely in terms of student numbers as at 30 June each year. The Government's performance framework requires agencies to report their deliverables in terms of the goods and services produced and delivered by each program.<sup>23</sup> There is scope to enhance the Schemes' performance framework by reporting on the three main services delivered by the Schemes, which are: financial assistance, student support services, and guidance and counselling.

34. The Schemes currently have only one key performance indicator (KPI): critical errors less than five per cent—which relates to the accuracy of payments. Performance information could be improved by developing KPIs that report the extent to which the Schemes are assisting students to complete secondary or tertiary education. DVA has acknowledged the benefit of

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<sup>23</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, March 2012, p. 35.

reviewing its deliverables and KPIs with a view to developing measures that are outcomes and quality based, rather than purely output based.

35. The Schemes' main processing system, the Education Assistance Service, has not been fully implemented, and does not produce management information reports. Consequently, since 2007, the Boards have not been able to readily track individual students and their full case history, including the different forms of assistance provided to each student. As a minimum, the Boards would like to be able to identify the students entering and exiting the Schemes in order to better target support and manage student cases.

36. For each financial year, DVA reports the number of students expected to be assisted by the Schemes in its PBS, and the actual numbers of students assisted in its annual report. DVA measures student numbers as at 30 June of each financial year. For the last three years, the ANAO estimates that the cumulative number of students assisted by the Schemes during each financial year is 18 to 23 per cent higher than student numbers measured as at 30 June. The department has advised that the reported student numbers reflect a point in time rather than a whole-of-year count. However, DVA has acknowledged that the basis for its reporting has not always been clear in the annual report and portfolio budget statements, and has undertaken to clearly define the basis for reporting in the future.

37. DVA currently has no evaluation plan for the Schemes. The last whole-of-scheme evaluation was conducted in 1992. In 2006, the VCES Education Board for South Australia and the Northern Territory conducted an evaluation that demonstrated the effectiveness of a VCES guidance and counselling program for students in the last three years of secondary education, undertaken in conjunction with DVA's Adelaide business unit. The evaluation compared the number of VCES students proceeding to tertiary education before and after the introduction of the program. The evaluation of program performance aids accountability and transparency, and contributes to improvements in program design. It is important for DVA to develop an evaluation strategy that is capable of determining the extent to which the Schemes are achieving their specified outcomes. An evaluation strategy could be developed concurrently with the proposed review of alignment between administrative practice and the legislative instruments, to establish a basis for assessing the effectiveness of any future changes to the Schemes.



## Summary of agency response

38. DVA's summary response to the proposed report is provided below. The full response is provided at Appendix 1.

DVA agrees with the two recommendations of the ANAO report, acknowledging that changes may be necessary to align the Schemes with existing processes in the overall environment of Commonwealth education policy and service delivery; and considering the ability to provide management reports to the extent possible under existing ICT systems.

The audit of DVA's education schemes was timely due to the significant changes that have occurred in recent years within the education environment and which impact on DVA students. DVA will use the audit findings, observations and recommendations to ensure that the Schemes continue to meet their objectives within this context.

DVA acknowledges the very high level of accuracy in its service delivery, as demonstrated by the results from the auditor's sampling of cases.



# Recommendations

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**Recommendation  
No.1****Paragraph 2.69**

The ANAO recommends that the Department of Veterans' Affairs reviews the Schemes as a basis for advising government on the alignment of current administrative and delivery arrangements with the Schemes' legislative instruments, and concurrently develops an evaluation strategy to establish a basis for assessing the Schemes' effectiveness and opportunities for improvement.

**DVA's response:** *Agreed*

**Recommendation  
No.2****Paragraph 4.25**

To further develop performance reporting for the Education Schemes under the outcomes and programs framework, the ANAO recommends that the Department of Veterans' Affairs:

- (a) develops KPIs to report on student outcomes, to enable an assessment of the extent to which the Schemes are achieving their objectives; and
- (b) broaden its reporting to include the three main services delivered by the Schemes: financial assistance, student support services, and guidance and counselling.

**DVA's response:** *Agreed*



## **Audit Findings**

# 1. Introduction

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*This chapter outlines the Schemes' purpose, history, eligibility rules, benefits and administrative framework. It also outlines the audit objective, scope and methodology.*

## Background

**1.2** The Department of Veterans' Affairs (DVA) is the primary service delivery agency responsible for developing and implementing programs that assist the veteran community, including compensation and related support for veterans and their dependants. The Veterans' Children Education Scheme (VCES) and the Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS) are similar education schemes (Schemes) established to support the young dependants of deceased or severely disabled veterans. The purpose of these compensatory Schemes is to provide financial assistance; student support services; and arrange for guidance and counselling, for eligible children to help them achieve their full potential in education or career training.<sup>24</sup>

**1.3** Eligibility for the Schemes is generally restricted to the young dependants of veterans<sup>25</sup> who have been killed or severely incapacitated as a result of service related injury or disease.<sup>26</sup> In addition, Vietnam veterans' children who are vulnerable or diagnosed with a depressive disorder may be eligible for assistance.<sup>27</sup> Children whose veteran parent had operational service but whose death was not war-caused and who have lost their other parent are also eligible for assistance. In 2011–12 the Schemes had expenses of \$19.2 million, including \$15.9 million in benefits<sup>28</sup>, assisting over 3500 students.<sup>29</sup>

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<sup>24</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

<sup>25</sup> For the purposes of this audit the term 'veteran' refers to a veteran or a past, present or deceased member of the Australian Defence Force or Peacekeeping Force.

<sup>26</sup> DVA Factsheet DP43, *Disability Pension and War Widow's/Widower's Pension Rates and Allowances*, 20 March 2012, p. 5.

<sup>27</sup> *Veterans' Entitlements (Veterans' Children Education Scheme) Eligible Child Determination 2006 No. R26/2006*, Section 2.1.

<sup>28</sup> The cost of benefits is estimated from DVA payment data. The Department of Veterans' Affairs, *Annual Report 2011–12*, p. 128 reported that the VCES program had departmental expenses of \$3.3 million.

<sup>29</sup> The number of students assisted is calculated from the number of students who received an education allowance during 2011–12 (3559 students). It does not include a small number of students who may have received only additional tuition or special financial assistance.

**1.4** The Schemes have their origins in the Soldiers' Children Education Scheme (SCES), which commenced in 1921 to assist the children of soldiers who had died or were seriously injured in World War I. The policy rationale for the SCES was to compensate children for the loss of financial support and parental guidance resulting from the death or disablement of a soldier parent. In 1975, an independent enquiry into the repatriation system observed:

upon the death or very severe disablement of a parent a child is usually at a serious disadvantage in realising his full potential for the future... this situation arises because the family income is diminished and the level of parental support and guidance is substantially reduced...where a member's death or very severe disablement is service-related the community has a special obligation to replace for the child the parental support he may have lost which ordinarily would have been the responsibility of the member... in addition to direct income support, it is more than reasonable that the legislation should provide a scheme for the supervised education of such children... the strengths and benefits of the Scheme are derived not only from its pecuniary aspects but equally from the high level of advice, review and counselling which it provides.<sup>30</sup>

**1.5** As financial assistance alone may not be sufficient for disadvantaged children to achieve their full potential in education or career training, state-based Education Boards were established by the Schemes to provide or arrange support services that include: expert guidance to assist students plan their studies; supervising the education of primary and secondary students, and monitoring their progress; and referring students and their families to community support services where appropriate.<sup>31</sup>

**1.6** In May 1986 the SCES was replaced by the VCES.<sup>32</sup> A second scheme, the MRCAETS, which mirrors the VCES, was established in 2004 for the children of veterans whose death or disability arose from service on or after 1 July 2004. The MRCAETS has slightly different eligibility rules to the VCES, and offers almost identical benefits.

<sup>30</sup> Toose, Justice P. B., *Independent Enquiry into the Repatriation System* (the Toose Report), AGPS, Canberra, 1975, p. 559.

<sup>31</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 6.5. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 6.5.

<sup>32</sup> On 1 January 1993, the current VCES legislative instrument came into effect. In 1999, the Australian Institute of Health reported that the children of Vietnam veterans had a suicide rate over three times higher than their peers in the general community, and from 2000, VCES benefits were extended to Vietnam veterans' children who were assessed as at risk by an appropriately qualified professional.

## Eligibility and benefits

**1.7** The VCES and MRCAETS have detailed rules governing student eligibility, and the level of veteran disability required to qualify a dependent child for assistance. In general, students must be between the minimum school age and 25 years at the time of application, and enrolled in full-time study in Australia. As defined by the Schemes, the 'child' of a veteran includes any young person who is, or was immediately before the death of the veteran, wholly or substantially dependent on the veteran.<sup>33</sup>

**1.8** The Schemes are established to provide the following forms of assistance:

- financial assistance—which may include education allowances, rent assistance, tertiary scholarships and tertiary fares allowance;
- student support services—which may include additional tuition for remedial purposes (up to \$2000 per year), and special financial assistance in exceptional circumstances (up to \$2000 per year)<sup>34</sup>; and
- guidance and counselling—which may include expert guidance to assist students in planning their studies, supervision of primary and secondary students' education and monitoring their progress, referral to community services, and visits to country students.<sup>35</sup>

**1.9** Many of the financial benefits paid by the Schemes are also available to students in the general community under social security programs. The education allowances for students aged 16 years or more are set at Commonwealth Youth Allowance rates.<sup>36</sup> Until May 2012, the education allowance for students aged under 16 years and living away from home was aligned with the Assistance for Isolated Children boarding allowance. A summary of payments under the Schemes is presented in Table 1.1.

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<sup>33</sup> Veterans' spouses are not eligible for assistance under the Schemes.

<sup>34</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 5.2–5.3. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 5.2–5.3.

<sup>35</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

<sup>36</sup> Youth Allowance is generally not available for students under 16 years old. Youth Allowance for secondary students 16 years or more and living at home was replaced by a higher rate of FTB Part A from 1 January 2012. The Schemes' education allowances continue to be linked to Youth Allowance rates.

Table 1.1

## Education Schemes' payments at July 2012

Benefit	At home	Away from home	VCES double orphan	Homeless
Allowances are paid fortnightly unless shown otherwise				
Primary allowance	\$242.50 per year			n/a
Secondary/ tertiary <16 allowance	\$49.80	\$338.03 <sup>2</sup>	\$223.80	\$402.70 <sup>3</sup>
Secondary/ tertiary 16-17 allowance	\$220.40	\$402.70	\$402.70 <sup>3</sup>	
Secondary/ tertiary 18+ allowance	\$265.00			
21+ allowance			\$489.10	
Additional tuition	Up to \$2000 per year if a student is not achieving their academic potential and subject to DVA approval.			
Special financial assistance	Up to \$2000 per year only granted in exceptional circumstances and subject to DVA approval.			
Secondary/tertiary rent assistance	n/a	Paid at the same rates as for students receiving Youth Allowance under the <i>Social Security Act 1991</i> . (Maximum payment of \$121 per fortnight for a single student with no children.)		
Tertiary fares allowance	n/a	Paid at the same rates as for students receiving Fares Allowance under the <i>Social Security Act 1991</i> . (Reimbursement of the cheapest return fare from home to the place of study, twice per year.)		
Tertiary start-up scholarship		\$1025 biannual		
Tertiary relocation scholarship	1 <sup>st</sup> year	n/a	\$4000 per year	
	2 <sup>nd</sup> -3 <sup>rd</sup> year	n/a	\$2000 per year	
	4 <sup>th</sup> year	n/a	\$1000 per year	

Source: ANAO analysis.

Note 1: Grey shading indicates that equivalent benefits are available to students in the general community, usually subject to a means test.

Note 2: Until May 2012, the secondary/tertiary living away from home rate for children under 16 years was based on the Commonwealth Assistance for Isolated Children Scheme boarding allowance, which has a maximum payment of \$8813 per year for children under 16 years old who are required to live away from home to study. This is equivalent to a fortnightly rate of \$338.03.

Note 3: Youth Allowance does not have a double orphan allowance or a homeless allowance but pays \$402.70 fortnightly to students who are assessed as being independent or living away from home.

**1.10** Unlike social security benefits, the assistance provided by the Schemes is a form of compensation and not subject to a parental or student means test. However, for students aged 16 years or more, some of the Schemes' payments may be taxable. At the end of each financial year, DVA issues clients with payment summaries that show which payments are assessable income for taxation purposes. The Schemes' clients rely on this advice to complete their income tax returns. In May 2012, DVA received advice from the Australian Taxation Office (ATO) that did not align with DVA's previous understanding, and raised a number of questions about the taxation treatment of some of the Schemes' payments. DVA advised the ANAO that it is consulting with the ATO on aspects of that advice. This issue is discussed further in Chapter 3.

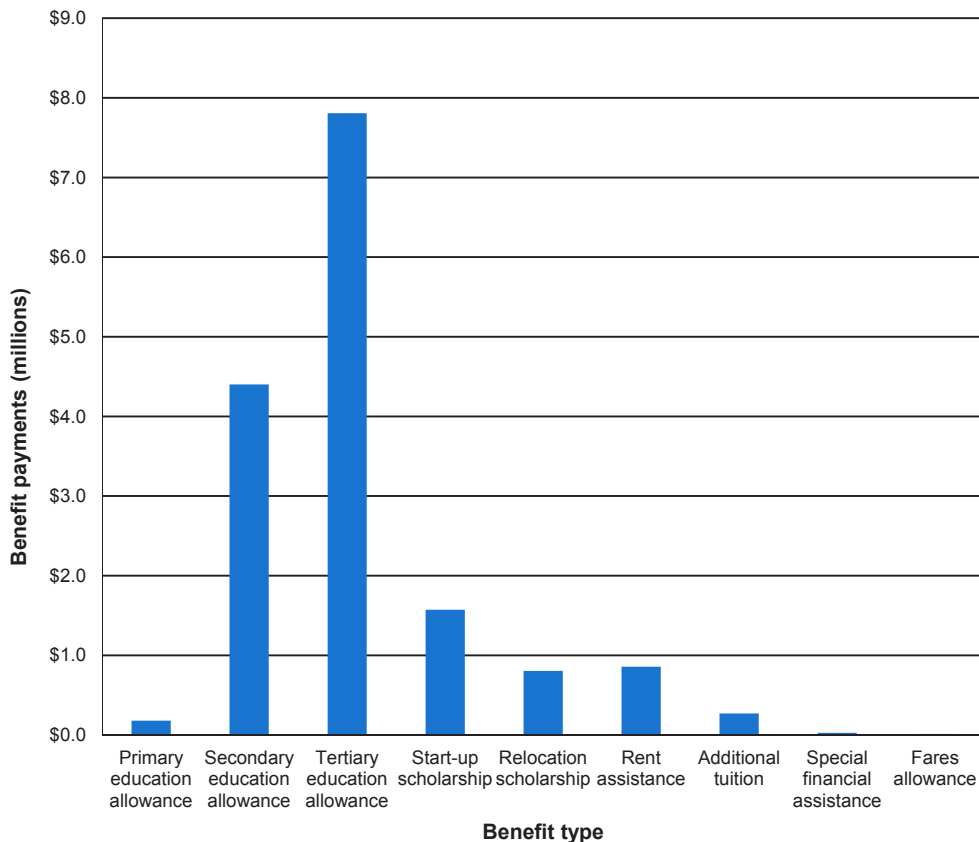
**1.11** The education allowances consist of an annual payment for primary school students and fortnightly payments for secondary or tertiary students. There are four categories of education allowances for the latter group, depending on living arrangements and personal circumstances. Secondary and tertiary students may receive a:

- living at home allowance; or
- living away from home allowance; or
- homeless allowance; or
- double orphan allowance (VCES only).

**1.12** Tertiary start-up scholarships and relocation scholarships are paid automatically to eligible tertiary students registered with the Schemes. Tertiary start-up scholarships are paid twice per year to assist students with higher education fees, textbooks and equipment fees. Tertiary relocation scholarships are paid once per year to students who are living away from home, to assist with the costs of accommodation. Tertiary scholarships, rent assistance and tertiary fares allowance are paid at the same rates as under the *Social Security Act 1991*.

**1.13** The total payments in 2011–12 for the different types of benefits are shown in Figure 1.1. Most of the Schemes' costs are for payments of tertiary and secondary education allowances, tertiary scholarships and rent assistance. In 2011–12, these payments amounted to \$15.4 million out of \$15.9 million in total payments, or some 97 per cent of total payments.



**Figure 1.1****Education Schemes' benefit payments 2011–12**

Source: ANAO analysis of DVA data.

**1.14** A formal application must be submitted to the department to access assistance under the Schemes. The application may be made by the veteran, a parent or guardian, the student (having attained the age of 16 years), or another approved person. A student may only receive benefits under one Scheme: the VCES is for the children of veterans who were injured or killed in service before July 2004; the MRCAETS is for the children of veterans who have been injured or killed in service since then. Students receiving benefits under the Schemes are precluded from claiming other forms of

Commonwealth student assistance, such as Youth Allowance, ABSTUDY or Assistance for Isolated Children.<sup>37</sup>

**1.15** Veteran families with eligible children aged under 16 years may also receive Family Tax Benefit (FTB), which is the government's main payment to help families with the cost of raising children.<sup>38</sup> However, when VCES or MRCAETS students turn 16 years old, families must choose between receiving FTB or payments under the Schemes.<sup>39</sup> Families who choose to receive FTB may also access certain forms of assistance under the Schemes that do not involve payments to the family or the student, such as additional tuition, special financial assistance and guidance and counselling.

## Administrative framework

### Legislation

**1.16** The VCES is established under the Veterans' Entitlement Act 1986 (VEA), and the MRCAETS is established under the Military Rehabilitation and Compensation Act 2004 (MRCA). The VEA and MRCA are the principal Acts that provide military compensation for veterans and their dependants. The VEA covers service prior to July 2004, and the MRCA covers the subsequent period.

**1.17** The VEA empowers the Repatriation Commission to establish an education scheme (the VCES) by legislative instrument, for providing education and training for eligible children.<sup>40</sup> Similarly, the MRCA empowers the Military Rehabilitation and Compensation Commission to establish an education scheme (the MRCAETS) to provide education and training for certain eligible young persons. The MRCAETS was modelled on the VCES and

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<sup>37</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 2.11; Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 2.11.

<sup>38</sup> Department of Human Services, Family Tax Benefit Part A and Part B, available from: <<http://www.humanservices.gov.au/customer/services/centrelink/family-tax-benefit-part-a-part-b>> [accessed 6 October 2012].

<sup>39</sup> *A New Tax System (Family Assistance) Act 1999*, Section 22A, precludes families from receiving FTB for children aged 16 years or more who are receiving payments under a prescribed educational scheme. The *Social Security Act 1991*, Section 5, includes the VCES and MRCAETS in its list of prescribed educational schemes.

