

The Auditor-General
Audit Report No.28 2008–09
Performance Audit

Quality and Integrity of the Department of Veterans' Affairs Income Support Records

Department of Veterans' Affairs

Australian National Audit Office

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of Australia 2009

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Canberra ACT
22 April 2009

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the *Department of Veterans' Affairs* in accordance with the authority contained in the *Auditor-General Act 1997*. 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 and the accompanying brochure. The report is titled *Quality and Integrity of the Department of Veterans' Affairs Income Support Records*.

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

AUDITING FOR AUSTRALIA

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

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Abbreviations

| | |
|----------|---|
| AIS | Ad Hoc Inquiry System 2000 |
| ANAO | The Australian National Audit Office |
| AVO | Australian Valuation Office |
| CCF | Client Contact Facility |
| CLIK | Consolidated Library of Information and Knowledge |
| CRN | Centrelink Reference Number |
| DICE | Data Integrity Cleanup Exercise |
| DIPs | Data Integrity Problems Program |
| DPID | Delivery Point Indicator |
| DVA | Department of Veterans' Affairs |
| ECP | Enhanced Compliance Program |
| EMG | Executive Management Group |
| ESO | Ex-Service Organisation |
| Finance | Department of Finance and Deregulation |
| FMS | Feedback Management System |
| ICT | Information and Communication Technology |
| IQ Rapid | Information Quality Rapid |
| IT | Information Technology |
| POI | Proof of Identity |
| QA | Quality Assurance |

| | |
|---------|--|
| QS | Qualifying Service |
| O* | ObjectStar |
| PRS | Participant Registration Service (the first Cúram application implemented) |
| TFN | Tax File Number |
| UIN | Unique Identification Number |
| VANQISH | Veterans Affairs Network Quick Information Service Helper |
| VIEW | Veterans Information Enquiry Window application |
| VSC | Veterans Service Centre |

Summary and Recommendations

Summary

Introduction

1. The Repatriation Commission was officially established on 1 July 1920 with the passing of the *Australian Soldiers' Repatriation Act 1920*, to provide support for veterans, widows and their families.¹ This Act was replaced by the *Veterans' Entitlements Act 1986* (the Act), which retained the functions of the Repatriation Commission. Under the Act, the Commission delegates its powers to the Department of Veterans' Affairs (DVA) to grant pensions and other benefits to veterans and their dependants, and certain other eligible people.
2. The service pension provides regular income support for people with limited means of income and is broadly equivalent to the Centrelink age and disability pensions. However, it is payable five years earlier than the age pension in recognition of the effects of war. The two critical criteria required of claimants in the Act are to be a veteran and have rendered qualifying service. Age and residency requirements are also mandatory for some pensions. There are rules related to assets and income that also affect pension eligibility and pension amount.
3. The total appropriation to deliver this output in 2007–08 was \$44 744 000.² Table 1 below provides a list of income support groups under the Act.
4. DVA's client population has declined over the past three financial years as illustrated in Table 1. At 30 June 2008, the income support pensioner population was 4.6 per cent less than was reported in the previous financial year. There has been a corresponding downwards trend in the department's workload.³

¹ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2007–08*, p. 20.

² Department of Veterans' Affairs (Defence Portfolio), *Portfolio Budget Statements 2007–08: Budget Related Paper No. 1.4B*, May 2007, p. 49.

³ From time to time this trend in the workload may reverse in response to legislated or policy changes but this does not affect the overall systemic downwards trend. For example, in September 2007, a change to the taper rate of the assets test generated around 4800 additional claims over a short period, with workloads returning to the pre-1 July 2007 levels early in 2008–09.

Table 1**Income support beneficiary population**

| Pensioner group | 2005–06 | 2006–07 | 2007–08 |
|--|---------|----------------------|---------|
| Service pension veterans (<i>including invalidity</i>) | 122 458 | 113 698 | 108 580 |
| Service pension partners (<i>including invalidity</i>) | 103 110 | 96 864 | 93 959 |
| Income support supplement recipients | 87 003 | 84 471 | 82 550 |
| Age pensioners (<i>social security</i>) | 6 385 | 6 068 | 5 896 |
| Commonwealth Seniors Health Card holders | 10 685 | 11 086 | 9 279 |
| Defence Force Income Support Allowance | 16 266 | 20 793 | 17 391 |
| Total | 345 907 | 332 980 ⁴ | 317 655 |

