

# Audit Reports Summaries

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## Audit Report No. 7 1995-96

### Summary

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## Department of Veterans' Affairs

### FINANCIAL MANAGEMENT

### Performance Audit

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#### Background

The Department of Veterans' Affairs provides administrative support to the Repatriation Commission in discharging its responsibilities to veterans and other entitled beneficiaries. The department also administers the *Defence Service Homes Act 1918* under which subsidised loans for housing and housing-related benefits are provided to eligible persons.

The department spends more than \$6 billion each year on payments to over 360 000 pensioners and other beneficiaries, and provides health services to more than 340 000 people.

#### The Reason for the Audit

The large expenditures and client numbers, coupled with the wide-ranging nature of departmental services and forms of service delivery, have presented challenges to the administration of the department's programs. These have occurred at a time when the department has increasingly sought to acquire, rather than directly supply, health services.

The department has recently been undergoing significant change in its organisational structure and the way its business is conducted. These changes were directed at providing clearer long-term direction for the department and improving service delivery and client focus.

Devolution of greater responsibility for program administration and resource management to the Deputy Commissioners in the States was an integral part of these changes.

The department had also recognised the fundamental need to improve, and raise awareness of, financial management and accountability as part of the restructuring process. The ANAO is confident that this audit will assist the department in developing a more robust and user-oriented financial management framework which could effectively support program management and administration in the new structure.

#### Purpose of the Audit

The purpose of the audit was to ascertain the extent to which financial management arrangements helped the department to achieve its objectives and the way that these could be improved in the light of the department's management reforms generally.

Elements of the Financial Management Improvement Program, and the accrual reporting framework, were at an evolutionary stage in the department. The audit therefore focused on quite fundamental financial management issues, including:

- the ability of financial management systems to provide information that was timely, accurate and relevant to the needs of management and other users; and
- the extent of coordination and control of financial management across departmental programs and between National and State Offices.

## **Key Findings**

The key findings arising from the audit were:

- the role, priority and relevance of financial management in program administration should be clarified and more clearly integrated into the overall program management framework;
- ownership and acceptance of responsibility for financial management in program administration can be improved;
- the coordination of financial management activities could be improved - at the time of the audit the ANAO found that coordination arrangements were variable, with limited use of coordination mechanisms, such as clearly defined business rules, formal policies and guidelines, and the use of financial reports;
- better use could be made of financial systems and financial reports in the Budget process - the use of existing financial systems and financial reports in the estimates process was not highly developed or particularly user-oriented;
- the management reporting framework could be improved - management information needs had not been clearly identified and management reports were not in a form that encouraged further analysis or review;
- managers were not sufficiently trained in management-oriented financial analyses or administration - there was a need for management training in higher-level financial administration and the use of broader financial analyses; and
- performance criteria based on financial information had not been developed and financial information was not used to measure performance.

The department is committed to continuous improvement and agrees there is scope for expanding continuous improvement activity into all aspects of program administration, including performance criteria based on financial information.

## **Overall Conclusions**

The ANAO found that, at the time of the audit, financial management arrangements could better support program management in achieving departmental objectives and that the role of financial management in program administration could be clarified.

The department is in general agreement with the audit findings and recommendations and had actually commenced making substantial changes to its financial arrangements as part of its organisational changes.

The ANAO supports the general direction of the changes in financial arrangements, which should better support management of departmental programs. The ANAO considers that the recommendations of this audit would assist the department during this period of change.

The ANAO considers that many of the issues raised in this audit are relevant to Commonwealth agencies in general. The ANAO has therefore developed an indicative profile of good financial management objectives and practices to provide a financial management framework to support the achievement of departmental objectives.