<sup>40</sup> *Veterans' Entitlement Act 1986* Part VII, Section 117.

the benefits are the same apart from the treatment of orphans.<sup>41</sup> Although the Commissions (discussed below) are not subject to direction by the Minister for Veterans' Affairs in this regard, the legislative instruments for both Schemes are subject to the approval of the Minister. The *Veterans' Children Education Scheme Instrument 1992 No.11* established the VCES in its current form on 1 January 1993.<sup>42</sup> The *Military Rehabilitation and Compensation Education and Training Scheme Instrument 2004 No. M4* established the MRCAETS on 1 July 2004.<sup>43</sup>

## **Roles of the Commissions, the Education Boards and DVA**

**1.18** Under the VEA and MRCA, the two Commissions are responsible for the administration of their respective Schemes. In practice, the Commissions delegate most of their administrative functions to DVA.<sup>44</sup>

**1.19** The Commissions also draw on the assistance of volunteer Education Boards in each state.<sup>45</sup> Board members may be nominated by ex-service organisations, education institutions or the department. They are typically experienced educationists or counsellors who are personally interested in, and able to contribute to, the educational welfare of eligible students in the veteran community.<sup>46</sup> The Boards are empowered to perform the following functions:

- provide and arrange expert guidance to assist students plan their studies;
- assist in supervising the education of primary and secondary students and in monitoring their progress;
- refer students and their families to community welfare, education, guidance and counselling services where appropriate;

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<sup>41</sup> A single orphan is a child who has lost one parent. A double orphan is a child who has lost both parents. Under the VEA and MRCA, single orphans and double orphans are entitled to receive a pension. However, the VCES precludes orphans aged over 16 years from receiving both VCES benefits and an orphan pension. The MRCAETS does not have this preclusion. The VCES has a higher education allowance for double orphans at secondary or tertiary level, but no special allowance for single orphans.

<sup>42</sup> The Veterans' Children Education Scheme came into effect as Instrument 1992 No. 11 under the *Veterans' Entitlement Act 1986* Part VII, Section 117.

<sup>43</sup> The Military Rehabilitation and Compensation Act Education and Training Scheme came into effect as Instrument 2004 No. M4 under the *Military Rehabilitation and Compensation Act 2004*, Division VI, Section 258.

<sup>44</sup> Repatriation Commission, *Annual Report 2010–11*, p. 26. Military Rehabilitation and Compensation Commission, *Annual Report 2010–11*, p. 32.

<sup>45</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.5.

<sup>46</sup> *ibid.* Section 6.2.

- make recommendations to the Commissions on matters relating to the education of the students; and
- deal with all matters in connection with students' education or career training that are referred to them by the Commissions.<sup>47</sup>

**1.20** The Boards do not have their own budget or the power to direct or approve spending. Originally, the Boards exercised delegated power from the Commissions to approve certain benefits. These delegations are now held by DVA. In practice the Boards do not make recommendations directly to the Commissions, but to DVA, which acts for the Commissions.<sup>48</sup>

## Funding

**1.21** The Schemes are demand driven, as all children who meet the eligibility criteria are legally entitled to certain benefits. Although benefit expenses are generally not under the control of DVA, the program is cash limited as it is funded through an annual administered appropriation.

## Audit objective, scope and criteria

**1.22** The audit objective was to assess the effectiveness of DVA's administration of the veterans' children education schemes.

**1.23** The scope of the audit was the administration of the VCES and MRCAETS, including the assessment of student eligibility. It did not include the departmental processes for assessing veterans' service related disabilities or cause of death. Further, the audit did not examine the Long Tan Bursary Scheme as it is administered by the Australian Veterans' Children Assistance Trust on behalf of DVA. Four high level criteria were used to assess the effectiveness of DVA's administration of the Schemes:

- DVA has established a management framework to administer the Schemes;

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<sup>47</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 6.5; Military Rehabilitation and Compensation Act Education and Training Scheme 2004 Instrument 2004 No. M4, Section 6.5.

<sup>48</sup> Most Boards have secretariat services provided by a departmental officer who is appointed as the Secretary to the Veterans' Children Education Board. The VCES Secretary also manages claims processing in his or her state office. Since a departmental restructure in 2008, the remaining VCES Secretaries have been responsible for students in more than one state.

- DVA raises awareness of the Schemes' compensatory entitlements in the catchment population and accurately assesses eligibility for the Schemes;
- DVA accurately processes claims, pays benefits and arranges client services; and
- DVA reports the Schemes' performance and evaluates the extent to which the Schemes are achieving their objectives.

**1.24** The audit methodology included:

- reviewing relevant documentation, including legislation, briefings, policies, procedures, reports and correspondence;
- interviewing DVA management and staff, and members of the Boards;
- obtaining extracts from relevant databases to conduct an analysis of service delivery, management reporting and data accuracy;
- substantively testing a selection of applications and benefit claims to verify eligibility assessment and benefit processing procedures; and
- consulting with stakeholders, including the Vietnam Veterans Association and the Partners of Veterans Association.

**1.25** Field work was conducted between May and September 2012 in DVA's national office in Canberra, and in DVA's location offices in Brisbane, Adelaide and Hobart.

**1.26** The audit was conducted in accordance with ANAO's auditing standards at a cost of \$360 653.

# Report structure

1.28 The findings are reported in three chapters, as shown in Table 1.2.

Table 1.2

Structure of Chapters

No.	Chapter	Description
2	Delivery of client services	Examines DVA’s processes for delivering services to clients, including management arrangements, rules and guidance, promoting awareness of the Schemes, assessing eligibility, service delivery and processing systems.
3	Advising clients and stakeholders	Examines DVA’s processes for providing advice to clients and stakeholders, including the Commissions, and processes for supporting service delivery staff who provide client advice.
4	Reporting and evaluation	Examines DVA’s reporting and evaluation of the Schemes, including the performance reporting framework, internal reporting and evaluation of the Schemes.

Source: ANAO

## 2. Delivery of Client Services

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*This chapter examines DVA's processes for delivering services to clients, including management arrangements, rules and guidance, promoting awareness of the Schemes, assessing eligibility, service delivery and processing systems.*

**2.1** DVA is responsible for providing or arranging services for students registered to receive assistance under the Schemes. Under legislation, the purpose of the Schemes is to provide the following services: financial assistance; student support services; and guidance and counselling, including visits to country students.<sup>49</sup> Student services are delivered primarily through state-based business units working in conjunction with volunteer Education Boards, which draw on support from other areas of the department.

**2.2** The Schemes are a small and long-established element of DVA's operations. Within a departmental workforce of around 2000 employees as at 30 June 2012<sup>50</sup>, eight to nine state-based staff had direct responsibility for administering the Schemes, mainly through claim processing and liaison with clients and the Education Boards.

**2.3** This paper examines the arrangements that DVA has used to administer the Schemes, including:

- establishing a management framework and business rules;
- promoting awareness of the Schemes;
- assessing eligibility;
- delivering different forms of benefits; and
- developing systems to process claims and payments, including compliance monitoring and departmental business support processes.

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<sup>49</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4., 4.1.3. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4., 4.1.3.

<sup>50</sup> Department of Veterans' Affairs, *Annual Report 2010–11*, p. 55.

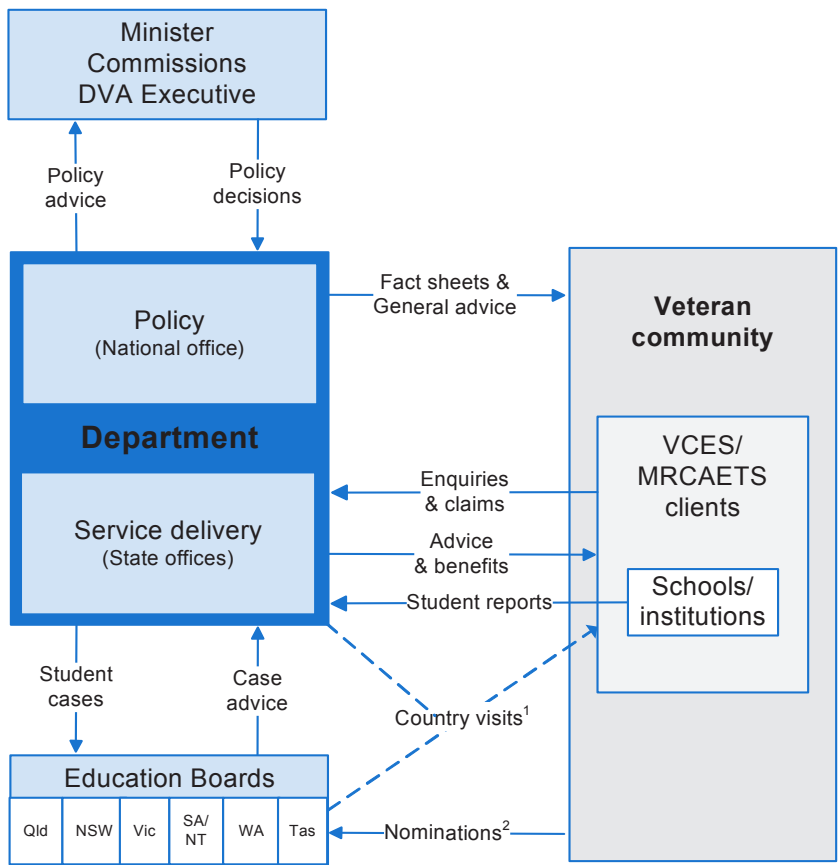
# Management framework

## Key roles and relationships

2.4 The Schemes’ client services are delivered by DVA business units in Brisbane, Adelaide and Hobart, which liaise with clients, assess eligibility, process claims, monitor students’ progress and consult with the Education Boards.<sup>51</sup> The key stakeholder relationships are shown in Figure 2.1.

Figure 2.1

## Key stakeholder relationships



Source: ANAO analysis.

Note 1: Country visits have been largely discontinued since 2007–08.

Note 2: Members of the Education Boards are also nominated by education institutions and DVA.

<sup>51</sup> Policy advice on the Schemes is handled by a branch in DVA's national office. The policy branch's role in providing advice to stakeholders is examined in Chapter 3.



**2.5** The Queensland Deputy Commissioner (DC)<sup>52</sup> has national oversight of the Schemes' service delivery. The Queensland DC's Executive Officer coordinates the three state-based business units to deliver services to students across Australia. Each business unit is managed by a DVA officer who is appointed to the position of Secretary to a Veterans' Children Education Board. These VCES Secretaries, located in Brisbane, Adelaide and Hobart, review student cases and prioritise their referral to the Education Boards.

**2.6** The organisational structure allows for coordination between the three state-based business units to deliver the Schemes' services nationally, and a direct link between service delivery staff and the Education Boards and clients. The state-based business units depend on the predominantly national office managed policy and business support areas for support services, such as policy advice and IT support. There is scope to improve the effectiveness of some of the Schemes' business support services, which is discussed throughout the following chapters.

## Planning processes

**2.7** At the start of the audit DVA advised the ANAO that there was no strategic plan, business plan, risk management plan, communication strategy or evaluation plan<sup>53</sup> for the Schemes. However, in October 2012, the Queensland Executive Officer prepared a business plan incorporating a risk assessment for the Schemes' service delivery. The business plan identified three strategic priorities for 2012–13:

- delivering quality services to all students on the Schemes;
- ensuring that all available information is supplied to students and their families so they can make informed decisions regarding Family Tax Benefit (FTB) payments; and
- ensuring that all eligible students are aware of entitlements and receive appropriate entitlements.

**2.8** While the business plan identifies three important priorities for the Schemes, the business planning process would be strengthened by consultation with the Education Boards and VCES Secretaries about the

<sup>52</sup> The Queensland DC is primarily responsible for managing DVA service delivery to Queensland veterans and their families.

<sup>53</sup> Performance reporting and evaluation arrangements are discussed in Chapter 4.

strategic priorities for the Schemes, and how these will be achieved. As the interaction between veteran compensation entitlements and the social security system is complex, as discussed in Chapter 3, the department needs to have a coordinated strategy to effectively advise clients and deliver services.

**2.9** The Schemes' service delivery staff have expert knowledge of the Schemes' benefits, but not necessarily entitlements provided by other agencies. In November 2011, the policy branch discovered that for several years some eligible students may have been financially better off under social security arrangements rather than the Schemes. The business units rely on advice from the policy branch about the interaction of other benefits, including FTB, with the Schemes, which in turn relies on advice from other agencies. To provide appropriate advice and support to clients, it is important for the policy branch to provide service delivery staff with relevant and timely information. The Schemes' business planning process would be further improved by including the policy branch and business support areas, in order to seek their input on their respective areas of responsibility in achieving the Schemes' priorities and managing risks to the Schemes' performance.

## **Rules and guidance**

**2.10** To support client service delivery, it is important that DVA develops and promulgates clear rules and appropriate guidance for staff to administer the Schemes.

### *Legislative instruments*

**2.11** The Schemes' legislative instruments establish key requirements for service delivery, including the:

- assessment of eligibility;
- payment and indexation of education allowances;
- conditions for additional tuition and special financial assistance;
- provision of guidance, counselling and visits to country students;
- the role of state Education Boards in assisting students; and
- scholarship rules.

**2.12** Although parts of the enabling legislation are complex, the instruments establish a sound framework for administering the Schemes. The ANAO confirmed that the instruments are publicly registered on the Federal Register of Legislative Instruments, which provides transparency to clients.<sup>54</sup>

### *Policy manual*

**2.13** DVA's policy branch has prepared a policy manual for the use of delegates investigating and determining claims under the Schemes. The manual provides guidance, explanation and practical examples to support administrative decision-making for different types of claims and client circumstances. It is a comprehensive document that accurately reflects the relevant provisions of the VEA and MRCA and the Schemes' legislative instruments. The legislative instruments and the policy manual promote a uniform standard for state-based decision makers. The manual is accessible to staff from DVA's intranet.

### *Procedural manual*

**2.14** In 2007, the Schemes' procedural manual<sup>55</sup> was updated by incorporating reference to MRCAETS and procedures relating to the then new IT system for registering veterans and eligible children. The revised procedural manual comprised a detailed set of procedures for processing applications and claims for benefits. It included:

- the purpose, process and frequency of key tasks performed by processing staff;
- detailed instructions for processing new applications, variations, suspensions, cancellations, overpayments and restoration of benefits;
- a calendar for the major mail-outs to clients and education institutions during the academic year;
- scheduling and organisation of Board meetings; and
- key performance indicators for over two dozen tasks.<sup>56</sup>

<sup>54</sup> The Federal Register of Legislative Instruments is available at: <<http://www.comlaw.gov.au/Browse/Results/ByTitle/LegislativeInstruments/Current/Ve/>> [accessed 27 November 2012].

<sup>55</sup> Department of Veterans Affairs, *Veterans' Children Education Scheme Procedures Manual*, 4 July 2002.

<sup>56</sup> Department of Veterans Affairs, *Procedural Manual Veterans' Children Education Scheme (VCES) and Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS)*, July 2007.

**2.15** This manual, however, was not formally promulgated and most service delivery staff interviewed during the audit were unaware of its existence. In the absence of a procedural manual, staff in each state have developed a range of checklists to assist with processing. The checklists differ between locations and there is no national template. In contrast, documented national procedures help to standardise processing across different states and facilitate business continuity, particularly where processes are cyclical and may be performed infrequently. The ANAO suggests that DVA updates and re-instates the Schemes' procedural manual to support client service delivery.

### *Service delivery standards*

**2.16** The former procedural manual included detailed service standards and targets for the Schemes' client service delivery. DVA currently has a departmental Service Charter that outlines: clients' general rights; how to provide feedback or lodge a complaint; client responsibilities; rights to review; staff service standards; and departmental values. The Charter is a broad statement of the values and ethical standards expected of departmental staff; however, there are no specific standards or requirements for the Schemes. As suggested in paragraph 2.15, the re-instatement of the Schemes' procedural manual would largely overcome the gap in service delivery standards.

## Promoting awareness of the Schemes

### **Catchment population**

**2.17** A formal application must be lodged with DVA in order for students to receive assistance under the Schemes. As the Schemes are a form of compensation, it is important that DVA raises awareness of the Schemes in the eligible population. Eligibility for the Schemes is not open to all veterans' children, but restricted to a subset of the veteran population. The child must be, or have been, the dependent of:

- a veteran who is severely disabled or deceased as the result of military service; or
- a former Australian prisoner of war who is now deceased; or
- a Vietnam veteran and the child is diagnosed with a depressive disorder or assessed as vulnerable; or
- a deceased veteran with operational service whose death was not war caused and the child has lost their other parent.

**2.18** DVA indicated that although there was no documented communication strategy for the Schemes, veteran families are advised of the Schemes when a veteran qualifies for a pension for severe disability, or when his or her death is accepted as service related. DVA has also commenced a project using a service coordinator to follow up all widow(er)s of former Australian Defence Force (ADF) members who died in service after 1999, to ensure that they are aware of their entitlements, including benefits for their children. In addition, DVA's website has factsheets on the Schemes that outline the benefits and eligibility requirements.

**2.19** Notwithstanding these measures to raise awareness of the Schemes in the eligible population, key stakeholders advised the ANAO that the effectiveness of the current measures is limited for the following reasons:

- at the time of qualifying for a pension, severely disabled veterans or bereaved families often receive large amounts of information that they may not fully process at the time;
- not all families have internet access, and those who do would be unlikely to access the Schemes' factsheets unless they were already aware of the Schemes;
- Vietnam veterans' children and the children of deceased veterans who have lost their other parent, will not necessarily be contacted through these avenues; and
- the range of benefits available under the Schemes and their interaction with other entitlements is not well understood outside the Schemes' service delivery staff.

**2.20** To more precisely target communication at families with eligible children who may not be receiving assistance under the Schemes, there is scope for the department to draw on information in existing databases.

*Targeting communication at families with eligible children*

**2.21** DVA databases contain important information on veteran eligibility and dependents. Notably, they include: indicators for different levels of disability; deaths accepted as war caused; and details of participation in conflicts, including Vietnam service. The databases also contain records of dependent children.

**2.22** The ANAO obtained extracts of these databases, and compared them to the records of students registered for assistance under the Schemes. There were

over 11 200 veterans' children between the age of five and 25 years, compared to 2899 students receiving assistance from the Schemes as at 30 June 2012.<sup>57</sup> As many older children may no longer be in full-time education, the ANAO confined the analysis to children aged below the minimum school leaving age (17 years).

**2.23** There were 2539 veterans' children aged between five and 15 years old in July 2012, and of these, at least 1757 children, or 69 per cent, had eligibility for assistance under the Schemes based solely on a veteran parent being severely disabled or deceased from war causes.<sup>58</sup> Of the 1757 eligible children, 1325 children, or 75 per cent, are receiving or have received assistance under the Schemes since 2007. This result indicates that around 25 per cent of eligible children (432) of deceased and severely disabled veterans have not received assistance under the Schemes.

**2.24** It is possible that some veteran families are aware of Schemes, but choose not to exercise their entitlements. Nonetheless, given that departmental databases provide a means to target communication to veteran families with eligible children who are not receiving assistance<sup>59</sup>, it would be possible for DVA to contact these families directly to ensure that they are aware of their entitlements.

**2.25** DVA advised that 66 children in the ANAO sample had the same date of birth (21 February 1999), which was likely to be incorrect due to the implementation of a new computer system on that day. DVA will need to establish the correct date of birth for these children in order to determine whether they were eligible or not. DVA further advised the ANAO that:

Of the cases examined so far:

- 30 children are not eligible for the scheme;
- 24 children are already on the scheme;
- 4 children are eligible but have never claimed; and

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<sup>57</sup> Department of Veterans' Affairs, *Annual Report 2011–12*, p. 128.