Source: DVA's *Annual Reports 2005–06* (p. 56), *2006–07* (p. 59) and *2007–08* (p. 60). Note: DVA's annual reports also outline five forms of income support paid under DVA's Output 1.1: Income support under the *Veterans' Entitlements Act 1986*. These are the: age service and invalidity service pensions; partner service pension; income support supplement; social security age pension (which is paid to eligible disability pensioners and their partners); and Defence Force Income Support Allowance (DFISA).⁵

Restructure of DVA

5. In order to better manage the services provided to Australia's declining population of war veterans and the expected decrease in its workload and funding, DVA undertook a major restructure in 2005–06. This restructure, known as *oneDVA*, was the foundation for a new approach to the way DVA delivers its services to veterans. The reorganisation involved a move away from variable State-based practices and the expansion of geographically dispersed teams resourced along national business lines. The department's strategy to standardise its operations across all service areas was complemented by the introduction of the first phase of a new 'oneVoice' telephone service environment, the Veterans Service Centre (VSC).

Modernisation of DVA's information technology

6. The department's administration of income support benefits relies on a combination of complex older heritage and new information technology (IT) systems. These systems contain extensive electronic records of personal and other information about DVA's clients and are used to process income support

⁴ The income support population in Table 1 for 2006–07 was reproduced from DVA's *Annual Report 2006–07*. However, the population figure for the 2006–07 financial year reported in DVA's *Annual Report 2007–08* is less by 4732. DVA has not explained this discrepancy.

⁵ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2007–08*, p. 58.

claims and other related work. In February 2008, the department's client databases held 1 580 546 total client records, of which 264 248 involved an income support payment.

7. In parallel with DVA's restructure, the department also recognised the need to modernise its IT and reduce its expenditure on maintenance of heritage systems.⁶ As part of this initiative, the department purchased Cúram, an off-the-shelf, integrated IT application framework designed for service delivery environments. This IT-enabled business change offers the potential for better functionality of DVA's IT systems based on up-to-date business rules, more reliable information underpinning decision-making and reporting, and increased convenience for veterans.

8. DVA is taking a phased approach to implementing Cúram, with data migration (from the department's heritage IT systems into Cúram) scheduled over a number of years. The initial phase of the department's modernisation of its IT systems occurred in 2006, when several projects were implemented. This involved the migration of over 1.5 million records containing client personal information from heritage databases into the new Cúram environment. Despite DVA's considerable project planning, data testing and cleansing to prepare the heritage data for transfer into Cúram, unanticipated data incompatibility and integration issues emerged during the migration of the data. To enable the transfer of the data into Cúram, heritage records with blank date of birth fields were populated by DVA with 'dummy' data.⁷

9. The department has a major initiative to clean up data integrity errors. This is the Data Integrity Cleanup Exercise (DICE) project which predominantly revolves around correcting:

- data errors that were transferred from heritage systems into Cúram; and
- newly created problems that arose as a result of incompatibility issues between heritage and Cúram systems during data migration.

⁶ The replacement of old systems hardware to reduce maintenance costs is not limited to DVA. The recent independent *Review of the Australian Government's Use of Information and Communication Technology* by Sir Peter Gershon, August 2008, illustrates the commonality of the issue both across agencies and internationally. Recommendations include agencies: strengthening governance around improving ICT capability; reducing expenditure on heritage systems without impairing service delivery; and increasing internal ICT capabilities.

⁷ Dummy data is a dummy variable that does not contain any useful data but it does reserve space for a real variable.

10. The department also has an ongoing program for data cleanup – the Data Integrity Problems (DIPs) work. DIPs activity is directed to correcting complex data errors unable to be resolved directly via the existing applications.

11. The cost of implementing Cúram was to be offset by ongoing savings in administration and program costs arising from the improved IT framework and de-commissioning of relevant heritage systems.⁸

Audit scope and objective

12. The objective of the audit was to examine the quality and integrity of DVA's income support records and to report on the effectiveness of the department's management of the data and how it impacts on service delivery. The audit included an examination of:

- DVA's management of the data including the quality of data stored on its client databases, the processing of claims and payment processing;
- the accuracy, completeness and reliability of DVA's electronic income support records; and
- the impacts the quality of data has on service delivery, and related issues of customer support and feedback.

13. The audit focused on data integrity issues associated with the various types of service pension, income support supplement, the social security age pension and other related allowances. The accuracy and completeness of records of selected mandatory fields and other key fields that underpin the integrity of DVA's income support records were examined.

14. The ANAO's data extraction and analysis encompassed 1 580 546 records in DVA's production environment which included the records of 264 248 income support clients who were *in payment*.⁹ While the audit did not directly examine the accuracy of individual payments, it examined underlying data integrity issues that can impact on the accuracy of payments, such as the current status of client asset and income information.

⁸ The department's expenditure on Cúram application development over the previous three financial years 2005–06 to 2007–08 is estimated to be \$38 million. See Table 2.1 for a breakdown of the figures.

⁹ This refers to clients who were receiving any kind of DVA payment at the time of the data extraction.

15. The audit also included a limited number of reviews of paper files and consideration of documentation associated with DVA's IT governance, particularly in relation to data management.

Conclusion

16. The Department of Veterans' Affairs (DVA) has been undergoing significant change since 2005–06. Following a review of its service delivery arrangements, DVA adopted a new business and information technology (IT) strategy, in recognition of the declining population of war veterans and expected 30–50 per cent decrease in the department's workload over the next 10 years. A key element of DVA's IT strategy is to reduce expenditure on the maintenance of IT systems over time, by eventually decommissioning its heritage systems. The purchase of Cúram, an off-the-shelf IT product designed for social welfare environments, was a key part of this strategy. DVA identified Cúram as an enabler for its new model of business operation, known as *oneDVA*.

17. A challenge for DVA in this environment is balancing the resources required to maintain its heritage IT systems relative to its investment in new IT capability with its greater functionality. While Cúram is designed to be the 'source of truth' for client personal data and to provide a platform to better manage DVA's data in the future, it is still in the early stages of implementation. Income support data is not yet scheduled for migration into Cúram, and DVA continues to be dependant on the integrity of the data stored in heritage systems for administering income support payments. In this environment, the department relies heavily upon the corporate knowledge held by a few key staff about its IT systems and business processes.

18. Overall, the poor quality of the data in DVA's electronic databases is affecting the efficiency and reliability of the department's decision-making, and its internal and external reporting. While in most cases there was sufficient evidence in DVA's multiple systems and the hard copy customer records examined to support its clients' eligibility for income support benefits, the audit revealed:

- the department's management of electronic data and data integrity issues was not effective;
- key fields in many electronic records were not accurate, complete or reliable; and

- inaccurate recording and reporting of complaints and compliments in the department's Feedback Management System.

Management of data and data integrity issues

19. Data integrity problems highlighted during this audit included: the number of DVA clients with more than one Unique Identification Number (UIN) continuing to increase since the previous audit of DVA's administration of Repatriation Health Cards in 2003–04; DVA not having a complete electronic record of the qualifying service details for 41 per cent of veterans eligible for the age service pension; exempt assets of clients being disregarded beyond the legislated exemption period for the purpose of the assets test; fragmentation of client information across multiple records; and cases of pension misclassification, requiring DVA to further analyse the raw data to ensure the information reported was meaningful and reliable. These and other data integrity issues identified by the audit increase the risk of DVA providing untimely advice and incorrect payments, and reduce the department's capacity to provide assurance that the right person is receiving their correct entitlement. To mitigate this risk, the department has a range of administrative processes and checks in place. However, these add to the costs of administering the program. This situation also limits the ability of the department to garnish the dividends of *oneDVA*.

20. The quality of DVA's data would be substantially improved through the development and deployment of an organisation-wide data integrity improvement strategy, underpinned by stronger governance arrangements. In recent years, DVA has reviewed both its IT governance and committee structure and identified similar issues to those reported by the ANAO in this audit, including a need for greater clarity across the department for the authority, ownership and control of data management and data integrity issues. Strengthening oversight arrangements would assist DVA to monitor the progress of the strategy, as well as align elements with the roll-out of *Cúram* and recognise the interdependencies within the *oneDVA* initiative. DVA's progress would also be facilitated by setting targets and timeframes for reviewing records, and better utilising the opportunities presented by client and department initiated contacts, including compliance and review work, to improve data integrity.

Accuracy, completeness and reliability of key fields in client records

21. DVA's policy and procedural controls for new claims processing and updating of client records would benefit from review and consolidation. In

particular, data entry controls and support materials should be standardised across the department's State offices and the Veterans Service Centres (VSC), consistent with the *oneDVA* strategy. This would help to reduce data input errors and support consistency in decision-making and client records management generally. Additional assurance would be gained from a greater focus on data input standards and controls, and procedural compliance around claims processing and updating of client records.

22. Veterans/clients receiving the maximum pension or receiving a part pension (and considered by DVA to be low risk), are generally not reviewed through DVA's review program measures unless pensioners notify of a change in their circumstances. This has potential service delivery impacts when cases are not reviewed for a number of years as clients could incur unexpected debts or be underpaid for a significant period. Retrospective adjustments applied to pensions over a number of years does create higher administrative costs for DVA, when having to account for multiple changes to a pensioner's circumstances.