<sup>58</sup> This does not include the number of children with potential eligibility as dependents of Vietnam veterans, or of deceased veterans with operational service whose death was not war caused.

<sup>59</sup> DVA could build on the ANAO's analysis and further interrogate its databases to obtain information about the take-up rates for assistance under the Schemes, and the effectiveness of departmental communication strategies for raising awareness of the Schemes in the veteran community.

- 8 children are starting school this year and DVA is awaiting their claims.

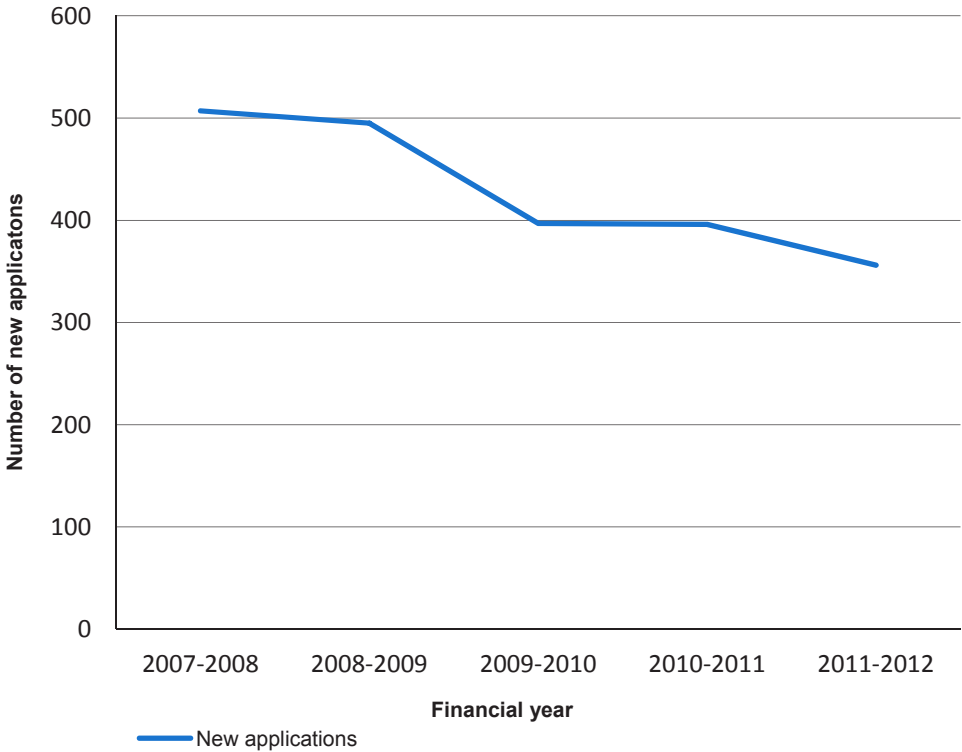
Service delivery will examine all the remaining cases and will contact any clients with eligibility for the scheme. After examining the data supplied by the ANAO, DVA will obtain a report of all clients with eligibility for the schemes from 01/07/12 to 31/12/12 to follow up regarding the schemes. These reports will then be obtained on a 4 monthly basis.

### Assessing eligibility

**2.26** The number of new applications for assistance under the Schemes per year has declined from about 500 in 2007–08 to about 350 in 2011–12, as shown in Figure 2.2. DVA advised that the number of new applications is expected to level off as the Afghanistan deployment ends.

**Figure 2.2**

**Number of new applications per year 2007–08 to 2011–12**



Source: ANAO analysis of DVA data.

**2.27** The assessment of eligibility for assistance under the Schemes is potentially complex, involving the checking of multiple categories of veteran death and disability. The Education Assistance Service (EAS) is DVA's system for assessing student eligibility and processing the most common types of benefits provided under the Schemes, including education allowances, tertiary scholarships and rent assistance.<sup>60</sup> Before the introduction of the EAS in April 2007, staff manually assessed student eligibility by checking veteran details in departmental databases, and applying their knowledge of the Schemes' rules to make a determination. The EAS was designed to automate the assessment of student eligibility and thereby reduce the risk of processor error in determining eligibility.

**2.28** However, since EAS was implemented, processing staff continue to determine student eligibility by checking veteran details in a separate IT system before entering student details into EAS. Processing staff informed the ANAO that they did not want ineligible students to be recorded in EAS because they believed that it could compromise the integrity of the EAS database.

**2.29** While it is appropriate to screen applications for accuracy and completeness, to continue to manually pre-assess student eligibility reduces the efficiency of administration, due to double-handling, and undermines the effectiveness of the automated system. In effect, EAS is being used to confirm the eligibility of students who have already been assessed as eligible by staff. If a processor has incorrectly assessed a student to be eligible, EAS will identify the error, and reject the application. However, if a processor incorrectly assesses a student as ineligible, the students' details are not entered into EAS, and consequently the error is less likely to be rectified.

## **Application tracking**

**2.30** A DVA internal audit conducted in 2010 reported that the timeliness of claim acknowledgement and processing was not being actively monitored:

There was no consistent procedure for monitoring outstanding student applications. Responsibility lies with the team leaders in each state to ensure

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<sup>60</sup> The information technology systems used to administer the Schemes are discussed later in this paper.



that applications are being tracked. EAS has no facility for tracking outstanding applications.<sup>61</sup>

**2.31** Monitoring contributes to the achievement of timeliness targets, such as the departmental requirement to acknowledge client applications within 28 days.<sup>62</sup> In the course of the audit, the Executive Officer advised the ANAO that he has implemented an Excel spreadsheet on the department's intranet for national tracking and monitoring of VCES and MRCAETS applications. If used consistently, this new approach will assist in monitoring the progress of outstanding applications, and enable an assessment of performance against the 28 day target. Notwithstanding this improvement, it would be preferable to develop functionality within EAS, if cost-effective, to record and monitor applications from the time they are received. An effective monitoring system would also identify any incomplete documentation, departmental action to date and scheduled follow-up.

## Unsuccessful applications

**2.32** If the department decides not to approve an application, the applicant is advised in writing of the reasons and given the opportunity to request a review. Some DVA state business units keep a manual record of unsuccessful applications. However, EAS is not used to document unsuccessful applications, and the delegate's reason/s for declining the application. It would be preferable to implement a uniform national system for documenting unsuccessful applications, if cost-effective, including the reasons supporting the delegate's decision, to allow management review of unsuccessful applications.

**2.33** To support the effective assessment of eligibility for the Schemes, there would be merit in DVA investigating the feasibility and cost-effectiveness of: eliminating manual processing of eligibility; monitoring the progress of applications through EAS; and documenting unsuccessful applications in EAS, including the reasons supporting the delegate's decision to decline the application.

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<sup>61</sup> Department of Veterans' Affairs, *Internal Audit Services Final Report Veterans' Children's Education Assistance & Support 2010–11 #7*, November 2010.

<sup>62</sup> Department of Veterans' Affairs, *Service Charter*, published 2006.

## Service delivery

**2.34** The purpose of the Schemes is to provide the following three forms of assistance to children who have been assessed as eligible:

- financial assistance;
- student support services; and
- guidance and counselling.

**2.35** In addition, the Schemes' legislative instruments make provision for specific benefits comprising: education allowances; rent assistance; tertiary scholarships and fares allowance; additional tuition; special financial assistance; expert educational guidance, supervision and monitoring by the Education Boards; and referrals to community services where appropriate. In states where a significant proportion of the state's beneficiaries live outside the capital city, the legislative instruments specify that country visits should be made to ensure that these students have contact with the Schemes.

**2.36** The legislative instruments do not assign individual benefits to any of the three main categories of assistance provided by the Schemes. However, for reporting purposes below, the ANAO has grouped various benefits under the three main categories of: financial assistance, student support services, and guidance and counselling.

### Financial assistance

**2.37** The Schemes provide financial assistance to students or their parents and guardians through the payment of education allowances, scholarships and other benefits. More recently, the Schemes' clients became eligible for a range of special payments, which are also available under social security arrangements. As shown in Figure 1.1 in Chapter 1, financial assistance represents the major administered cost item for the Schemes, representing some 98 per cent of total administered costs in 2011–12. A summary of the financial assistance provided under the Schemes is shown in Table 2.1.

**Table 2.1****Financial assistance provided under the Schemes**

Payment type	Benefit
Regular payments	<ul style="list-style-type: none"> <li>• Primary education allowance</li> <li>• Secondary education allowance</li> <li>• Tertiary education allowance</li> <li>• Rent assistance for students required to live away from home</li> <li>• Tertiary start-up scholarship</li> <li>• Tertiary relocation scholarship</li> <li>• Tertiary fares allowance</li> </ul>
Special payments	<ul style="list-style-type: none"> <li>• Education Tax Refund Payment</li> <li>• Schoolkids Bonus</li> <li>• Clean Energy Advance</li> <li>• Clean Energy Supplement</li> </ul>

Source: ANAO analysis.

**2.38** Regular payments are processed by the Schemes' service delivery staff. The first of the special payments, the Education Tax Refund Payment and Clean Energy Advance, were not paid until June 2012 and are outside the scope of the audit. The ANAO examined a sample of 32 students to assess DVA's delivery of financial assistance, including the accuracy of eligibility assessment, claim processing and payment of benefits. The sample was based on students who received the highest number of individual payments from July 2008 to June 2012, with a total of 500 payments being made to these students.

**2.39** A detailed examination of student records and the documentation supporting the payments showed that in each case, the claim had been accurately processed and documented. There was no evidence of inaccurate assessment of eligibility, processing of claims, or payment of benefits in the sample.

#### *Testing non-payment of scholarships*

**2.40** A previous internal audit had identified a case of non-payment of a scholarship to an eligible student in a sample of 23 payments. To investigate the prevalence of this type of error, the ANAO obtained data extracts from the DVA databases in order to identify tertiary students who had not been paid a start-up scholarship since 2010, when the administration of tertiary scholarships for VCES and MRCAETS students was transferred from the

Department of Education, Employment and Workplace Relations (DEEWR) to DVA. A summary of the results of ANAO testing is presented in Table 2.2.

**Table 2.2**

**Tertiary students not receiving a start-up scholarship**

Student categories	Students
Number of tertiary students enrolled in TAFE courses ineligible for scholarships	537
Number of students who discontinued study before scholarship became payable	87
Course incorrectly coded as a university course instead of TAFE course	20
DVA payment records with incorrect match to student database	4
Student database shows that scholarship was paid but not by DVA payment system	3
Number of students receiving Commonwealth Education Costs scholarship	15
Total number of tertiary students apparently not receiving start-up scholarships	666

Source: ANAO analysis.

**2.41** The ANAO found no evidence of eligible tertiary students not receiving a start-up scholarship since 2010. Of the 666 records examined by the ANAO, 557 students, or 84 per cent of students identified by the analysis, were enrolled in TAFE courses, which although classified as tertiary, are not approved courses for the purposes of paying start-up scholarships. Most of the remaining students were not eligible to receive a start-up scholarship from DVA because they had discontinued their course or they had received an equivalent scholarship from DEEWR. Similar results were obtained from an analysis of tertiary students living away from home, who had apparently not received a relocation scholarship.

**2.42** In all cases investigated by ANAO, DVA's payments to eligible students were processed accurately, and in accordance with the Scheme's rules. The audit did not identify any case in the sample examined of an inaccurate or missed payment to an eligible student.

## Student support services

**2.43** The Schemes provide student support services in the form of payments for additional tuition and special financial assistance.<sup>63</sup> These services are only available in certain circumstances and require clients to submit a separate claim to DVA, which the VCES Secretary usually refers to the relevant Board for their advice. DVA has the power to approve or decline the claim.

### *Additional tuition*

**2.44** The Schemes support additional tuition for eligible students where an education authority<sup>64</sup> has established that a discrepancy exists between the student's intellectual potential and actual academic achievement. The department has a restrictive policy on access to additional tuition:

Additional tuition is intended to provide short-term assistance to students who are struggling in their studies where their usual performance has been hindered by circumstances beyond their control... Additional tuition is not intended to be used to provide tutoring to students to enable them to produce a higher level of result than would normally be expected. Additional tuition is also not intended to assist students who have never shown a particular aptitude in a subject to improve their results in that subject.<sup>65</sup>

**2.45** The additional tuition is generally arranged by the student's family, and DVA pays the tutor or service provider directly. In 2011–12, the total cost of additional tuition was \$270 633, or 1.7 per cent of the total cost of benefits, assisting an estimated 390 students.

### *Special financial assistance*

**2.46** Special financial assistance is usually not a payment to a student or parent, but a form of student support whereby DVA pays a provider or supplier for a service or special equipment to assist a student in exceptional circumstances. In 2011–12 special financial assistance was granted for: speech therapy classes; computer equipment to assist with learning difficulties; learning aids; specialist consultations; and school excursions where non-attendance would have hindered students' educational progress.

<sup>63</sup> The Schemes also provide a range of student support services not involving financial payments. These are reported in the following section under 'guidance and counselling'.

<sup>64</sup> The Schemes' policy manual identifies the relevant education authority as the school, university or other educational institution where the student is currently undertaking study.

<sup>65</sup> Department of Veterans' Affairs, *Education Schemes Policy Manual*, Section 5.2 (unpublished document, undated).

In 2011–12, the total cost of special financial assistance was \$27 758, or less than 0.2 per cent of the total cost of benefits, assisting 23 students.

**2.47** The cost of student support services is less than two per cent of the total benefit costs, assisting just over 400 students, or 11 per cent of students, mainly through payment for additional tuition.

## **Guidance, counselling and country visits**

**2.48** Under the Schemes' legislative instruments, a key design element of the Schemes is the establishment of volunteer Education Boards in each state to oversight the education of eligible students.<sup>66</sup> The Boards include qualified and experienced educationists and counsellors who are personally interested in, and able to contribute to, the educational welfare of students. In practice, the Boards rely on referrals and administrative support from DVA to perform the following functions:

- (a) providing and arranging expert guidance to assist students in the planning of their studies;
- (b) assisting in supervising the education of primary and secondary students and in monitoring their progress;
- (c) referring students and their families to community welfare, education, guidance and counselling services where appropriate; and
- (d) visiting country students to ensure they have contact with the Schemes.<sup>67</sup>

### ***Student monitoring and review***

**2.49** Since the number of VCES Secretaries was reduced from six to three in 2007–08, the capacity of the six state-based Education Boards to monitor and review student progress has reduced. In the past, the Boards relied on a VCES Secretary in each capital city to gather information about the circumstances of students in each state. VCES Secretaries would seek information from a variety of sources: by direct contact with students and their families; from schools; and by tracking students through the Schemes' databases. The Boards used this information to tailor support to the needs of each student.

**2.50** With the implementation of a new IT processing system for the Schemes, the Education Assistance Service (EAS), in April 2007, the

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<sup>66</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4.1 Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.1.

<sup>67</sup> *ibid.*, Section 6.5.2. and Section 4.1.3.

department had anticipated a reduction in the Schemes' administrative processing workload. The EAS system automated some of the Scheme's manual processes, such as eligibility assessment and payment of education allowances. The EAS was planned to incorporate a management information system that would replace the six independent state-based databases, used to record students' benefits and track their case histories.

**2.51** In anticipation of these changes, the Schemes' staffing was reduced and consolidated into three locations: Brisbane, Adelaide and Hobart. However, the EAS was part of a larger Social Enterprise Management system that eventually was only partially implemented. Consequently, key functionality, including the ability to make direct payments to clients and third parties, and the EAS management information system, was not implemented.

**2.52** While EAS has provided a nationally consistent approach to assessing client eligibility, the manual processing workload has not significantly reduced. In particular, the previous state-based databases used to identify students entering and exiting the Schemes, and track their case histories, were discontinued without being replaced by a national management information system. This has impacted on the capacity of the Boards to monitor and review students' educational progress. In the words of a key stakeholder: '... under the old system we knew who our students were ...'.

**2.53** DVA continues to monitor the academic progress of primary and secondary students by seeking a student report from each school in late March to early April each year. The VCES Secretaries review the responses, and if academic progress or attendance is unsatisfactory, investigate the case further, subject to their processing workloads. The more difficult cases are prioritised for referral to the Education Board for consideration and advice.

**2.54** While DVA's annual survey helps to monitor students' progress, key stakeholders consider that the survey does not replace the Schemes' former administrative arrangements. Prior to 2007–08, in addition to seeking school reports, the VCES Secretary in each state sought direct contact with students and their families to identify students' individual circumstances. In some states, contact was by telephone, while other states convened workshops or arranged school or family visits in conjunction with Board members. This process often identified issues that schools were unaware of, such as difficult home conditions. As one stakeholder informed the ANAO:

Allowances could be made for families who'd made their circumstances known to VCES or the Board. It's a lot harder to summon compassion for a

student [with repeated] truancy from school, than when one has been told by the student's mother that Johnny gets beaten regularly by his father. It was clear from feedback received that parents in remote places very much appreciated this face-to-face contact by the department. Parents who had this service in the past have since phoned to ask why we've stopped visiting.

**2.55** Based on a personal knowledge of students, the Boards and VCES Secretaries worked closely with schools to channel the full range of support services offered by the Schemes and the school system to assist students. However, current administrative practice generally relies on schools to monitor and review students, and to report any problems to DVA in an annual survey. Since 2007–08, most Boards have reviewed less than five per cent of student cases per year.

### *Guidance and counselling*

**2.56** The Schemes provide access to guidance and counselling for all eligible students. Student guidance and counselling may be at the request of: the student; the student's parent, guardian or trustee; the school principal; and in all cases, at the discretion of the Commissions. The Boards may provide or arrange expert educational guidance for students. DVA does not currently maintain data on the number of students provided with guidance and counselling. A case study of a student assisted by the Schemes' guidance and counselling services is presented in Table 2.3 below.

**2.57** Although some Boards include professional psychologists, students requiring psychological counselling are generally referred to DVA's Veterans' and Veterans' Families Counselling Service (VVCS), or a private provider. The VVCS advised the ANAO that they prefer families or individuals to initiate contact for assistance, rather than follow up referrals from other sources.



Table 2.3

**Case study: VCES guidance and counselling****Case Study****VCES intervention for a disengaged student**

*The VCES/MRCAETS offers all students guidance and counselling at the request of the student, parents, school principal, or at the discretion of the Commissions. In this case study<sup>1</sup> a veteran father contacted the VCES Secretary with concerns about his son's poor performance at school. It is written from the viewpoint of the VCES Secretary.*

In 2005 the VCES Secretary received a call from Mr Smith, a veteran, who was very concerned about his teenage son, John. John was performing poorly at school, being inattentive and disruptive in class, skipping classes and failing to complete work or submit work on time. The VCES Secretary arranged an interview for John and Mr Smith with Mr Graham Gates, a long standing Education Board member and experienced TAFE teacher and student counsellor.