23. In 2004, DVA introduced its Enhanced Compliance Program (ECP) in order to manage the risk of pensioner non-compliance.¹⁰ The ECP targets cases profiled by DVA as high risk with no recent review activity, or cases with potentially volatile income and assets. As well as achieving higher than expected benefit payment savings, the ECP has been successful in updating the current status of a client's circumstances. However, this program, coupled with the program of two-yearly reviews of pensioners receiving less than the maximum pension rate, reviews less than seven per cent of the total income support population. Overall, more than 70 per cent of clients have not had a review that updates all of their previously submitted asset information, for eight years or more.

24. DVA has a range of IT controls and assurance programs, including the ECP and client contact activities, which present an opportunity to improve data integrity. These compliance activities and other direct contacts with clients provide opportunities to implement cost-effective arrangements to validate or correct client information. Improved data integrity would provide

¹⁰ DVA's review of the ECP states: 'compliance reviews are the most effective and resource intensive review types as they update all aspects of a person's pension assessment. All other review types only update one or two assessment items.'

greater assurance that DVA's clients are receiving their correct income support entitlement and associated services.

Management of feedback data and service delivery impacts

25. The unreliability of DVA's client feedback data limits the department's capacity to effectively utilise the intelligence gathered from complaints and compliments to assist in setting client service priorities and to systematically monitor and generate reliable public reports. DVA's proposed new feedback management system is in the early planning stages, with the projected timetable and resources yet to be defined. DVA has advised that, in the meantime, its existing Feedback Management System (FMS) will continue to be used with its known data quality shortcomings.

26. In the interim, it would be prudent for DVA to raise departmental staff awareness of the need for all feedback to be recorded in the existing FMS and to ensure compliance with the department's *Procedural Policy—Handling Feedback from the Veteran Community*. In doing so, a focus should be on awareness raising and highlighting the value DVA places on client feedback and the intelligence gathered from complaints, as a driver of improvements to business and service quality. This would assist in ensuring that client feedback is accurately recorded and appropriately managed day-to-day and ensure its availability for long term business and service delivery improvement purposes.

27. The ANAO has made four recommendations designed to strengthen the quality and integrity of DVA's income support information by: clarifying oversight arrangements for the authority, ownership and control of data management and data integrity issues; documenting a controls framework for income support and evaluating the department's IT controls and assurance activities to determine which elements are most effective in improving data integrity and refocus the activities accordingly; implementing standard procedures for data entry and the management of client records and correcting key data fields of active records; and raising awareness of the value of client feedback and the need for all complaints and compliments to be recorded.

Key findings by chapter

Chapter 2—Income Support Controls Framework

28. The ANAO reviewed DVA's controls framework to assess whether the department had: included risks associated with data integrity in its broader

risk management framework; appropriate oversight arrangements for IT; and a documented IT controls framework.

Risks associated with data integrity

29. DVA's Risk Management Framework identifies internal and external risks. Major internal risks include: agency capability; agency information communication and technology (ICT) capability; and agency financial capability. A key challenge for DVA is managing the risks associated with maintaining the department's heritage IT systems, while developing new system capabilities. In July 2008, this issue was referred to DVA's Information Committee, which is responsible for overseeing the direction of strategic ICT in DVA. The department advised that the committee is redefining the department's ICT capability to appropriately prioritise maintenance and support of heritage databases, relative to development and support of other systems.^{11/12}

Governance arrangements

30. DVA established a new governance committee structure in 2005–06 to support the *oneDVA* model, which continues to be refined. While the ANAO identified a number of issues at the corporate level, DVA's governance committees' roles and responsibilities are defined and articulated. In recent years, DVA has reviewed both its IT governance and internal committee structure. DVA's most recent formal review of its IT governance was in 2003–04. While some of the better practice suggestions and recommendations have been implemented, several remain outstanding that are relevant to the findings of this audit. In particular; development of a formal IT Governance Framework; formally documenting and regularly updating the interdependencies between application databases; and revision of DVA's data management framework to better address data integrity issues.

¹¹ ICT concerns all of DVA's communication and information technology of which IT hardware and software is a major component. The Information Management Unit (IMU) is responsible for managing the department's investment in ICT and works with business areas to improve outcomes and services through the provision and management of appropriate IT services.

¹² On 12 March 2009, DVA advised that the Information Committee met in February 2009 and endorsed a two phased approach for a select tender to conduct a review of the department's current and future ICT requirements. As part of this review an implementation approach for the establishment of a formal prioritisation process will be determined.

31. In 2007–08, DVA conducted an internal review of its governance committee structure. The progress report to the Executive Management Group (EMG) in March 2008 focused on internal governance processes introduced as part of the move to *oneDVA* and cites similar issues to those subsequently identified by the ANAO, including:

- staff not understanding the different roles of the committees, and there is considerable overlap;
- the lack of clarity of the lines of authority of committees and the committee hierarchy; and
- IT projects considered by committees outside their charter or without reference to the more senior decision-making governance committee.¹³

32. The new Data Integrity Sub-Committee (DISC) was established in 2007–08. DISC is tasked with enhancing the integrity of data held in DVA’s client databases and resolving issues related to data ownership. However, the authority of the DISC is unclear in DVA’s overall governance structure. The department advised that the DISC is scheduled to meet and report to the Operations Committee every six weeks. However, at August 2008, the DISC had met once in the previous 12 months.¹⁴ Clarification of the status of the DISC will assist the development of an agency-wide strategy, assigning responsibilities and timelines to business areas to address DVA’s data integrity issues. Improvements to the integrity of DVA’s data will improve the department’s reporting capability.

Documented IT controls framework

33. The department’s administration of income support involves a combination of complex heritage and new IT systems. In this environment, documentation of the IT controls framework is important, as are formal systems documentation such as a comprehensive data dictionary and system specifications or business rules. DVA does not have in place formal documentation of its IT controls framework or systems. Furthermore, specialist knowledge of the strengths and weaknesses of the department’s IT systems

¹³ DVA minute – progress report to the EMG on the internal governance review, dated 17 March 2008.

¹⁴ Department of Veterans’ Affairs, *Data integrity Strategy Overview v1 0*, 25 July 2008.

and the use of business logic by individual officers is also required to turn the raw data into meaningful and reliable information.¹⁵

34. Integral to strengthening DVA's IT controls is documentation of the existing systems. This would help to establish an evidentiary link between the electronic records of clients receiving an income support benefit and the key legislated and policy requirements. It would also assist the users of DVA systems and data to assess: the strengths and weaknesses of particular IT systems; the significance and suitability of the data to answer specific queries; and the risks associated with using raw data without additional corroborating evidence.

Data entry controls

35. DVA's IT systems contain few documented data entry controls and the ANAO identified a considerable number of errors made during data entry. DVA advised that Cúram has functions that should allow for improved data entry validations. Two Cúram controls for data input are the name search function and Information Quality Rapid (IQ Rapid) function. The name search function provides a control to reduce the likelihood of the creation of multiple records when DVA registers a new client. However, this control measure can be by-passed during the registration process and multiple records continue to be created. IQ Rapid is a control used in DVA's systems at the point of entering Australian addresses. While staff can override the IQ Rapid function, around 80 per cent of the records examined by the ANAO complied with DVA's policy, suggesting the control is effective.

Chapter 3—Income Support Eligibility

36. The ANAO extracted *in payment* client records to determine whether DVA's income support records met the key legislated and policy eligibility requirements for veterans, partners and widows/widowers. The ANAO used a data analysis interrogation tool to examine all of DVA's 1 580 546 client records, of which 264 248 were *in payment*. The results of the ANAO's data analysis include:

- of 99 079 veterans eligible for the age service pension, 40 306 veterans (41 per cent) did not have a complete electronic record of service

¹⁵ On 12 March 2009, DVA advised that the department's IT systems have been certified to the ISO 9001 standard.

details. The ANAO inspected a sample of 40 service pensioners' paper files associated with incomplete electronic service details records. Of these, 39 files contained sufficient evidence of the veteran's military history and service details to prove their qualifying service eligibility;¹⁶

- of 126 891 age service pensioners, the records for 4774 pensioners indicated that they did not meet the age requirements. However, further analysis revealed these records are most likely female non-veteran clients receiving the partner service pension, incorrectly classified as age service pensioners. The system control to correctly classify these pensioners is not consistently used by the department; and
- many income support clients are incorrectly classified in DVA's client databases. For example, of 50 246 invalidity service pensioners, the records of 18 787 pensioners indicated that the clients did not meet the requirement to receive the invalidity service pension. Rather, the age of the pension recipients revealed that they should have been receiving the age service pension (while the age service pension and invalidity pension are the same pension amount, once a pensioner reaches the social security pension age, their pension is assessable income for taxation purposes). The ANAO could not determine from the data extracted using DVA's Ad Hoc Inquiry System 2000 (AIS), whether the misclassified invalidity client records (that had reached social security pension age) had their income support identified as subject to income tax. Upon further investigation of a sample of these records using the Veterans Information Enquiry Window (VIEW) application, the ANAO determined that the records were identified as assessable for tax purposes.¹⁷

¹⁶ Prior to the implementation of the Generic Update Interface for DVA Entitlement (GUIDE) application in June 2002, there was no capacity to record qualifying service details on DVA's electronic systems. DVA advised that since 2003, veteran service pension cannot be granted without electronically recording qualifying service details. However, many of DVA's records are missing critical information such as war code.