Graham carefully listened to Mr Smith and signalled his understanding of the father's concerns. He then explored the reasons for John's behaviour by talking with John about his future aims and plans. It became clear that John was not motivated to study. John had exceptional athletic talent, and wanted to pursue a career as a professional athlete. John was under the impression that formal education and training had no relevance to his dream of sporting achievement. Graham was able to develop a connection with John, acknowledging his abilities and encouraging his aspirations. Recognising John's intellectual potential, Graham helped John realise that his interests would be best served by succeeding across all his endeavours. Graham provided guidance by showing John how to investigate different career options; explaining organisational skills and techniques to complete school work to a high standard; discussing time management—including the need to schedule time not just for study but also for recreation and family time; and planning for the future by providing information regarding vacation study opportunities and tertiary entry requirements. The VCES Secretary provided information on: the forms of support available through the VCES such as additional tuition and special financial assistance; workshops and seminars with Board members for students and their families; and financial support options for higher study.

This was the beginning of an ongoing relationship of mentoring and support between the VCES team and John and his family. In January 2013, Mr Smith personally visited the VCES Secretary to thank DVA and the Board for their assistance to his son. On completing Year 12, John was accepted for officer training at the Australian Defence Force Academy. After graduating, John was posted to East Timor, where he reached the rank of Lieutenant. He was currently in town visiting his family prior to deployment to Afghanistan, where he would be a Captain leading his own platoon. Mr Smith said that without VCES guidance and counselling, and particularly the mentoring role of Board members, John would not be where he is today.

Source: DVA information.

Note 1: Names have been altered for privacy reasons.

***Student outreach and country visits***

**2.58** In addition to monitoring the progress of each eligible student, until 2007–08 some Education Boards conducted an outreach program for students living outside capital cities. Board members accompanied by a VCES Secretary would arrange school or family visits. The following quote was representative

of the stakeholder feedback provided to ANAO on the benefits to students of the Boards' visits:

School visits are an opportunity for the Secretary and Board to ensure that students are receiving and aware of benefits available to them under the Schemes. It is also a good opportunity to identify if a student needs assistance in the form of additional tuition or special financial assistance or guidance and counselling. Students are reluctant to provide information by phone, however, [they] are more forthcoming with information in a face to face situation. Many students do not inform the educational institution of difficulties they are experiencing at home because they do not wish to bring that problem to the school—going to school for them is an escape from the problem at home. School visits are particularly useful for students in their last year of primary and last year of secondary education. The opportunity is there to identify any difficulties the student is experiencing, and provide some assistance before the student moves on to the next level of education.

**2.59** In some cases, the Schemes have provided crisis support for students that are homeless or orphaned, by coordinating with other agencies and levels of government on behalf of the student. As Board members themselves are typically experienced educationists or counsellors with insight into the challenges experienced by veteran families, they have, on occasion, played a mediation role when there has been a break-down in the family/school relationship. However, as DVA currently refers less than five per cent of the student population for review by most Boards, they are unable to provide or arrange expert guidance and supervision to the majority of eligible students. In contrast, a relatively broad level of oversight was anticipated in the legislative instruments establishing the Schemes. As outlined in paragraph 2.65, DVA has advised that this misalignment between the legislative instruments and current practice reflects, in part, the capacity of the modern education system to undertake these functions.

Table 2.4

Case study: VCES country visits

Case Study
VCES intervention for a homeless student in remote Australia
<p><i>The VCES rural and remote outreach program aimed to meet all students at least biennially, with students in very remote areas visited annually. Students living in isolated areas were provided with arrangements such as bus travel in order to meet with a Board member and the VCES Secretary at a central location. This case study<sup>1</sup> was written from the viewpoint of a VCES Secretary on a routine outreach visit accompanied by a Board member.</i></p> <p>Jane was a VCES student living in Tennant Creek, Northern Territory undertaking Year 11 studies. When Jane arrived at the meeting we spoke generally about how she was, and then, noting that it was her 16th birthday, we asked if she had had a nice day. Jane said that she was worried because she had nowhere to sleep that night, having slept on friends' sofas in recent nights. Jane explained that she had left South Australia following the breakdown of her relationship with her father. Her father had made arrangements for Jane to move to Tennant Creek to live with her aunt but the relationship with her aunt and uncle had also broken down and Jane was no longer welcome. In response to this information, the Board member and VCES Secretary developed a plan to support Jane. Using his knowledge of the secondary school network, the Board member was able to contact the relevant superintendent of schools in order to put in place some emergency provisions for Jane. The Board member (himself an experienced secondary school principal) and the VCES Secretary alerted Jane's school principal, and together with the school counsellor and home group teacher, initiated a strategy to provide special support for Jane at school. The VCES Secretary contacted the Veterans' and Veterans' Families Counselling Service in Darwin to arrange regular visits for Jane in order to monitor and support her wellbeing. Financial counselling was engaged to help Jane manage her allowance and aid her independence. A community counsellor was engaged to support Jane at the local level. Before Jane left the meeting, the VCES Secretary provided Jane with a prepaid mobile telephone through VCES Special Financial Assistance to enable Jane to contact the network of people that the VCES had organised to assist her while she was homeless.</p> <p>At the end of the afternoon we arranged for a counsellor to meet Jane's return bus to Tennant Creek and take Jane to her emergency housing. Shortly afterwards Jane was provided with long term furnished accommodation. These arrangements remained in place while Jane needed this level of support, with one of the counsellors visiting her home weekly until Jane was able to manage independently. Jane completed Year 11 and continued to Year 12. After successfully completing Year 12, Jane returned to Adelaide and was reconciled to her Dad. This was facilitated by reconnection counselling arranged by the VCES Board. Jane progressed to tertiary studies and then planned to travel extensively.</p>

Source: DVA information.

Note 1: The student's name and location have been altered for privacy reasons.

## *Country visits*

**2.60** The Schemes require visits to students living outside capital cities to be made:

Where a significant proportion of the State's beneficiaries live outside the capital city, country visits should be made to ensure that as far as possible these students have contact with the Scheme.<sup>68</sup>

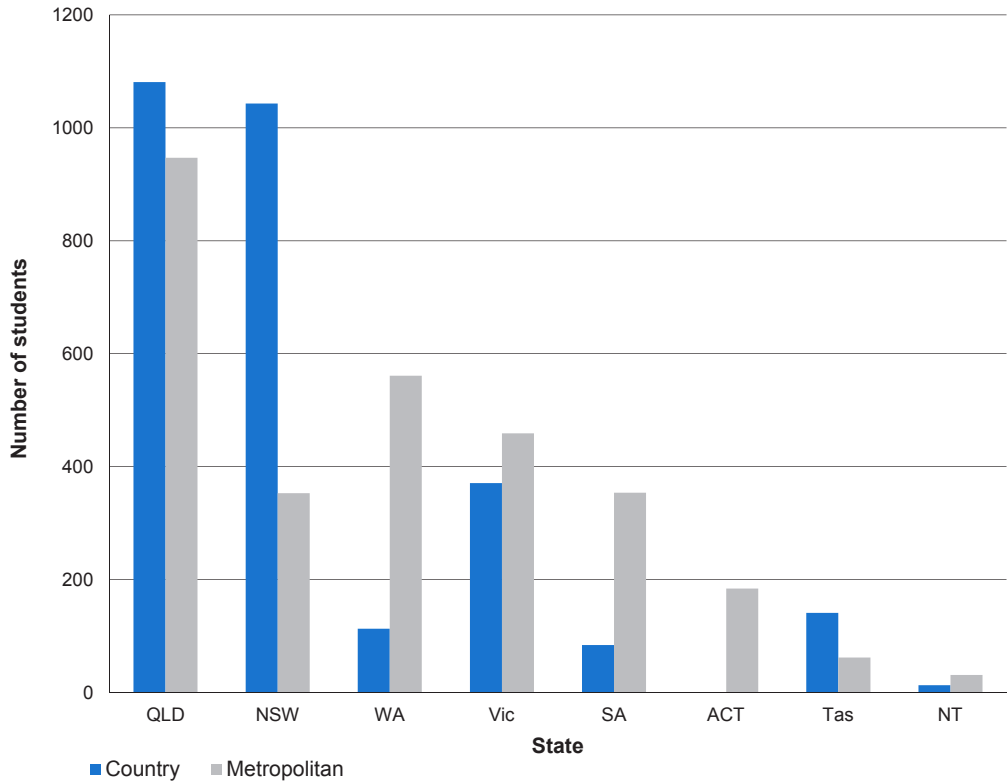
**2.61** The ANAO analysed DVA's records to assess the geographical distribution of students registered for assistance from 2007 to 2012. Using the Australia Post classification system, students were sorted by postcode address into country or metropolitan. The results of this analysis are shown in Figure 2.3. It shows that a significant proportion of eligible students live outside the capital city in many states and territories. Across Australia, 49 per cent of students assisted by the Schemes lived outside capital cities over this period.

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<sup>68</sup> *ibid.*, Section 4.1.3.

**Figure 2.3**

**Relative numbers of country and metropolitan students 2007–12**



Source: ANAO analysis.

Note 1: 'Metropolitan' includes capital cities and their suburbs; 'country' includes regional, rural and remote locations.

**2.62** Since 2006, the Schemes' travel budget has been reduced from about \$40 000 to \$10 000. Although Board members are not paid for their work, they are entitled to reimbursement for travel to Board meetings and country visits. Country visits ceased altogether in Queensland in 2007, and were progressively wound back in Tasmania, Western Australia, South Australia and the Northern Territory, notwithstanding the legislative requirement outlined in paragraph 2.60. In some states, Board members try to maintain personal contact with students by making visits in their region unaccompanied by DVA staff, although this is contrary to DVA's policy requirements.

**2.63** Board members interviewed by the ANAO expressed concern about the lack of resourcing available to enable the Boards to meet their mandate to provide and arrange guidance and support for eligible children, including

through country visits, and assisting in supervising the education of primary and secondary students and in monitoring their progress.<sup>69</sup>

**2.64** While the Boards previously had a higher level of departmental support to perform their functions, and there is a degree of tension between the level of resourcing that they would prefer compared to resources currently available, resource allocation is properly a decision for the department to make, having regard to program priorities.

**2.65** In respect of the current operation of the Schemes, the department advised the ANAO that:

The level of support and assistance provided to students through the modern education system is far superior than it was in 1993 when the current version of the Scheme was drafted. In light of this, DVA acknowledges that the legislative instruments establishing the Schemes need to be reviewed to ensure there is alignment between current program design and legislative policy... The [ANAO] states that Veterans' Children Education Board members are "typically experienced educationists or counsellors". This is not necessarily the case. Out of 54 Board members, 24 are members of Ex-Service Organisations who may not have previous experience in working in an educational setting or suitable to be providing counselling... DVA does not believe that it would be appropriate for Board members to take on the role of providing expert guidance or counselling to eligible students.<sup>70</sup>

**2.66** Nevertheless, there are aspects of the Schemes' administration and current operations that would benefit from review. At a threshold level, there has been a degree of misalignment since 2007–08 between the legislative instruments establishing the Schemes and current administrative practice. As the Schemes have a legislative basis, the misalignment between the relevant legislative instruments and current administrative practice requires attention, a point acknowledged by DVA. As part of the review, there would be merit in DVA considering support arrangements for eligible students in circumstances where local schools may not have the capacity to provide counselling and support.

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<sup>69</sup> Appendix 2 outlines Education Board members' perspectives on DVA's administration of the Schemes.

<sup>70</sup> See paragraph 2.68 and Appendix 3 on the ANAO's analysis of the educational background and qualifications of Education Board members, which indicates that they are typically experienced educationists or counsellors.

**2.67** The ANAO notes that Board members are appointed by the Commissions on the recommendation of DVA. The Schemes' legislation requires that nominations to the Education Boards shall be:

[selected] on the basis of the direct contribution they could make to the VCES in terms of interpersonal skills and educational contacts and relevant educational experience ... [and] personally interested in, and able to contribute to, the educational welfare of eligible students.<sup>71</sup>

**2.68** The ANAO examined the composition of the current Education Boards. Out of 54 Board members, 41 members had tertiary qualifications and professional experience in education and/or counselling. A summary of the qualifications and professional experience of the members of three Education Boards is presented in Appendix 3.

## Recommendation No.1

**2.69** The ANAO recommends that the Department of Veterans' Affairs reviews the Schemes as a basis for advising government on the alignment of current administrative and delivery arrangements with the Schemes' legislative instruments, and concurrently develops an evaluation strategy to establish a basis for assessing the Schemes' effectiveness and opportunities for improvement.

### DVA's response:

**2.70** *Agreed. DVA agrees to review the Schemes and advise government on any changes necessary to align the current administrative arrangements with the legislative instruments. This review will allow DVA to consider a number of aspects of the Schemes given the context of current Government policies across the broader education environment.*

**2.71** *DVA acknowledges that evaluation is a critical aspect of all government programs, providing an opportunity for insight into the effectiveness of the program and opportunities to improve, and will therefore continue to improve its evaluation strategies for the Schemes.*

**2.72** *DVA notes that addressing this recommendation will have resourcing implications, so the scale and timing of both the review and evaluation will need to be assessed within the context of the current financial environment.*

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<sup>71</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 6.2–6.3.

## Working With Children Checks

**2.73** Pre-employment screening of employees and volunteers who come in contact with children is mandatory across most of Australia. All states and territories, apart from Tasmania, require employees and volunteers involved in child-related work to obtain a Working With Children Check or a Police Check. These checks examine the criminal record of the person to confirm that they have not been convicted of, or charged with, certain types of offences. If a person receives a negative notice they must not carry out child related work. There is not yet a national framework establishing a Working With Children Check, and each state and territory has its own requirements.<sup>72</sup>

**2.74** The departmental policy manual sets out the following requirements:

VCES and MRCAETS Board members and staff are required to obtain a Working With Children Check in some jurisdictions as their usual duties may involve, or are likely to involve, contact with children in the form of providing a counselling or other support service... Staff and Board members who have face-to-face contact with minors in more than one State or Territory are required to obtain the relevant clearances from each jurisdiction... VCES Secretaries are required to file copies of the clearances for Board members in their States and Territories of responsibility.

**2.75** The ANAO sought evidence of the clearances for service delivery staff and Education Board members in all states and territories except Tasmania, where checks are not yet mandatory.

**2.76** The department has a system in place for obtaining Working With Children Checks for staff and Board members in Western Australia, South Australia and the Northern Territory, and maintains their currency. In contrast, the Working With Children Checks for staff and Board members in the eastern states have been patchy, with DVA not obtaining Checks for some individuals, while allowing others to lapse. In July 2012, the ANAO sought evidence of Checks for the Schemes' staff and Board members, in accordance with statutory requirements and the requirements of the Education Schemes' Policy Manual. The department did not apply for some Checks until 2013, and evidence of completed Checks for several individuals remained outstanding at

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<sup>72</sup> The Australian Institute of Family Studies, *Pre-employment screening: Working With Children Checks and Police Checks*, available from: <<http://www.aifs.gov.au/cfca/pubs/factsheets/a141887/index.html>> [accessed 11 September 2012].



the conclusion of the audit. There is scope for significant improvement in this area of DVA's administration.

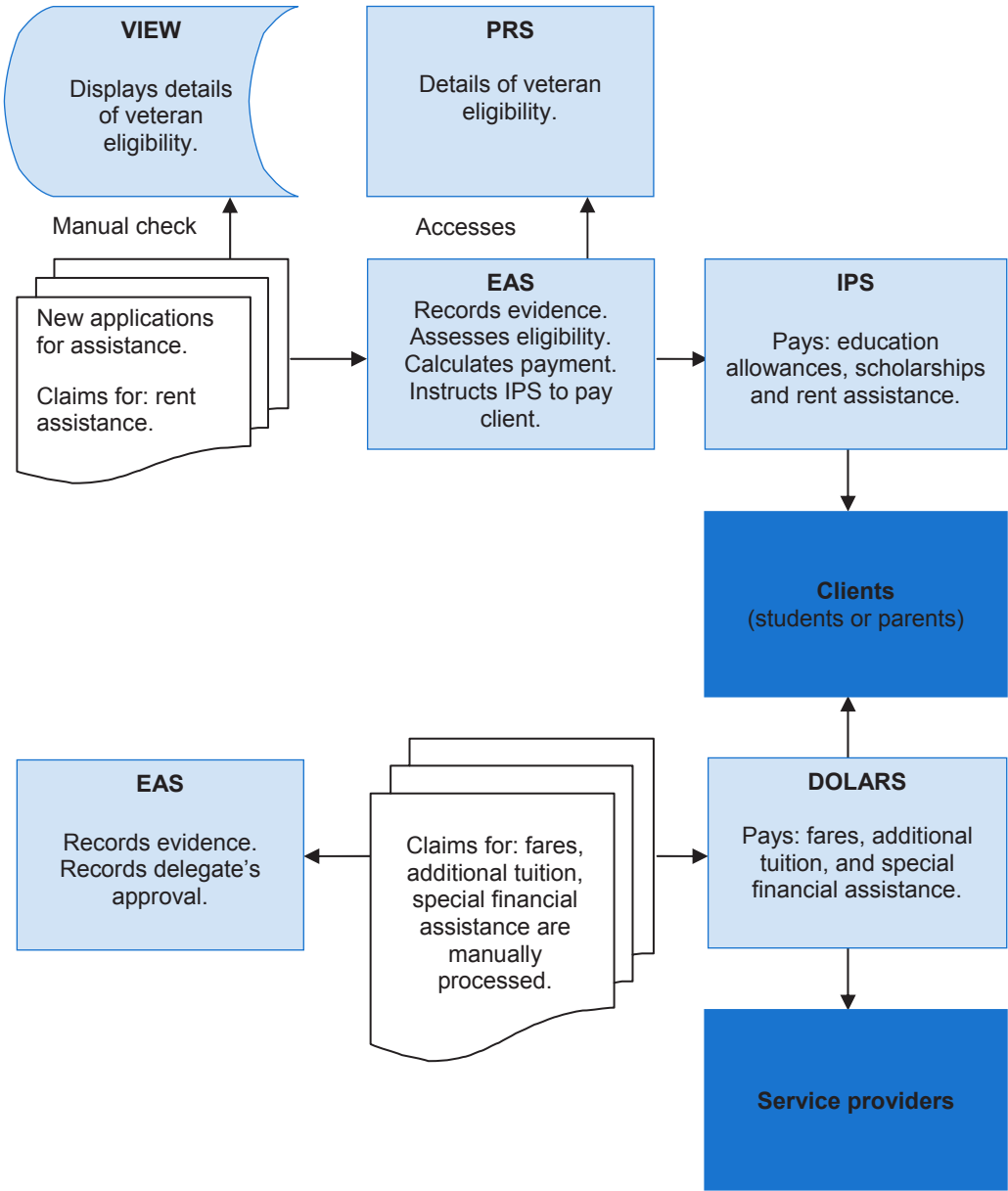
**2.77** In its response to the final report, as presented in Appendix 1, DVA has offered its assurance to the ANAO that the department's responsibilities with respect to meeting the requirements for working with children have now been addressed (with the exception of one still outstanding for a Board member), and will be closely managed in future.

## **The Schemes' processing systems**

**2.78** The department uses a number of automated and manual systems to administer the Schemes. The information technology (IT) systems used include the EAS system, which was developed specifically for the administration of the Schemes, and other DVA IT systems that support eligibility assessment, claims processing and payments for the Schemes, as shown in Figure 2.4.