¹⁷ Age service pension is granted five years earlier than social security age pension. Invalidity service pensioners can be eligible for age service pension (which is tax assessable) but the advantage of staying on invalidity pension until social security pension age is reached, is that invalidity service pension is not subject to income tax. Once invalidity recipients reach social security pension age, their pension becomes tax assessable and they should be classified in the system as age service pensioners.

37. The ANAO tested the 5638 records of social security age pension clients *in payment* and found that the electronic records indicated that all of these clients were the correct age to receive the social security age pension. Consistent with the legislation, none of these clients were in receipt of both the social security and age service pensions.¹⁸ The key implications of the above findings for DVA's data integrity are summarised in Table 2 below.

Table 2

Implications of the ANAO's data analysis

| Finding | Implications |
|--|---|
| Non-compliance with existing controls | Ineffective system controls and non-compliance with procedures, or misclassifying clients by using workarounds, results in duplication of effort and is inefficient. Further analysis is required to turn the raw data into reliable and accurate information for reporting purposes. |
| The limitation of existing system controls | There are limitations within DVA's system controls to identify and reclassify a client receiving an invalidity service pension once the client becomes eligible for an age pension. While the ANAO found that the system reclassifies the client's pension to tax assessable status on their birth date, this is reliant on the date of birth being correct. For thousands of DVA's client records, electronic date of birth data was found to be unreliable. |
| Incomplete electronic records | Decision-making related to granting of income support benefits, in many instances, is based on incomplete or incorrect electronic records that do not meet the key legislated and policy eligibility requirements for income support. |
| Use of complex State-based file numbering system | DVA is dependent on the complex State-based file numbering system to identify and match clients, when many relationship linkages between records are missing and client information is fragmented across multiple electronic records and paper files. |
| Evidence on file not reflected in electronic records | Client paper files are generally not used after the claims process is finalised and, therefore, all evidence on paper files should be correctly reflected in the electronic record at the time of claim and before payment or benefit is granted. Electronic records should be updated when new client information is received, at the same time the hard copy is filed. When electronic records are found to be incorrect or missing key information, these should be corrected by checking the paper files or clarifying the details with the client. |

Source: ANAO analysis.

Chapter 4—Asset and Income Records

38. The income support pension is calculated using two separate tests—the income test and the asset test. The amount of pension a veteran or spouse can receive depends on their income and value of their assets. The ANAO

¹⁸ Social Security age pension and age service pension are different pension types, with different eligibility criteria. Pensioners cannot be in receipt of both pension types.

reviewed DVA's: quality assurance (QA) program; measures to ensure timely updating of asset and income records; and programs to review higher risk categories of assets and income. DVA's compliance activities rely on underlying data integrity but also provide an opportunity to update client information during the course of the department's interaction with its clients.

National Income Support Quality Assurance Program

39. DVA's National Income Support Quality Assurance Program is designed to provide assurance of high risk cases, reviews and new income support claims. The quality assurance program reviews a random sample of five per cent of these types of cases selected each fortnight. DVA QA processes involve checking for data input and other errors in new claims decisions and checks that the outcome accurately reflects the evidence on file.

40. The main trends identified in income support claims processing in DVA's 2005–06 QA trends analysis workshop report were: increasing complexity of business income tax returns; evidence not being taken into account; lack of attention to detail; and the date-of-effect of a change to a client's circumstances, while recorded, being overlooked by the claims officer. The increasing complexity of client financial circumstances and associated staff workload were also reported to be contributing factors to some of the error trends in claims processing. Implementation of standard data entry procedural controls for all DVA staff registering clients, processing claims or updating client records would improve the quality of DVA's income support data generally.

Timely updating of asset and income records

41. Pensioners receiving a reduced rate of pension are provided with a full listing of their previously submitted income and asset position every two years, for confirmation or update. Around 40 per cent of DVA clients *in payment* are receiving less than the maximum rate of pension. The ANAO analysed the 264 248 client records *in payment* and found 7810 clients received a reduced pension as a result of the application of the asset test representing approximately three per cent of the total income support population. Further analysis found more than 70 per cent of clients' asset records have not undergone a review that updates all of their previously submitted asset information, for eight years or more. While DVA's record of these assets is below the asset threshold, some asset values such as investment properties, would have fluctuated over the years, in such a way as to affect entitlements.