**Figure 2.4**

**The Schemes' processing systems**



Source: ANAO analysis of DVA information.

**2.79** The key functions of the Schemes' processing systems are further outlined in Appendix 4. While the EAS was introduced to establish uniform national processing of applications and benefits claimed under the Schemes. The EAS was originally planned to have a comprehensive range of functions, it

is part of a larger software application that was not fully implemented.<sup>73</sup> The lack of functionality in EAS and limited integration with other DVA IT systems impacts on the efficiency of claims processing and the quality of information. These impacts are outlined below.

## **Payments made through IPS**

**2.80** The EAS calculates education allowances and tertiary scholarships, and instructs IPS to pay client bank accounts. Clients must lodge a separate claim for rent assistance, which is also processed by EAS and paid to the client through IPS. Although IPS is a separate system to EAS, it captures the student's unique identifier number and all VCES and MRCAETS payments made through IPS can be traced to individual students for management information and taxation purposes.

## **Payments made through DOLARS**

**2.81** Additional tuition, special financial assistance and tertiary fares allowance are paid through DOLARS. Additional tuition is generally paid to a tutor; special financial assistance may be paid to a service provider, a supplier or a client; and tertiary fares allowance is usually reimbursed to the student. Service delivery staff usually record the delegate's authorisation of additional tuition and special financial assistance in EAS. However, EAS does not currently have the functionality to instruct DOLARS to make a payment. Consequently, staff must also enter the claim details in the DOLARS system to make a payment, partially duplicating data entry performed in EAS to record the delegate's approval of the payment.

**2.82** The DOLARS system does not record the student's unique identifier number, so payments made through DOLARS cannot be traced to individual students. Further, there is no functionality in DOLARS to monitor cumulative payments against the annual limit approved by the delegate and recorded in EAS. DVA staff are required to keep a manual record of the balance of payments made in DOLARS to ensure that the delegate's approved limit is not exceeded.

**2.83** From a service delivery perspective, it would be more efficient to have a single front end to process and record the full range of benefits provided

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<sup>73</sup> The EAS system cannot directly make financial payments, produce management information reports or generate automated advice to clients.

under the Schemes. It would also enable student case histories to be generated for monitoring and review. There would be merit in DVA investigating ways of capturing the student's unique identifier for all VCES and MRCAETS payments so that the payments for each student can be identified.

## **Compliance measures**

**2.84** To help ensure that Scheme benefits are provided only to eligible clients, DVA has implemented compliance measures, as discussed below.

### *DHS clearances and data matching*

**2.85** DVA seeks clearance from the Department of Human Services (DHS) before granting assistance to students. Where the student is transferring to one of the Schemes from another Commonwealth student assistance or income support scheme, an agreed cut-off date is negotiated with DHS. In cases where it is to the student's advantage to transfer to the Schemes retrospectively, DVA adjusts the arrears payment to offset the resultant overpayment of the DHS benefit. This may occur if a student's Youth Allowance has been reduced by the income test and where the Schemes' benefits can be backdated for a significant period. DVA's practice of obtaining clearances before granting assistance under the Schemes reduces the number of overpayments, and consequently the need to recover debts from clients. DVA also provides the details of clients receiving benefits under the Schemes to DHS four times per year, to confirm that DVA clients are not receiving Youth Allowance or other excluded Commonwealth assistance.

### *Verifying the eligibility of ongoing clients*

**2.86** DVA conducts three mail-outs during the year to students, parents or guardians and educational institutions to monitor student progress and confirm the ongoing eligibility of students. Recipients provide documentary evidence to the department by responding to questionnaires, submitting school reports, course results and completing forms confirming their continued intention to study. In order to maintain their eligibility to receive benefits, students must demonstrate that they are: continuing with their full-time education; making satisfactory progress towards completing their course of study; and not taking excessive absences.<sup>74</sup> In the event that there are no mitigating circumstances, benefits may be changed or suspended.

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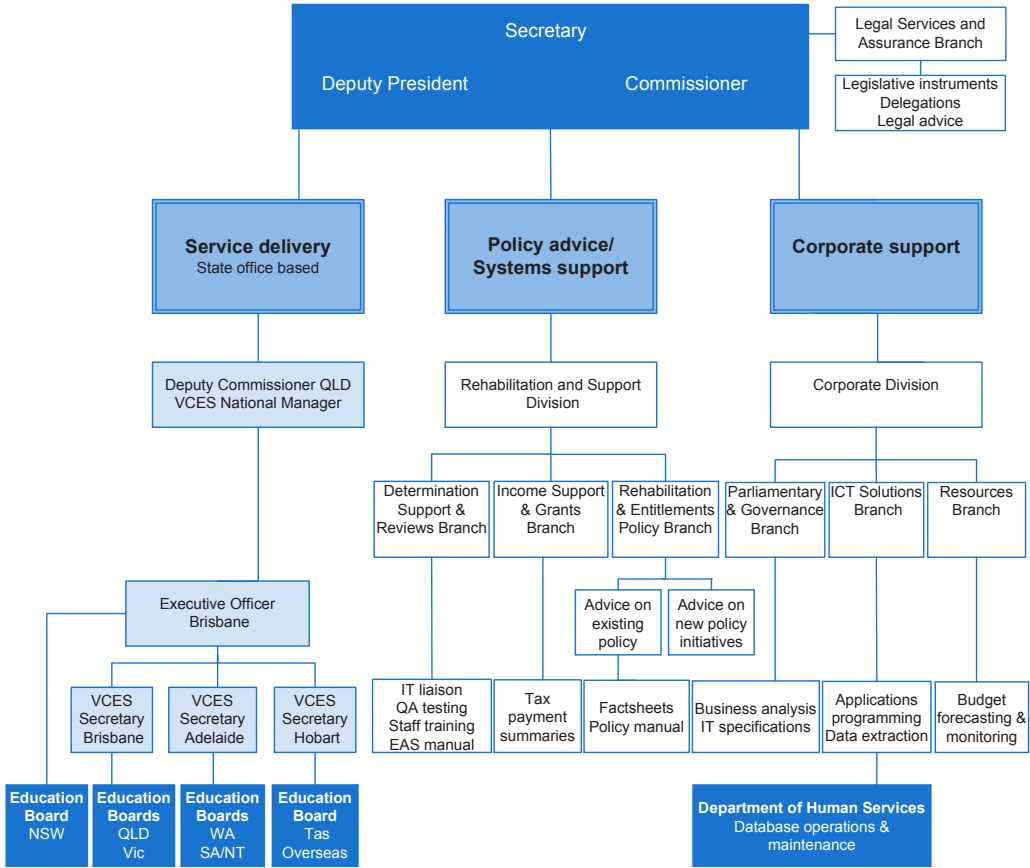
<sup>74</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Sections 2.5, 2.10; and Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Sections 2.5, 2.10.

Business support services

2.87 In addition to the policy branch, the department has a network of business services that support the Schemes’ service delivery. Although these support services were not the primary focus of the audit, Figure 2.5 shows the organisational structure and services supporting the Schemes.

Figure 2.5

The Schemes’ business support processes



Source: ANAO analysis

2.88 Table 2.5 provides an outline of the key services and the ANAO’s assessment of the level of support provided for the administration of the Schemes.

**Table 2.5****Business support services for the Schemes**

Service	ANAO findings
<b>Legal services</b> The legal services branch prepares the legislative instruments for the Schemes, provides legal advice and manages departmental delegations.	The legislative instruments, delegations and guidance prepared by the legal branch establish a framework and business rules for administering the Schemes.
<b>Budgeting</b> A budget team in the Brisbane office forecasts, monitors and reports the Schemes' expenditure to DVA management and the Department of Finance and Deregulation.	The budget team developed a model that incorporates the Schemes' main cost drivers. The team liaises with line staff to update forecasts and report variances to management, taking an active approach to financial forecasting and monitoring.
<b>Business analysis</b> The parliamentary and governance branch conducts business analysis and process design for the Schemes, and translates the business rules to specifications for application programmers.	The business analysis capability had a sound technical and strategic understanding of the Schemes. There was evidence of an effective, proactive approach to business improvement.
<b>Business systems support</b> The section identifies and prioritises the IT requirements of end users and coordinates with DVA's IT branch, and produces end user documentation.	This section requires better coordination and oversight of how different systems are used and how they integrate. End user documentation is incomplete and outdated.
<b>IT services</b> DVA's IT branch supports and maintains complex processing systems, including a large number of legacy systems. The Schemes rely on three separate IT systems to process and pay claims. Database maintenance has recently been outsourced to DHS.	The Schemes' main IT system (EAS) was only partially implemented and cannot make direct payments, generate client advices or information reports. This has complicated system maintenance and generated a large ad hoc workload for DVA's IT professionals. A recent patch inadvertently re-activated payments to former students.
<b>Quality assurance</b> DVA has instituted bi-monthly quality assurance testing to check the accuracy of all claims processing, including the Schemes.	The QA process involved thorough checks of a sample of the Schemes' payments, including veterans' and claimants' eligibility, evidence of enrolment and attendance, claim assessment, payment processing, and proof of identity.
<b>Staff training</b> DVA's learning and development unit produces training packages for the use of line managers throughout the department.	L&D staff have produced well-structured and flexible learning modules for the Schemes. The modules could be expanded to cover other relevant entitlements.
<b>Taxation payment summaries</b> The income support & grants branch produces taxation payment summaries for Education Scheme students aged 16 years and over.	Following the introduction of EAS in 2007 many payment summaries were inaccurate, requiring re-issue. Manual screening and liaison with service delivery staff has reduced the number of inaccurate summaries.

Source: ANAO analysis

**2.89** Overall, DVA's business support services have generally contributed to the effective administration of the Schemes. There is scope for improvement in some areas, such as the coordination and oversight of business systems support, including IT liaison. This role is important in identifying and prioritising the needs of end users and coordinating with the department's IT professionals, and will be further examined in Chapter Four.

## Conclusion

**2.90** The two Schemes comprise a mature program, and DVA has implemented rules and guidance for administering the Schemes. The department has established processes to accurately determine client eligibility, process claims and make payments. In the student sample examined by the ANAO, eligibility was accurately assessed in all cases, and benefit entitlements were paid in accordance with legislation. Further, the Schemes are supported by experienced VCES Secretaries with national responsibility for the Schemes' day-to-day administration, operating out of Brisbane, Adelaide and Hobart.

**2.91** In the past, VCES Secretaries and Education Boards based in each capital city have exercised a high degree of initiative in organising student outreach activities, including guidance and counselling at key transition points. VCES Secretaries directed their efforts at identifying 'at risk' students and organising appropriate support services in collaboration with the relevant Board. However, since the number of VCES Secretaries was halved from six to three in 2007, their efforts are now focussed on managing processing workloads rather than student case management. DVA continues to seek an annual school report on the progress of every primary and secondary student, and prioritises cases for review by the Boards. Although the Boards' role is to provide and arrange expert guidance to assist students plan their study and monitor their progress, they rely on referrals from the department, which amount to less than five per cent of student cases in the course of a calendar year.

**2.92** At a threshold level, there has been a degree of misalignment since 2007–08 between the legislative instruments establishing the Schemes and their practical operation. As the Schemes have a legislative basis, the misalignment between the relevant legislative instruments and current administrative practice requires attention, as acknowledged by DVA.

## 3. Advising Clients and Stakeholders

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*This chapter examines DVA's processes for providing advice to clients and stakeholders, including the Commissions, and processes for supporting service delivery staff who provide client advice.*

**3.1** DVA is responsible for providing advice on the Education Schemes to a range of different stakeholders. A policy branch provides advice to the Minister, the Commissions, clients and service delivery staff regarding existing arrangements for the Schemes and new initiatives that may impact on the Schemes. While the policy branch provides advice of a general nature to veterans and their families, service delivery staff are generally the first point of contact for new applicants and existing clients with queries about their entitlements.

**3.2** The provision of advice, both to clients and internally, is important to the operation of the Schemes, not the least because the interaction between the Schemes and other compensation and social security benefits is complex. For instance, MRCA orphans over 16 years old may receive an orphan's pension concurrently with an education allowance, while VEA orphans over 16 years old may not. There are also family assistance and taxation exclusion provisions that take effect when students turn 16, and veteran families need to be provided with all relevant options to make an informed choice. Clients also rely on DVA to advise them of which payments are assessable income for taxation purposes.

**3.3** This chapter outlines recent social policy initiatives that have had implications for the Schemes, and in this context examines DVA's processes for:

- developing policy advice on the Schemes;
- providing advice to clients about their entitlement options; and
- issuing client payment summaries at the end of each financial year.

### Recent initiatives

**3.4** The VCES and MRCAETS are mature schemes with well established service delivery arrangements. However, there have been significant developments in the broader social policy environment since their introduction, including changes to the minimum school leaving age and



Commonwealth family assistance, which have implications for the Schemes. These changes are outlined below.

### **Minimum school leaving age and exclusion provisions**

**3.5** In 2009, the minimum school leaving age in most Australian jurisdictions was 15 or 16 years.<sup>75</sup> From 1 January 2010, all Australian states and territories introduced a mandatory requirement for young people to remain at school until they completed Year 10 and participate in full time education, training or employment, until the age of 17 years. This initiative effectively lengthened the period of compulsory education to the age of 17 years. It reflected the policy intent expressed by the Council of Australian Governments' Ministerial Council for Education, Early Childhood Development and Youth Affairs, that to maximise their opportunities for healthy, productive and rewarding futures, Australia's young people must be encouraged not only to complete secondary education, but also to proceed into further training or education.<sup>76</sup>

**3.6** The change in the minimum school leaving age interacts with certain exclusion provisions relating specifically to the Education Schemes, which come into effect when students turn 16 years old. Until students turn 16 years old, veteran families may receive Commonwealth family assistance (Family Tax Benefit) in addition to payments under the Education Schemes. Similarly, until VEA orphans turn 16 years old they may receive an orphan's pension in addition to education allowances under the Schemes. Further, payments to a student under the Schemes are not taxable until the student turns 16 years old. When the minimum school leaving age was raised to 17 years of age, the exclusion provisions that were aligned with the previous school leaving age remained unchanged.

### **Family assistance**

**3.7** Commonwealth family assistance is provided primarily through Family Tax Benefit (FTB) payments. FTB is paid fortnightly and also as annual supplements after the lodgement of a family's tax return. FTB has two parts:

<sup>75</sup> Australian Curriculum, Assessment and Reporting Authority (ACARA), *National Report on Schooling in Australia 2009*, Schools and schooling, Section 3.1 School structures, available from: <[http://www.acara.edu.au/reporting/national\\_report\\_on\\_schooling/schools\\_and\\_schooling/school\\_structures.html](http://www.acara.edu.au/reporting/national_report_on_schooling/schools_and_schooling/school_structures.html)> [accessed 27 August 2012].

<sup>76</sup> Ministerial Council on Education, Employment, Training and Youth Affairs (Australia), *Melbourne Declaration on Educational Goals for Young Australians*, December 2008, available from: <[http://www.mceecdya.edu.au/mceecdya/melbourne\\_declaration.25979.html](http://www.mceecdya.edu.au/mceecdya/melbourne_declaration.25979.html)> [accessed 27 August 2012].

- Family Tax Benefit Part A (FTB A) is paid per child; and
- Family Tax Benefit Part B (FTB B) is paid per family.<sup>77</sup>

**3.8** In 2012, a major change occurred to FTB arrangements for teenagers 16 years old or more, to augment the education reforms outlined in paragraph 3.5.<sup>78</sup> The background to the change was social research indicating that the costs of educating teenage children were a barrier for families on low incomes to support their child's education.<sup>79</sup> The Independent Review of Australia's Future Tax System recommended that FTB rates should increase with the age of the children to recognise the higher costs of older children.<sup>80</sup> In August 2010, the government announced that the *Supporting Families With Teenagers* initiative:

supports the [government's] objective to improve year 12 or vocational equivalent completion rates. It will also help improve participation in further education and training by helping support families while children finish school ... The increased FTB A payment for older children in school or training will be \$781 per year higher than the rate of Youth Allowance paid for 16 and 17 year olds. This will encourage more 16 year old children to remain in the Family Tax Benefit system, rather than moving onto Youth Allowance.

**3.9** From 1 January 2012, the FTB A payment for full-time secondary students aged 16 to 19 years was increased to a maximum rate equivalent to \$241.92 per child per fortnight. Many families also qualified for FTB B, which is equivalent to \$111.16 per family per fortnight. Depending on family circumstances, the maximum combined FTB payment for a secondary student could be up to \$358.08 per fortnight equivalent. In contrast, the Schemes' education allowance for secondary students aged 16 to 17 years, living at home, was \$220.40 per fortnight.

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<sup>77</sup> Department of Human Services, *Family Tax Benefit Part A and Part B*, available from: <http://www.humanservices.gov.au/customer/services/centrelink/family-tax-benefit-part-a-part-b> [accessed 4 October 2012].

<sup>78</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *Supporting Families with Teenagers*, available from: <http://www.fahcsia.gov.au/families-and-children/news/2011/supporting-families-with-teenagers> [accessed 14 December 2012].

<sup>79</sup> For example, in 2006, Year 12 completion rates were at 59 per cent for low income students compared with 78 per cent for higher income students. James, R., Anderson, A., Bexley, E., Devlin, M., Garnett, R., Marginson, S. and Maxwell, L., *Participation and Equity: A review of the participation in higher education of people from low socioeconomic backgrounds and Indigenous people*, March 2008. Universities Australia, Canberra, Australia.

<sup>80</sup> Commonwealth of Australia, Department of the Treasury, *Australia's Future Tax System Final Report*, Part F3, Family and Youth Assistance, December 2009.

## Youth Allowance

**3.10** Until 2012, Youth Allowance was the main form of income support for young people aged 16 to 17 years, whether unemployed or studying, subject to a means test. When FTB A was increased, access to Youth Allowance for 16 to 17 year old secondary students living at home was generally withdrawn.<sup>81</sup> Under these reforms, FTB replaced Youth Allowance as the main form of income support for older children until they finish school. However, the Schemes' education allowances for students over 16 years old had historically been linked to Youth Allowance, and this arrangement has continued.<sup>82</sup>

## Advising the Commissions

**3.11** The Rehabilitation and Entitlements Policy Branch in DVA's central office in Canberra provides policy advice on veterans' compensation programs, including the Education Schemes, to the Commissions, service delivery staff, and the Minister; and advice of a general nature to DVA clients. For the Schemes, the branch:

- develops, costs and implements new policy proposals;
- provides policy advice on existing arrangements;
- prepares fact sheets on entitlements, which are published on the department's website;
- produces and maintains the Schemes' policy manual; and
- provides general advice to the veteran community on the Schemes.

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<sup>81</sup> People aged 16 to 17 years old in secondary education may be eligible for Youth Allowance if they need to live away from home in order to study, or if they are considered independent. Full-time Australian apprentices may also be able to access Youth Allowance.

<sup>82</sup> VCES/MRCAETS are indexed by reference to the Youth Allowance under the *Social Security Act 1991*.