42. In contrast to the asset review strategy, the ANAO noted that over 50 per cent of the income tested records of service pensioners had been reviewed or updated since 2007. Income support pensioners earning casual wages undergo regular three-monthly reviews by DVA. The data matching program with external agencies such as Centrelink and the Australian Taxation Office also identifies undeclared income and incorrect payments.

Program to review high-risk cases, especially categories of assets

43. DVA's program of reviews of selected cases provides an avenue to improve the integrity of client payments. The Enhanced Compliance Program (ECP) includes reviews of new claims, assets and regular income reviews and cases profiled as high-risk by DVA. Reviews can be initiated by the department or by pensioners. The ECP is achieving substantially higher than expected savings in pension payments, and provides the opportunity to update invalid or changed client details that may not have undergone review for several years. However, the target of 10 000 additional reviews each year is less than four per cent of the income support population. These reviews, coupled with the two-yearly request to those receiving less than the maximum pension rate, reviews approximately seven per cent of the entire income support population.

Chapter 5—Data Integrity

44. At 30 June 2007, DVA's databases held 1 580 546 client records. At the time, the income support client population was 332 980 and the population of client's with repatriation health cards was 293 620—a combined total of 626 600. Therefore, approximately 60 per cent of the client records held in DVA's production environment are inactive; that is, these clients are not receiving any entitlement or benefit. This is consistent with DVA's analysis of the client records transferred from heritage systems into Cúram. An ANAO audit of the *Management of Repatriation Health Cards* in 2003–04 found that around 50 per cent of the production environment databases contained inactive client records, indicating a significant increase in four years.

45. The ANAO identified 832 000 client records in the production environment with no active links/relationships to other records (indicating no surviving partners or dependents)¹⁹ and sometimes with a date of death

¹⁹ A related issue involves more than 6500 relationships that were unable to be loaded into Cúram from heritage systems. Of these, around 2500 clients are receiving a payment. The Data integrity Cleanup Exercise 2 identifies cases of missing relationships/linkages as a priority, where clients are receiving payment but the relationships/links between records are incorrect or missing.

recorded many decades in the past. The ANAO considers there is no business reason for DVA to maintain inactive redundant records in the production environment.

46. DVA's inactive records relate to clients who are not in payment and do not receive a health card or any other entitlement. Many of these records relate to veterans who lodged some type of claim with DVA in the past but whose claim was rejected, or contain redundant data where no activity has occurred for many years. This information remains in DVA's production environment. Other records relate to deceased clients. For greater efficiency, the production environment databases should primarily contain information relating to DVA's active client populations. Inactive records could be archived or relocated outside the production environment after a specified period, with the potential to be reintroduced into the production environment, if and when required. While acknowledging cost and system re-engineering issues, the benefits associated with improved system performance and data integrity are more likely to be realised.

47. During the audit, DVA committed to undertake technical work to establish approximately 6500 missing relationship links between records in Cúram, as 2500 of these are *in payment*. Once this work is completed, the ANAO suggests that the department consider the benefits of identifying and archiving or relocating the inactive redundant records outside the production environment. DVA's investment in this strategy, where there is no business reason to maintain these records, will substantially improve the currency and integrity of its data in the production environment.

Initiatives to clean up inaccurate data

48. DVA's Data Integrity Cleanup Exercise (DICE) was an initiative undertaken as part of the Australian Government's former Access Card project. Many of the data integrity issues that were identified by DICE are consistent with the ANAO's findings in this audit and that of the previous ANAO audit in 2003–04. Issues identified by DICE included:

- 28 630 clients in DVA's production environment with a dummy date of birth that was bulk-loaded during previous data cleanup exercises;
- the recording of false dates of birth at the time of registration; and
- the need to educate all staff about the importance of correct data for all cases.

49. The DICE project had not met its objectives when the Access Card project was discontinued in November 2007. DVA's *End of Project DICE Report* states:

The lack of project management rigour meant that the project had less visibility to the Executive, no clear plan and hence, insufficient resources. The (project) objective was not achieved.²⁰

50. DVA's Resources Committee endorsed a new business proposal in June 2008 known as DICE 2, which has been referred to the Cúram Project Board for consideration in relation to other IT priorities. If agreed, final endorsement by the Information Committee is required for the project to proceed.²¹

Chapter 6—Integrity of Feedback Data

Management of stakeholder feedback

51. DVA has a national Feedback Management System (FMS) supported by documented procedures entitled *Procedural Policy-Handling Feedback from the Veteran Community*. The procedural policy requires compliance by all DVA staff when handling stakeholder feedback, such as complaints and compliments.