**3.12** As discussed above, while the Schemes' operations are well established, in recent years there have been instances where policy development and coordination arrangements have struggled to keep pace with wider changes in social policy that interact with the Schemes. For instance, the Schemes' homeless allowance is restricted to students who have reached the minimum school leaving age. When the minimum school leaving age was raised, DVA could no longer pay homeless allowance to 15 or 16 year old students. However, no policy advice was provided to the Commissions, the Boards or service delivery staff on this issue. The changes to family assistance also had a major impact on the Schemes, but as discussed in paragraphs 3.13 to 3.15 below, there was a significant delay in DVA's policy response to those changes. Table 3.1 outlines DVA's policy response to the FTB changes.

**Table 3.1****DVA policy response to Family Tax Benefit changes**

Date	Action
2 August 2010	Prime Minister announces <i>Supporting Families with Teenagers Measure</i> as an election commitment.
December 2010	DVA first becomes aware of the measure when FaHCSIA requests a costing to be agreed with the Department of Finance and Deregulation regarding DVA clients transferring from the Schemes to FTB. DVA was not consulted further in relation to the drafting of the legislation.
13 January 2011	DVA costing agreed with Finance.
22 March 2011	FaHCSIA contacts DVA to advise the Bill was tabled.
9 May 2011	DVA advised Minister of increase to FTB A that it was examining options for managing the issue and would brief once matters had progressed.
June 2011	Legislation passes Senate, receives assent.
24 August 2011	First DVA submission to Commission advising of change to FTB A; recommends no change to education allowances; notes that recipients of VEA orphan's pension aged 16+ are precluded from receiving an education allowance but not FTB. Commission seeks further advice.
9 September 2011	Second DVA submission to Commission recommends raising education allowances in line with FTB A and removing preclusion of VEA orphan's pension from the education allowance. Commission accepts recommendations.
6 October 2011	Letter to PM requesting authority to bring forward submission to ministers to increase education allowances and remove preclusion of VEA orphan's pension from the education allowance.
26 October 2011	PM agrees to Minister's request to bring forward submission to ministers.
8 November 2011	DVA releases draft submission to agencies for comment.
9 November 2011	FaHCSIA advises DVA that the financial impact of FTB B has not been taken into account in the draft submission to ministers.
15 November 2011	Third DVA submission to Commission identifies impact of FTB A & B; advises that some students may have previously been better off under FTB and the original estimate of students likely to transfer to FTB was underestimated. Commission seeks further options.
18 November 2011	Second submission to ministers prepared proposing to remove the exclusion between VCES and FTB, and the exclusion of VEA orphan's pension from the education allowance. Submission does not leave DVA.
29 November 2011	Deadline passes to submit submission to ministers before FTB changes.
30 November 2011	Minister writes to Prime Minister in place of submission to ministers.
21 December 2011	Acting PM writes to Minister not agreeing to the proposal at that time.
1 January 2012	FTB A increases by up to \$4245 per child per year; Education Schemes remain aligned to Youth Allowance; recipients of VEA orphan's pension continue to be precluded from receiving education allowance but not FTB.

Source: ANAO analysis.

**3.13** In summary, eight months elapsed from DVA first becoming aware of the *Supporting Families with Teenagers* measure in December 2010, to providing a submission to the Repatriation Commission in August 2011 on the changes and their implications for DVA. During this time there was no record of consultation with the Schemes' National Manager, the VCES Secretaries or the Education Boards. As the first and second submissions to the Commission did not take into account the effect of FTB B, the advice was incomplete and inaccurate.

**3.14** The omission was identified when DVA circulated a draft submission to ministers for coordination comment from other agencies, which allowed the submission to be withdrawn before it reached ministers. DVA then provided a third submission to the Commission, revising its earlier advice. In total, eleven months elapsed before DVA provided the Commission with full and accurate advice on the impact of the FTB changes. The withdrawal of the submission to ministers led to complex policy issues being addressed through Ministerial correspondence instead of a full submission to ministers (as originally sought by the Minister and agreed by the Prime Minister) a few weeks before the *Supporting Families with Teenagers* measure was due to be implemented on 1 January 2012.

**3.15** The policy development process also revealed that DVA was unaware that some of the Schemes' most vulnerable clients (VEA orphans aged 16 years or more) may previously have been financially better off receiving assistance under FTB arrangements rather than the Schemes. This experience demonstrates the importance of DVA keeping a watching brief on the broader social security environment to ensure that it can respond in a timely way to policy developments. There is also scope for DVA to review its policy coordination arrangements with other relevant agencies, to strengthen its capacity to manage policy development.

**3.16** The department advised the ANAO that:

within DVA it is common practice during policy development, particularly in relation to budget-in-confidence initiatives, to approach the Commissions first and then consult more broadly with service delivery stakeholders. Policy staff were in regular contact via phone and email with service delivery from November 2011 onwards. It is not common for the department to write to the Education Boards out of session. Education Boards are appointed for three year terms in each State and meet four times per year. The three year term of the Boards expired in December 2011 and new Boards were appointed in March 2012. However, the department did consult the Education Boards with

the drafting of the letters sent to students and families advising of their choice to transfer to FTB. The department also briefed the Ex-Service Organisation Round Table (ESORT) during this period. Some members of the Education Boards were also ESORT representatives and received this information in both ways.

## Advising clients

**3.17** DVA is responsible for providing a range of advice to veterans and their dependants. Clients need advice and information about their entitlements to maintain and enhance their financial wellbeing and self-sufficiency through access to income support, compensation and other support services.<sup>83</sup> At the end of each financial year, the department issues clients with payment summaries that show which payments are assessable income for taxation purposes. DVA's processes for advising clients in these two areas are examined below.

### Entitlement options

#### *VEA orphans*

**3.18** Under existing rules, when a student turns 16 years old, he or she cannot concurrently receive both the VEA orphan's pension and a VCES education allowance.<sup>84</sup> However, the VEA orphan's pension and FTB payments may be claimed at the same time. The ANAO's analysis indicates that at least as far back as 2004, VEA single orphans aged 16 years or more may have been financially better off by claiming the VEA orphan's pension and FTB than receiving an education allowance. However, DVA did not advise VEA orphans and their guardians of this option until January 2012. DVA's service delivery staff were formally advised of the interaction between FTB, the VEA orphan's pension and the Schemes by the policy branch in February 2012.

#### *Family Tax Benefit*

**3.19** Veteran families can receive both FTB and payments from the Schemes until a child turns 16 years old, and then families must choose between the two.<sup>85</sup> A comparison of the Schemes' education allowances and the maximum FTB payments is shown in Table 3.2.

<sup>83</sup> Department of Veterans' Affairs, *Annual Report 2011–12*, p. 25.

<sup>84</sup> *Veterans' Entitlement Act 1986*, Section 13(7)(h).

<sup>85</sup> *A New Tax System (Family Assistance) Act 1999*, Section 22B.

**Table 3.2****Education allowances and FTB payments as at 1 January 2012**

	VCES/MRCAETS education allowances		FTB A per child	FTB B per family	FTB A & FTB B
Secondary students	At home 16–17 years	At home 18+ years	Maximum rate 16–19 years	Maximum rate 16–18 years	Maximum rate
Fortnightly payment	\$220.40	\$265.00	\$214.06	\$97.58	\$311.64
Annual supplement	n/a	n/a	\$726.35 per year	\$354.05 per year	\$41.44 per fortnight
Total fortnightly equivalent	\$220.40	\$265.00	\$241.92	\$111.16	\$353.08

Source: ANAO analysis of information from DVA and the Department of Human Services.

**3.20** When the Commissions became aware of the difficulties that some veteran families would face in choosing between the Schemes (which are designed to provide students with guidance, counselling and support services in addition to financial assistance), and FTB (which may offer higher payments), the Commissions sought ways of retaining a relationship with students who claimed FTB in lieu of an education allowance. It was decided that veteran families who chose the FTB option could be provided guidance, counselling and additional tuition under the Schemes without it affecting their FTB entitlements because these forms of educational assistance did not involve payments to the student, or to someone on behalf of the student.

**3.21** In January 2012, DVA wrote to the Schemes' clients advising them that some families may benefit from switching from an education allowance to FTB. The letter referred families to the Centrelink website and the online Family Assistance Estimator to see what family assistance they may be entitled to. However, it was subsequently discovered that there was an error in the estimator that resulted in a lower rate of FTB being calculated for all students over 16 years old. The error could not be immediately fixed by Centrelink, and in late March 2012, the policy branch advised service delivery staff to direct clients to enter incorrect information in order to work around the Centrelink Estimator problem.

**3.22** DVA's letter of January 2012 advised clients that they could continue to receive additional tuition, guidance and counselling under the Schemes, but



not special financial assistance. In April 2012, DVA decided that special financial assistance that does not involve payments to students or their families may also be available to families who switch to FTB. However, clients were not formally notified of the rules around this policy change, which led to confusion among some clients. For instance, one veteran family arranged for a disabled child to attend a special school excursion in the mistaken belief that DVA could reimburse them for the expense without it affecting their FTB entitlement. However, DVA's internal advice suggests that while DVA can pay an education provider, it cannot reimburse a family or a student without triggering the FTB exclusion provision. The department advised ANAO that DVA has since reimbursed the client for this excursion.

### *Alternative student assistance schemes*

**3.23** The government provides assistance to Indigenous students under ABSTUDY, which is an alternative option for the eligible children of Indigenous veterans. The assistance under ABSTUDY for students living away from home is generally higher than under the Schemes. In addition, the Assistance for Isolated Children Scheme (AICS) provides an allowance for children enrolled in distance education, which is higher than the Schemes' living at home allowance for students under 16 years old.

**3.24** As outlined above, the interaction between the Schemes and other forms of Commonwealth assistance is potentially complex. DVA's service delivery staff are generally the first point of contact for the Schemes, and they have a comprehensive understanding of the Schemes' benefits. However, they are not trained in how the Schemes interact with other entitlement systems, and rely on advice from the policy branch in this regard. The policy branch, in turn, relies on other agencies providing timely advice of proposed changes to other government programs that impact on VCES/MRCAETS and their beneficiaries. The first step in improving the quality of advice provided to clients is for DVA to review veteran and social security entitlements from the Schemes' perspective, in consultation with other agencies as necessary, so that relevant, accurate and timely information can be provided to service delivery staff.

**3.25** In the course of the audit, DVA advised the ANAO that, in September 2012, it established regular liaison arrangements with other departments regarding the Schemes, and consultation arrangements for measures that may impact on the Schemes:

A DHS/DVA Student Working Group commenced in August 2012 which meets approximately once per fortnight and includes Policy, Service Delivery and ICT staff. It was recognised by both agencies that the new "Supporting Families with Teenagers" measures meant that the options for students and their families were less clear than before. The Working Group aims to ensure that clients receive consistent advice from the two agencies, benefits for clients are maximised, and issues affecting clients who may need to make a choice are addressed. To date, the clearance form between the two agencies has been improved and includes the new payment of Schoolkids Bonus; data matching issues have been resolved, reducing the chance of upsetting clients and overpayments occurring; and assisting each agency with drafting content for letters, websites and brochures. It has also been discussing the implementation of the Income Support Bonus. An offshoot of this group was a two-hour risk assessment workshop on 6 December 2012 with the aim to prevent double payments between agencies of the Schoolkids Bonus. There are separate ICT meetings between the two agencies when a project is being implemented.

In addition, DVA has been attending a fortnightly Schoolkids Bonus Interagency Working Group with FaHCSIA, DHS, the Department of Education, Employment and Workplace Relations (DEEWR), the Department of Innovation, Industry, Science, Research and Tertiary Education (DIISRTE) and the ATO. DVA has a standing quarterly meeting with DHS which identifies potential issues early. Efforts are being made to instigate a similar quarterly meeting with FaHCSIA. DVA has also ensured that it has a presence on an Inter Departmental Committee Working Group, chaired by DEEWR, and tasked with formulating a response to a senate inquiry into the adequacy of the allowance payment system for jobseekers and others.

**3.26** DVA has further advised that it has sought to engage more proactively with FaHCSIA, DEEWR and DHS in implementing a range of recent new policy proposals: the Education Tax Refund Payment, the Schoolkids Bonus, the Income Support Bonus and changes to student Relocation and Start-up Scholarships.

## **Payment summaries**

**3.27** At the end of each financial year, DVA issues clients with payment summaries that show which payments are assessable income for taxation purposes. The Schemes' clients rely on this advice to complete their income tax returns.

**3.28** Under the Schemes, an education allowance for a primary or secondary student is payable to the parent or guardian who is entitled to be paid FTB for the child. When a secondary student turns 16 years old, his or her parent or

guardian has the option of continuing to be paid the education allowance, or transferring the payment to the student. An education allowance for a tertiary student is payable only to the student.

**3.29** All payments for VCES or MRCAETS students less than 16 years old are tax exempt.<sup>86</sup> When a student turns 16 years old, for the purpose of issuing tax payment summaries, DVA treats the whole of the education allowance as taxable income of the student, irrespective of whether it is paid to the student, a parent or a guardian. DVA treats all other payments under the Scheme, including additional tuition and special financial assistance, as tax exempt.

#### *Attributing payments for taxation purposes*

**3.30** In April 2012, DVA sought advice from the Australian Taxation Office (ATO) on a range of taxation matters relating to the Schemes. In May 2012, the ATO advised DVA that:

- if a payment is taxable, then it is taxable income of the person entitled to receive the payment; except
- where a parent or guardian elects to transfer their entitlement to a student, the payment becomes taxable income of the student.

**3.31** Notwithstanding this advice, DVA has continued to treat education allowances for children aged 16 years or more as taxable income of the student, irrespective of whether it is paid to the student or a parent or guardian.<sup>87</sup>

#### *Taxation exempt amounts*

**3.32** A Commonwealth education or training payment is defined as a payment made to, or on behalf of, a student under a range of student assistance schemes, including the VCES and MRCAETS.<sup>88</sup> The ATO advised DVA that although such Commonwealth education and training payments are generally taxable income, there is an exemption for supplementary amounts. A supplementary amount is defined as the total of:

... so much of the payment as is included to assist you with, or to reimburse you for, the costs of any one or more of the following:

<sup>86</sup> *Income Tax Assessment Act 1997*, Section 51.10 Item A.1A and Section 52.154 (1) (b) (iii)–(iia).

<sup>87</sup> As a parent's taxable income is likely to be higher than a child's, DVA's approach is likely to be financially beneficial for most families. However, in view of the ATO's advice, parents of students aged 16 years or more will need to transfer the payment of the education allowance to their child in order for DVA to continue to issue the payment summary to the child.

<sup>88</sup> *Income Tax Assessment Act 1997*, Section 52.154 (1).

- (i) rent;
- (ii) living in a remote area;
- (iii) commencing employment;
- (iv) travel to, or participation in, courses, interviews, education or training;
- (v) a child or children wholly or substantially dependent on you;
- (vi) telephone bills;
- (vii) living away from your usual residence;
- (viii) maintaining your usual residence while living away from that residence;
- (ix) accommodation, books or equipment;
- (x) discharging a compulsory repayment amount (within the meaning of the Higher Education Support Act 2003);
- (xi) transport in travelling to undertake education or training, or to visit your usual residence when undertaking education or training away from that residence;
- (xii) if you are disabled—acquiring any special equipment, services or transport as a result of the disability;
- (xiii) anything that would otherwise prevent you from beginning, continuing or completing any education or training; ...<sup>89</sup>

**3.33** Although DVA has previously treated the whole of an education allowance for a student aged 16 years or more as taxable income, the above provisions indicate that at least part of the allowance may be income tax exempt. The purpose of the education allowances paid under the VCES and MRCAETS is to provide financial assistance towards the cost of an eligible child's education.<sup>90</sup> The costs of a child's education include the costs of accommodation, books and equipment, and many other items listed above.

**3.34** Another example of where an education allowance may be income tax exempt is the higher rate paid for the living away from home allowance. For students aged 16 to 17 years old, the living away from home allowance is \$182.30 higher than the living at home allowance. Under the Schemes, the higher rate is only paid if the Commission is satisfied that additional expenses are incurred as a result of living away from home. Under item (vii) above, the costs of living away from the student's usual residence is income tax exempt.

**3.35** While recognising the potentially complex interaction between the taxation system and veterans' compensation arrangements, there would be

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<sup>89</sup> *ibid.*, Section 52.140.

<sup>90</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 3.1.1. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 3.1.1.

merit in DVA reviewing its taxation treatment of Education Scheme benefits for the purpose of issuing tax payment summaries to clients.

**3.36** DVA advised the ANAO that:

On 10 May 2012 advice was received from [an] area of the ATO relating to the tax treatment of Veterans' Children Education Schemes (VCES)/Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS) allowances, (in response to a request sent 17 April 2012). DVA disagrees with aspects of this advice and has sought further clarification, on two issues in particular:

- The issue of payment summaries issued in the students' name when the payment becomes taxable—the ATO advice was that the income is the taxable income of the person entitled to receive the payment, however the rest of their advice suggests that they believe it is the person receiving the payment (for example, the parent). DVA has advised the ATO that according to the eligibility provisions of the Instruments, it is the student who is the person entitled to the payment, regardless of who it is paid to. DVA has continued to issue the payments summaries in the students' names until this is clarified.
- The ATO has advised that the department should be withholding Pay As You Go amounts. This has been questioned as there is limited scope within the Acts for the Commissions to withhold amounts from pension. For example, the VEA only allows tax to be withheld from income support payments and only at the instruction of the pensioner or the ATO.

The [ANAO] suggests that DVA has not fully considered the ATO's advice with regards to whether any part of the VCES/MRCAETS allowances should be tax exempt under provisions of the *Income Tax Assessment Act 1997* (ITAA) exempting supplementary amounts of Commonwealth education or training payments. DVA is satisfied that the payments it currently treats as tax exempt—rent assistance, fares allowances, additional tuition, special financial assistance and clean energy advance—are the only payments which qualify from the list of exempt supplementary amounts. However, further advice was sought from the ATO on 17 January 2013 as to whether a derived difference of \$182.30 between the Secondary/Tertiary Living At Home rate and the Secondary/Tertiary Living Away From Home rate would qualify as a supplementary amount for the purposes of 52-140(a)(vii) of the ITAA.

## Conclusion

**3.37** While the Schemes are long established, there have been significant changes over time in the wider policy environment, such as the shift from Youth Allowance to FTB as the main source of government assistance for families with older teenagers. DVA needs to monitor developments in social policy and the social security system in order to assess implications for the Schemes, develop a timely and effective policy response, and provide appropriate advice to clients to ensure that they are fully aware of their entitlement options.

**3.38** DVA's policy development and coordination arrangements have at times struggled to keep pace with wider changes in social policy and programs that interact with the Schemes. DVA has advised the ANAO that it has recently established a DHS/DVA Student Working Group to strengthen the management of policy coordination, and that it has sought to more proactively engage with FaHCSIA, DEEWR and DHS in implementing a range of new policy proposals. These initiatives provide an opportunity to improve communication and coordination with other agencies.

## 4. Reporting and Evaluation

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*This chapter examines DVA's reporting and evaluation of the Schemes, including the performance reporting framework, internal reporting and evaluation of the Schemes.*

**4.1** Reporting and evaluation are key elements in the administration of government programs. Accurate, timely and relevant information is needed by managers to efficiently plan and allocate resources, and by policy advisors and program administrators to deliver appropriate advice to decision makers. Over time, well designed reporting systems enable stakeholders to evaluate the effectiveness of strategies, processes and procedures, and the extent to which they contribute to the achievement of policy objectives.

**4.2** The legislated purpose of the Education Schemes is to provide financial assistance, student support services, and arrange for guidance and counselling for eligible children to help them achieve their full potential in education or career training.<sup>91</sup> DVA is required to report progress toward the achievement of such objectives in its annual report.

**4.3** In this context, this chapter examines DVA's:

- external reporting of the Schemes against the requirements of the government's performance framework;
- internal reporting of the Schemes for management purposes; and
- evaluation of the Schemes.

### Performance reporting framework

**4.4** DVA accounts for its administration of programs such as the Schemes in its annual reports and Portfolio Budget Statements (PBS).<sup>92</sup> These documents must be prepared in accordance with the government's outcomes and programs framework. Outcomes are the intended results, consequences or impacts of government actions on the Australian community. Programs are the activities that deliver benefits, services or transfer payments with the aim of

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<sup>91</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4. Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

<sup>92</sup> Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 28 June 2012, p. 3.



achieving the intended result specified in an outcome statement.<sup>93</sup> Departments are required to: specify outcome statements for what the government wants to achieve; group related programs and activities undertaken to achieve each outcome; and develop performance information that measures progress toward achieving results.

**4.5** PBS report the proposed allocation of resources to achieve outcomes, and include performance targets. Annual reports detail the actual use of resources, and the achievement of those targets.<sup>94</sup> For each program, the performance information should include:

- program objective/s—the intended results;
- expenses—the cost of benefits, services or payments (administered expenses) and the costs of delivering the benefits, services or payments (departmental expenses);
- deliverables—the outputs delivered by the program such as the quantity of benefits, services or payments provided to clients; and
- key performance indicators (KPIs)—information that allows an assessment of the extent to which a program is achieving its objectives.<sup>95</sup>

**4.6** The ANAO examined DVA's performance reporting for the Education Schemes in its PBS and annual reports since 2009–10.

## **DVA's performance reporting of the Schemes**

**4.7** DVA has combined the two Education Schemes into a single program, the Veterans' Children Education Scheme.<sup>96</sup> The program contributes to DVA's first outcome, Compensation and Support. Table 4.1 shows the performance framework that DVA has established for the program.

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<sup>93</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, March 2012, pp. 74–75.

<sup>94</sup> Department of the Prime Minister and Cabinet, *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, 28 June 2012, p. 3.

<sup>95</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, March 2012, pp. 29–38.

<sup>96</sup> The name of the program is taken from the first and larger of the two Schemes.



**Table 4.1****Performance framework for the Schemes 2009–10 to 2011–12**

Element	Description
Outcome 1	Compensation and Support
Outcome statement	Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation and other support services, including advice and information about entitlements.
Program 1.5	Veterans' Children Education Scheme
Program objective 2009–10 to 2010–11	To provide financial assistance to eligible students under the VEA Veterans' Children Education Scheme (VCES) and the MRCA Education and Training Scheme (MRCAETS) to assist with their education needs.
Program objective 2011–12	Under the VEA, the Veterans' Children Education Scheme (VCES) and the MRCA Education and Training Scheme (MRCAETS) provide financial assistance and support services to eligible students to help them achieve their full potential in education.
VCES & MRCAETS legislated purpose <sup>1</sup>	To provide financial assistance, student support services, and arrange for guidance and counselling for eligible children to help them achieve their full potential in education or career training.
Expenses	Administered—expenditure on students' benefits. Departmental—expenditure on the Schemes' administration.
Deliverables	Number of primary students receiving assistance. Number of secondary students receiving assistance. Number of tertiary students receiving assistance.
Key performance indicator and target	Critical errors in payment processing < 5 per cent.

Source: ANAO analysis of DVA's annual reports and PBS 2009–10 to 2011–12.

Note 1: The purpose of the Schemes as defined in section 1.4 of the VCES and MRCAETS legislative instruments.

**4.8** By structuring the Schemes as a program DVA has provided visibility for the Schemes for reporting purposes. DVA has reported performance information in its annual report that aligned with the performance measures specified in its PBS. DVA has consistently reported on the Schemes since the introduction of the outcomes and programs framework in 2009–10. Stable performance measures can help the reader to identify trends and build a picture of how a program is performing over time.

**4.9** The following section examines each element of the Schemes' performance framework against the requirements promulgated by the

Department of the Prime Minister and Cabinet for annual reports and the Department of Finance and Deregulation (Finance) for PBS.

### *Outcome statement*

**4.10** The outcome statement that DVA has developed for compensation and support programs, including the Schemes, clearly specifies: the intended results on the target group (maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants); and the actions through which results will be achieved for the target group (access to income support, compensation and other support services, including advice and information about entitlements). DVA has developed an outcome statement for compensation and support programs that reflects the criteria of the government's performance framework.<sup>97</sup>

### *Program objective*

**4.11** Program objectives should be concise and provide a clear link to the intended result specified in the related outcome statement. The program objective that DVA has developed for the Schemes identifies: a particular area of need (achieve full potential in education); a specific target group (eligible students); and the action taken to address the need (financial assistance and support services). In accordance with Finance guidance, there is a clear link between the program objective and the outcome statement.<sup>98</sup>

**4.12** The program objective was revised in 2011–12 to refer to helping eligible students to achieve their full potential in education. The revised program objective better reflects the legislated purpose of the Schemes. In addition to providing financial assistance and support services, the Schemes are meant to provide guidance and counselling, including visits to country students. There would be merit in considering whether the program objective should also include reference to guidance and counselling, to even more closely align it with the Schemes' legislated purpose.<sup>99</sup>

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<sup>97</sup> Department of Finance and Deregulation, *Outcome Statements Policy and Approval Process*, June 2009, p.3.

<sup>98</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, March 2012, p. 23–38.

<sup>99</sup> Veterans' Children Education Scheme Instrument 1992 No. 11, Section 1.4., Military Rehabilitation and Compensation Act Education and Training Scheme 2004, Instrument 2004 No. M4, Section 1.4.

## Expenses

**4.13** DVA has reported budgeted expenses for the Schemes' benefits (administered expenditure) and program support (departmental expenditure) in its PBS, and the corresponding actual expenses in its annual reports. These expenses are shown in Table 4.2.

**Table 4.2**

### Budgeted and actual expenses 2009–10 to 2011–12

Year	Expense type	Budgeted expenses \$000	Actual expenses \$000	Difference
2009–10	Administered	\$16 982	\$16 400	-3%
	Departmental	\$3 376	\$2 800	-17%
2010–11	Administered	\$18 301	\$17 000	-7%
	Departmental	\$2 479	\$3 400	37%
2011–12	Administered	\$16 414	\$16 800	2%
	Departmental	\$3 410	\$3 300	-3%

Source: ANAO analysis of DVA's annual reports and PBS 2009–10 to 2011–12.

**4.14** From 2009–10 to 2011–12, DVA has clearly and consistently reported the budgeted and actual expenses for the Schemes. Although the Schemes are demand driven, with administered expenses largely dependent on the number of clients claiming their entitlements, there was close alignment between forecast and actual administered expenses. In 2010–11, actual departmental costs were 37 per cent higher than budgeted. Where there is a significant difference such as this, reporting could be enhanced by providing some explanation for the variance.

## Deliverables

**4.15** Program deliverables are the goods and services delivered by a program. The deliverables represent the intervention government has chosen to take to resolve a policy problem. They are expected to bring about results outlined in the objective which can then be identified and measured through the program's KPIs.<sup>100</sup>

<sup>100</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2012–13 Portfolio Budget Statements*, March 2012, p. 35.

**4.16** DVA has specified the Schemes' program deliverables as the number of primary, secondary and tertiary students receiving assistance from the Schemes. While this is important performance information, it would be enhanced by also providing information on the benefits and services delivered to students. For example, program deliverables also include the numbers of students receiving different types of financial assistance; the number of grants of additional tuition and special financial assistance; and the number of students provided with guidance, counselling and country visits. There would be merit in DVA reviewing the program deliverables for the Schemes, to report the main classes of assistance provided by the Schemes.

**4.17** The ANAO examined DVA's reporting of the Schemes' student numbers from 2009–10 to 2011–12 in the annual reports. Although the annual reports generally presented the student numbers as those assisted during the financial year, the numbers were, in fact, those assisted as at 30 June of each financial year. The ANAO calculated the cumulative number of students assisted during each financial year using payment data from DVA's main client payment system. A comparison between the two sets of student numbers is shown in Table 4.3.

**Table 4.3**

**Number of students assisted in the financial year compared to 30 June**

Year	Annual report (Number of students at as 30 June)	Payment system (Number of students assisted from 1 June to 30 July) <sup>1</sup>	Difference between annual report and payment system data
2009–10	3513	4156	18%
2010–11	3163	3843	21%
2011–12	2899	3559	23%

Source: ANAO analysis of DVA annual reports 2009–10 to 2011–12.

Note 1: The actual number of students assisted during each financial year was calculated from payment data from DVA's Integrated Payment System.

**4.18** For the last three years, the ANAO estimates that the cumulative number of students assisted by the Schemes during each financial year is 18 to 23 per cent higher than student numbers measured as at 30 June. The actual number of students assisted by the Schemes is significantly higher than student numbers at a particular point in time.

**4.19** The department has advised that the reported student numbers reflect a point in time rather than a whole-of-year count. However, DVA has

acknowledged that the basis for its reporting has not always been clear in the annual report and portfolio budget statements, and has undertaken to clearly define the basis for reporting in the future. DVA advised the ANAO that:

population reporting for all DVA programs is done on the basis of point in time rather than whole year numbers. DVA acknowledges that the basis for its reporting has not always been clear in the table headings contained within the Annual Report and the Portfolio Budget Statements. DVA believes that the numbers reported are correct, but undertakes to clearly define the basis for reporting in future. It should be noted that the 2011-12 Annual Report does clearly state that 2,899 students were in receipt of education allowance as at 30 June 2012.

### *Key performance indicators (KPIs)*

**4.20** The purpose of KPIs is to measure the effectiveness of a program.<sup>101</sup> Reporting on the performance of programs is intended to provide readers and the Government with an indication of the relative success of programs in achieving their objectives.<sup>102</sup>

**4.21** The ANAO examined the program's KPIs as reported in DVA's PBS and annual report. From 2009–10 to 2011–12, DVA reported the following KPI and target: 'Quality: critical errors [payment processing]: less than 5 per cent'.<sup>103</sup> DVA's annual reports indicate that the target has been met each year, which is supported by ANAO's investigation of DVA's quality assurance system. Accurate payment processing is an important element of providing financial assistance to beneficiaries. However, accurate processing alone does not indicate the extent to which financial assistance provided by the Schemes achieves the program objective—helping eligible children achieve their full potential in education or career training. Similarly, there are no KPIs for the effectiveness of the Schemes' other services, including student support, guidance and counselling.

**4.22** It is important that KPIs enable an assessment of the extent to which the Schemes are achieving their objective. Such KPIs could include, for example: the proportion of VCES and MRCAETS students completing secondary school, apprenticeships and degrees; and the proportion of students participating in

<sup>101</sup> The effectiveness of a program is the extent to which it is meeting its objectives.

<sup>102</sup> *ibid.*, p. 37.

<sup>103</sup> Department of Veterans' Affairs, *Annual Report 2011–12*, p. 129.

tertiary education and training relative to students in the general community.<sup>104</sup>

**4.23** Education outcomes are multi-causal, and performance reporting is therefore most useful when program deliverables, such as particular benefits and services, are linked to KPI measures of student outcomes. In this regard, it would be informative to know if there were significant differences in education outcomes for students receiving different forms of assistance. Such information would better inform decision makers and the community about the relative effectiveness of the benefits and services provided by the Schemes.

**4.24** DVA advised the ANAO that it:

acknowledges that deliverables and KPIs should be reviewed with a view to developing measures that are outcomes and quality based, rather than purely output based. This is also a matter of "alignment". Using the existing annual survey of students may assist with this. This will need to consider any cost implications for systems changes and reporting required to measure improved deliverables and KPIs. Current departmental reporting in the Annual Report and Portfolio Budget Statement (PBS) for the Schemes includes the number of students receiving financial assistance and the dollar value of allowances paid. Furthermore, the KPI measures impacting on the scheme are critical error rates.

## Recommendation No.2

**4.25** To further develop performance reporting for the Education Schemes under the outcomes and programs framework, the ANAO recommends that the Department of Veterans' Affairs:

- (a) develops KPIs to report on student outcomes, to enable an assessment of the extent to which the Schemes are achieving their objectives; and
- (b) broadens its reporting to include the three main services delivered by the Schemes: financial assistance, student support services, and guidance and counselling.

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<sup>104</sup> The development of KPIs could be informed by reference to the annual reports previously produced by the Veterans' Children Education Boards on the achievement of student outcomes. These reports included: the education and training courses completed by students; the costs of different forms of assistance; the number of students by education level; the number of applications by military engagement; and an outline of the different benefits available to eligible students. See Australian Government Printing Service, *Australia – Soldiers' Children Education Board Annual Report 1980/81 – 1985/86*.

## DVA's response:

**4.26** *Agreed. DVA agrees that changes to the performance reporting for the Schemes could be further enhanced in evaluating the Schemes' effectiveness and providing more comprehensive performance information, to the extent that there is reporting capability to extract performance data within the Education Scheme ICT systems.*

## Internal reporting

**4.27** Managers need accurate, timely and relevant information to: plan and allocate resources; monitor service delivery; evaluate the effectiveness and efficiency of strategies, processes and procedures; respond to information requests; and provide policy advice. The Boards consider that it is essential to be able to track individual students entering and exiting the Schemes in order to target support and manage student cases. The Boards are seeking national and state data to review and evaluate their activities. The Schemes' legislation requires the Boards to submit a statistical return after 30 June each year for inclusion in the Commissions' annual reports. However, the Schemes' main IT system does not currently have the functionality to provide the Schemes' managers or the Boards with this information.<sup>105</sup>

## Previous DVA internal audits

**4.28** The Education Assistance Service (EAS) is the main system for processing benefits and payments for the Schemes. Since the implementation of EAS in April 2007 there have been issues regarding the accessibility, accuracy and timeliness of management information. A 2010 internal audit reported that service delivery managers and staff were not receiving adequate and accurate information in a timely manner. The EAS system support area indicated that significant time is spent on filtering data and ensuring that it is accurate and complete, prior to sending it to service delivery staff. The audit found that:

The functionality of the EAS system is not enabling adequate reporting and performance monitoring of claim processing, despite the fact that a similar issue was raised during a 2007–08 internal audit. In February 2009, management indicated appropriate action had been taken to address this issue ... VCES staff are not receiving appropriate support from EAS to effectively

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<sup>105</sup> A higher level of functionality was originally planned, but was not implemented for financial reasons.

perform their role. Inaccurate and untimely information may result in poor client service.<sup>106</sup>

**4.29** To assess the quality of the Schemes' management information, the ANAO examined the reports provided to the Schemes' managers.

### **Monthly EAS report**

**4.30** The only regular report provided to the Schemes' managers is a monthly extract of the EAS system. The report contains the details of: current students as at the date of the report; their parents or guardians; their education institution; their course and year level. The report does not contain key information such as:

- the benefits/services that students are currently receiving or have previously received from the Schemes;
- students' living arrangements—whether living at home, away from home, orphaned, homeless, or living in regional, rural or remote areas;
- students that have entered or exited the Schemes since the last report;
- new applications for assistance; and
- processing workloads, including different kinds of claims, by state.

**4.31** The monthly EAS report provides limited information on students as at the date the report is produced. In the absence of reports that show the number of students assisted during a given period, such as a financial year, the Schemes' managers have substituted 'snapshot' information for the cumulative number of students assisted.

**4.32** The IT systems support area does not have appropriate end user documentation that provides an overview of how EAS works and how it relates to other IT systems that support the Schemes. There is no documentation that summarises and explains the fields entered into, or accessed by, EAS. Consequently, users of information lack a clear understanding of what information is potentially available from EAS, and struggle to interpret some of the data provided in the monthly extract.

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<sup>106</sup> Department of Veterans' Affairs Internal Audit Services *Final Report Veterans' Children Education Assistance & Support 2011–12*, November 2010, p. 4, 17.



**4.33** The ANAO investigated the relationships between IT systems used to support the Schemes, including EAS. An outline of these systems is provided below.

## **IT systems**

**4.34** DVA service delivery staff process student eligibility through EAS. Eligible students are then registered on EAS to receive assistance from the Schemes. EAS contains: the details of students; the benefits they are approved to receive; and their courses, year level and education institution. Payments made to, or on behalf of, students are made through two other systems, IPS or DOLARS, depending on the nature of the payment. The EAS system is capable of instructing other systems, including IPS, to make payments but EAS does not keep a record of the actual payment.

**4.35** As discussed in Chapter 2, it is possible to identify through IPS the students receiving education allowances, tertiary scholarships and rent assistance. However, it is not possible to identify through DOLARS the students receiving additional tuition, special financial assistance and tertiary fares allowance, as DOLARS does not require a student's unique identifier number to be recorded.

**4.36** There is provision in EAS to record the delegates' approval of additional tuition, special financial assistance and tertiary fares allowance. The ANAO examined extracts of this data, and found that information had apparently not been consistently recorded until the last financial year. If used uniformly across states, this facility may in future provide some useful information on the number of students receiving these forms of support.

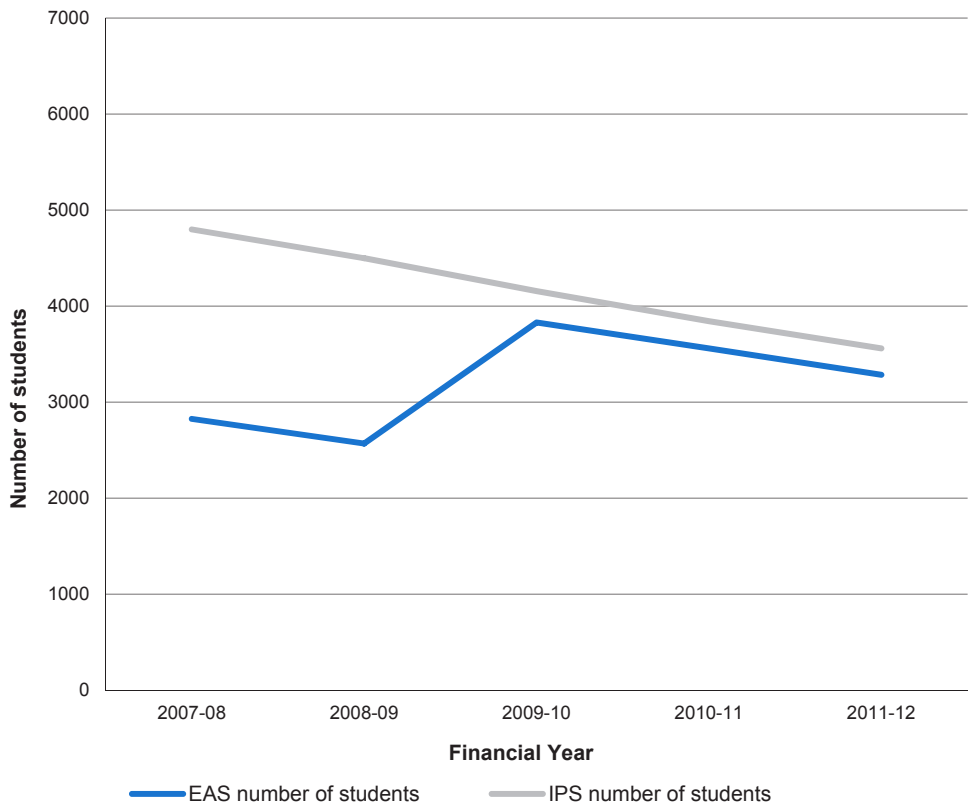
**4.37** To investigate data quality, the ANAO compared data from EAS extracts with data from IPS extracts. The results are discussed below.

## **Data quality**

**4.38** The ANAO obtained extracts of EAS data and IPS data for the financial years from 2007–08 to 2011–12. The EAS extracts contained students registered for assistance from the Schemes for each year. The IPS extracts contained records of payments to students from the Schemes during each year. The total number of students receiving assistance in a given period was derived from these extracts by removing all records with duplicated unique student identifier numbers. The results of this analysis are shown in Figure 4.1.

**Figure 4.1**

**Comparison of EAS and IPS student numbers 2007–08 to 2011–12**



Source: ANAO analysis of DVA data.

**4.39** As EAS was first implemented in April 2007, the large difference between EAS and IPS student numbers in 2007–08 may be due to the transition from the former manual system and EAS. However, for the last three years, the number of students as reported by EAS is consistently seven to eight per cent lower than the number of students actually receiving payments from the Schemes. In February 2013, DVA advised the ANAO that it was continuing to investigate the source of this discrepancy.

## Evaluation of the Schemes

**4.40** The evaluation of program performance aids accountability and transparency, and contributes to improvements in program design. It is important that agencies have an evaluation strategy that is capable of determining the extent to which programs are achieving specified outcomes.<sup>107</sup>

### Evaluation

**4.41** DVA currently has no evaluation plan for the Schemes. The last whole-of-scheme evaluation was conducted in 1992. However, in late 2006, the VCES Education Board for South Australia conducted an evaluation of the effectiveness of a guidance and counselling program for students in the last three years of secondary education that was undertaken in conjunction with DVA's Adelaide business unit. The evaluation compared the number of VCES students proceeding to tertiary education before and after the introduction of the program. The Board reported:

Student retention rates following completion of secondary schooling have increased significantly over the past two years... The increase in retention of students from secondary to tertiary education, which includes university and TAFE, coincides with the commencement of an extensive guidance and counselling program undertaken by the Board in South Australia, including workshops, individual interviews, and vocational guidance seminars for students from Years 10 to 12.<sup>108</sup>

**4.42** Service delivery staff provided the ANAO with anecdotal evidence to support the program's effectiveness. Appendix 5 reproduces a case history that a business unit has used to publicise the support offered by the VCES. The case history relates to veteran grandparents on a low income raising their adopted grandchild, which DVA advises is not unusual.

### Internal audits

**4.43** DVA has conducted two internal audits of the Schemes' operational processing, which reported in January 2008 and November 2010 respectively. The audits had similar objectives, which were to determine whether the department's processes, systems and procedures supporting the Schemes'

<sup>107</sup> ANAO, *Better Practice Guide—Implementing Better Practice Grants Administration*, 2010, Canberra, p. 98. See also Department of Finance and Deregulation, *Performance Information and Indicators*, 2010.

<sup>108</sup> S.A. Veterans' Children Education Board, *Veterans' Children Education Scheme South Australia, Activity Report*, 2006 [unpublished].

claims processing and payments provided reasonable assurance of complete, accurate and timely payments. The most recent audit found that there were reasonable practices in place to administer the day-to-day processing of claims. Work is continuing on the implementation of the internal audit's recommendations.

**4.44** The ANAO suggests that, in addition to actively monitoring the implementation of the internal audit recommendations, DVA develops an evaluation plan for the Schemes. Such an evaluation plan could be developed in the context of the review of the alignment between the Schemes' legislative instruments and administration practices, to inform the future monitoring of any changes to the Schemes' management and operation.

## Conclusion

**4.45** By structuring the Schemes as a single program in the Portfolio Budget Statement and annual report, DVA has provided visibility for reporting purposes. Further, the recent change in the program's objective better reflects the legislated purpose of the Schemes. The Schemes' performance information could be improved by: reporting deliverables that include the main forms of assistance provided by the Schemes; and developing KPIs to include measures of the effectiveness of the program in assisting eligible children to achieve their full potential in education and career training. DVA has acknowledged the benefit of reviewing Scheme deliverables and KPIs with a view to developing measures that are outcomes and quality based, rather than purely output based.

**4.46** The management information system for the Schemes' core IT system, the EAS, has not been implemented. The Schemes' service delivery staff and policy advisors rely on ad hoc data extracts provided through the IT liaison area. End users have not been provided with appropriate system documentation to inform their information requests, and to assist their interpretation of the Schemes' data. This has led to inadequate information to support the work of the Education Boards.

**4.47** The last whole-of-scheme evaluation was conducted in 1992 and, at the time of the audit, DVA had no evaluation plan for the Schemes. Given their long standing, the Schemes would benefit from the development of a formal evaluation strategy, to assess their contribution to the education and training outcomes for eligible students. There would be benefit in developing the evaluation plan concurrently with the proposed review of alignment between

the Schemes' legislative instruments and administration practices, to inform the future monitoring of any changes to the Schemes' management and operation.

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Ian McPhee

Auditor-General

Canberra ACT

30 April 2013



# Appendices

## Appendix 1: Response from DVA



**Australian Government**  
**The Repatriation Commission**

PRESIDENT  
DEPUTY PRESIDENT  
COMMISSIONER

TELEPHONE (02) 6289 6736  
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Dr Tom Ioannou  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Dr Ioannou

Thank you for your letter of 4 March 2013 addressed to the Secretary, Department of Veterans' Affairs (DVA) and the attached proposed audit report on the *Administration of the Veterans' Children Education Schemes*. DVA would like to take the opportunity to acknowledge the high level of professionalism, integrity and courtesy shown by the Australian National Audit Office staff during the audit process.

This audit was timely due to the significant changes that have occurred in recent years within Australia's education systems and to the financial assistance available to students and their families. The level of support and assistance provided to students through the modern education system is far superior than it was in 1993 when the Scheme's current instruments were drafted.

In light of this, DVA acknowledges that the legislative instruments establishing the Schemes need to be reviewed to ensure there is alignment between current program design and the legislative requirements that underpin the Scheme's administration. As part of this review, the auditor's findings of possible inconsistencies between the current role performed by the Schemes' Education Boards and the roles required of them under the legislative instruments will be carefully considered.

DVA is committed to providing quality service to assist the eligible children of veterans and former members of the Australian Defence Force reach their full academic potential. The Department appreciates the auditor's recognition of the high levels of accuracy within DVA's claims and payment processing for the Schemes. The auditor's sample of cases indicated a high level of accuracy in assessing eligibility, processing of claims and the payment of benefits including scholarships.

While on the whole the report recognises the value of the assistance provided under the Schemes to veterans' children, certain issues have been identified that require attention. In particular, I would like to offer my assurance that the Department's responsibilities with respect to meeting the requirements for working with children have now been addressed (with the exception of one still outstanding for a member of the Victorian Education Board), and will be closely managed in future. It will now be standard requirement across all staff and Board members in all locations to obtain a police check at a minimum, in addition to complying with any further State or Territory requirements. I can also confirm that Board members without the appropriate checks have no direct contact with children under the Schemes.

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GPO BOX 9998 CANBERRA ACT 2601



Another issue raised by the auditor that the Department acknowledges and will address is the need to ensure a formal mechanism is in place for following up with potential beneficiaries who have not claimed. The auditor's investigation of DVA databases identified a number of potentially eligible children who have not received assistance under the Schemes.

Analysis of the data indicated that the majority were advised of their possible eligibility for the Schemes, but did not claim at the time for a number of reasons. These reasons included children were not of school age at the time of advice and parents/guardians did not remember to claim when they began school; did not think that grandchildren, step-children or other children in their care would be eligible; or may not have fully understood the information about eligibility at the time of grant of pension. These reasons support the ANAO's comments concerning the need for a formal mechanism to follow up eligible students who have not claimed.

However, a small number of clients had not been advised of their potential eligibility because DVA was not aware that they had children at the time of the claim, including where children were born after the grant of the eligible pension or the person later commenced a relationship with a person with children. DVA has implemented improvements to internal communication channels to ensure that the VCES/MRCAETS Secretaries are aware of potential eligibility.

In addition to targeted mechanisms for following up eligibility, articles will be published in DVA's newspaper to the veteran and ex-service community, Vetaffairs, before the start of each school year, outlining the benefits available and the eligibility criteria for the Schemes.

With respect to the two recommendations within the proposed report, DVA has the following comments.

**Recommendation No.1:**

*The ANAO recommends that the Department of Veterans Affairs reviews the Schemes as a basis for advising government on the alignment of current administrative and delivery arrangements with the Schemes' legislative instruments, and concurrently develops an evaluation strategy to establish a basis for assessing the Schemes' effectiveness and opportunities for improvement.*

**DVA Response:**

Agreed. DVA agrees to review the Schemes and advise government on any changes necessary to align the current administrative arrangements with the legislative instruments. This review will allow DVA to consider a number of aspects of the Schemes given the context of current Government policies across the broader education environment.

DVA acknowledges that evaluation is a critical aspect of all government programs, providing an opportunity for insight into the effectiveness of the program and opportunities to improve, and will therefore continue to improve its evaluation strategies for the Schemes.

DVA notes that addressing this recommendation will have resourcing implications, so the scale and timing of both the review and evaluation will need to be assessed within the context of the current financial environment.

**Recommendation No.2:**

*To further develop performance reporting for the Education Schemes under the outcomes and programs framework, the ANAO recommends that the Department of Veterans' Affairs:*

- a) develops KPIs to report on student outcomes, to enable an assessment of the extent to which the Schemes are achieving their objectives; and*
- b) broadens its reporting to include the three main services delivered by the Schemes: financial assistance, student support services, and guidance and counselling.*


**DVA Response:**

Agreed. DVA agrees that changes to the performance reporting for the Schemes could be further enhanced in evaluating the Schemes' effectiveness and provide more comprehensive performance information, to the extent that there is reporting capability to extract performance data within the Education Scheme ICT systems.

As requested, please find attached a short formal response for inclusion in the report (Attachment A) and additional editorial commentary on the report text for your consideration (Attachment B).

Thank you for the opportunity to comment on the audit. Please contact Carolyn Spiers, Chief Audit Executive, on (02) 6289 6003 if you require any further information.

Yours sincerely



Shane Carmody  
Deputy President

2 April 2013

ENCL

Attachment A - Formal response

Attachment B - Additional editorial commentary

## Appendix 2: Education Board members' perspectives on the Schemes

### Education Board members' perspectives on the Schemes

Issue	Boards' views
DVA secretariat support	DVA staff are professional, dedicated and hard working. However, since staff rationalisation in 2008 some Boards are seeing a substantially reduced case load—most Boards see less than five per cent of total students.
Outreach/country visits	Reinstate country visits (as required by legislation) and restore budget. Give priority to students in very remote areas. Expand outreach activities. Outreach activities should be conducted jointly with VCES Board member and VCES Secretary (and not Board members alone).
Case selection	Boards only consider cases referred by a VCES Secretary. These are cases that need attention but some Boards say they have 'no idea' about the whole cohort.
Management information	Each student's case history should be readily available. Tracking of students entering and exiting from Schemes is essential for targeting support and case management. Provide national and state data to all Boards to enable evaluation of their activities.
Consistency between states	Boards receive a range of requests for different forms of support, for example, equipment, excursions, and short courses. Need consistent national rules, such as whether equipment should be hired or purchased.
Strategic planning and budget	There is no strategic plan or budget attached to the Boards' work. Some Boards suggest an annual conference of Board Chairs, the development of an annual activity plan and annual evaluation.
Review and evaluation	There is no assessment of the program from the veteran family or student perspective. A client satisfaction/outcomes survey would be useful. The current service delivery model is adequate but there is a need to step outside the model and ask 'Can we do it better?' Schemes should assist all eligible students, and not be driven by approaches that only assist those who are experiencing difficulty.
Student age limits	Consideration should be given to extending support to early learning years and mature age students (who may have had periods of broken study).

Source: ANAO summary of state Education Board responses.

## Appendix 3: Education Board members' qualifications and experience

Board A: Formal qualifications
Diploma of Teaching, Bachelor of Education, Master of Education, Certificate of Gifted Education, TESOL, Accredited Cognitive Coach, International Growth Coaching Accreditation, PhD thesis on the transformation of teaching and learning using information and communication technologies.
Diploma of Teaching, Bachelor of Education, Accreditation Philosophy in Education, State Teaching Certificate.
Diploma of Teaching, Bachelor of Education, Master of Education, State Teaching Certificate.
Diploma of Teaching, Bachelor of Education, State Teaching Certificate.
Diploma of Teaching (TAFE), Bachelor of Business (Pub Admin), Technical Teaching Certificate.
Bachelor of Arts (Hons), Master of Science, PhD.
Bachelor of Social Work, Graduate Diploma in Public Sector Management, Master of Public Policy.
Bachelor of Social Work, Graduate Certificate in Public Sector Management.
Diploma of Education
Undergraduate – UTAS
Board B: Professional experience
Ex Principal Australian Science and Maths School and ex President, Principals' Association
Ex Principal and Superintendant of Schools
State Director Health and Wellbeing Primary Schools
Ex Principal Primary School
Ex Principal Primary School (rural)
Apprenticeship Broker, Career Guidance Counsellor, Ex TAFE Teacher and Counsellor
Senior Secondary Science Teacher. Counsellor, Science Textbook writer
Teacher, Tutor, expertise in languages and disabilities
Student Counsellor
Board C: Professional experience
Ex Senior Secondary School Principal
Ex Senior Secondary School Principal
Ex Senior Secondary School Principal
Ex Senior Secondary School Principal
Senior Secondary College Principal
Senior Secondary School Principal
Primary School Principal
Primary School Principal
Student Counsellor

Source: ANAO analysis of DVA information.

## Appendix 4: IT systems used for the Schemes

System	Function
Veterans' Information Enquiry Window (VIEW)	VIEW displays client data from DVA databases with veteran service history, death and disability. Staff processing applications for the Schemes use VIEW to screen veteran eligibility before entering the applicant's details in EAS.
Participant Registration Service (PRS)	PRS registers veterans, their partners and dependents. PRS records: service history, death and disability status, family relationships, agents and guardians. PRS interfaces with EAS to provide details of any dependent relationship between a student applicant and a veteran. To register a student on EAS, their veteran parent must first be registered on PRS.
Education Assistance Service (EAS)	EAS assesses student eligibility and processes the Schemes' main payments. <sup>1</sup> EAS lists all Australian accredited educational institutions. For a student to be eligible, veteran and child must meet eligibility criteria. EAS tests the application against eligibility criteria—if met, the student is registered in EAS; if not, the application is declined. Once registered in EAS, the student is paid the applicable education allowance and any due tertiary scholarship, and is entitled to educational guidance and counselling. All other benefits require a separate claim to be submitted to DVA. These benefits include rent assistance, additional tuition, special financial assistance and tertiary fares allowance. EAS can record case notes for guidance and counselling services.
Integrated Payments System (IPS)	IPS makes recurrent client payments, including disability pensions and income support payments. IPS accepts instructions from other DVA systems, such as EAS, to pay to clients' bank accounts. EAS instructs IPS to pay education allowances, scholarships and rent assistance. Payments may be split between more than one account, such as between parents with shared care of children, or between a student and the Australian Taxation Office. Each IPS payment records the student's EAS unique identifier. IPS cannot issue cheques or pay into overseas bank accounts.
Departmental On-line Accounting and Reporting System (DOLARS)	DOLARS pays clients and third parties such as service providers, suppliers and institutions. DOLARS can issue cheques and overseas bank accounts. DOLARS is used to pay tertiary fares allowance, additional tuition and special financial assistance. Like IPS, DOLARS is capable of receiving payment instructions from other systems. However, there is no functionality in EAS to instruct DOLARS to make payments. Staff must manually input the payment details through the DOLARS portal to pay a claim.

Source: ANAO analysis of DVA information.

Note 1: The department implemented EAS in April 2007, replacing DVA state-based Microsoft Access databases and manual processing systems.

## Appendix 5: DVA Case Study

### Case study

#### Veterans' Children Education Scheme (VCES) and Toby

Toby (not his real name) was 10 years old when his TPI<sup>1</sup> grandfather gained court custody of him and drove him interstate to start a new life with 'Nanna' and 'Pops'. There was much to repair—Toby was already hopelessly behind his classmates, he was sickly, slight of build and pitifully short of trust.

Pops had heard at his local RSL that his TPI pension entitled him to DVA assistance for his grandson. Sure enough, the VCES funded a tutor who tackled Toby's literacy and numeracy difficulties. Sacrifices in the TPI household to accommodate another family member meant that the budget was super-tight but the VCES was able to finance school camps and contribute towards January back-to-school costs.

Extract from Toby's Year 5 school report: '*... inattentive ... easily distracted ... disengaged.*'

The steady influence, love and careful nurturing of Nanna and Pops eventually started to pay dividends for this quiet little fellow.

Extract from Year 8 school report: '*... Toby struggles but always tries his best.*'

Feeding and educating a high-schooler is an expensive business so there was considerable relief in receiving a fortnightly Education Allowance from VCES. When Toby expressed an interest in joining classmates on the Kokoda Trek, the VCES Board was delighted to contribute with Special Financial Assistance. This turned out to be the lit fuse that shot him into adulthood. Everything about him flourished from that moment on. Toby became a leader and a mentor to his peers rather than a grateful, mute follower. This young man suddenly found that he had much to contribute and that others actually needed *his* help. Nanna and Pops were so proud as he assisted the Kokoda Challenge Youth Program as a guide and mentor to troubled teenagers the following year.

Toby's academic interest lay in software and IT design and, while he failed to gain a university place, he brought his new-found grit and determination to his studies at his local TAFE. The VCES Board funded specific software needed to attain his Web Design certificate, while he battled his way to the top, graduating with distinction.

At his first job interview, Toby joined a waiting room packed with university graduates and established web designers, resplendent in their hired suits and Dean's commendations, all vying for one lucrative, dream job with Google Australia. Toby nervously adjusted the sleeves of the jumper that his Nanna had crocheted. Nanna and Pops waited patiently in their car with a cut lunch.

Toby won that job!

#### Veterans Children Education Scheme – Phone 133 254 and ask for VCES

Source: DVA.

Note 1: TPI: Totally and Permanently Incapacitated.

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