52. During fieldwork, the ANAO observed a low level of awareness of FMS and the department's national feedback policy procedures among departmental staff. The Veterans Service Centre's (VSC) 'oneVoice' telephone service receives customer feedback. Complaints are managed locally by team leaders or referred to business areas and are not recorded in FMS by VSC staff. DVA advised that its official policy is for all stakeholder feedback to be entered into FMS but acknowledged that the national policy procedures are not widely used by departmental staff. DVA also advised that until a new system is implemented, feedback data recorded and reported (using the current system) will continue to be inaccurate.

53. In DVA's *Annual Report 2006–07*, the department reports a high level of veteran overall satisfaction with its services.²² During this period DVA

²⁰ Department of Veterans' Affairs, *End of Project Report for ADV II Data Integrity Cleanup Exercise (DICE)*, undated and unsigned.

²¹ As at 12 March 2009, DVA had not yet made a decision to proceed with this project.

²² On 12 March 2009, DVA advised that the overall satisfaction with DVA in its recent 2008 satisfaction survey of its general client group was 92 per cent.

reported 227 compliments, almost half the 440 reported in the previous financial year. The Annual Report also states that 372 complaints were recorded by DVA in 2006–07, compared with 198 in the previous financial year. In 2006–07, 51 per cent of clients were satisfied with DVA’s handling of their complaints, compared with 73 per cent the previous year. This was the lowest recorded satisfaction level over the previous six financial years. DVA advised that client satisfaction levels with complaints handling is an unreliable indicator owing to the department’s data recording issues. This position inhibits the opportunities available to the department to fully utilise feedback information for monitoring and improving its service delivery.

54. DVA was unable to electronically reproduce the complaint figures reported in its Annual Reports for 2005–06 and 2006–07 and the complaints recorded in the department’s FMS.²³ DVA acknowledged the inaccuracies of its complaints data and indicated that complaint numbers would be closer to 2000 or 3000 per year if the department’s feedback management system was more reliable.²⁴

Summary of agency’s response

55. The full text of DVA’s response is in Appendix 1.

56. The Department of Veterans’ Affairs (DVA) agrees with the recommendations of the ANAO report. The ANAO report highlights the significant organisational changes occurring within DVA, both in terms of Information Technology and Communications, and internal structures to effectively manage the declining population of veterans and their dependants. The department acknowledges the requirement to continue to address data integrity issues and to ensure staff understand the importance of accurate data entry. The department has commissioned several reviews to ensure the current controls and governance arrangements are effectively supporting the department’s operations and enabling quality decision making.

²³ DVA explained the inaccuracies in the report figures as due to either complaints received for a financial year and recorded in FMS after 30 June of that year and 50 complaints from one complainant that were not recorded in FMS.

²⁴ Department of Veterans’ Affairs meeting with the ANAO, 4 August 2008.

Recommendations

Recommendation No.1

Para 2.31

To improve the governance of income support data, the ANAO recommends that the Department of Veterans' Affairs:

- clarifies the authority and role of its Data Integrity Sub-Committee responsible for resolving issues related to data ownership and enhancing the integrity of data held in the department's databases; and
- develops an agency-wide strategy, assigning ownership for data management and integrity issues to business areas.

DVA response: *Agreed*

Recommendation No.2

Para 2.74

The ANAO recommends that the Department of Veterans' Affairs:

- documents a controls framework for income support and systems based business rules; and
- evaluates its current IT controls and assurance activities to determine which elements are most efficient and effective in improving data integrity.

DVA response: *Agreed*

**Recommendation
No.3**

Para 5.68

To enhance the quality and integrity of income support records, the ANAO recommends that the Department of Veterans' Affairs:

- strengthens its data entry system and procedural controls by implementing a standard set of national procedures for income support client records management;
- validates customer data when interacting with clients and during income support assurance activities; and
- updates incorrect data in all key fields of active electronic client records prior to granting a payment or benefit.

DVA response: *Agreed*

**Recommendation
No.4**

Para 6.24

The ANAO recommends that the Department of Veterans' Affairs implements interim measures to enhance the quality of its feedback data while designing the new feedback system to manage stakeholder feedback by:

- improving compliance by staff with the department's current procedural policy; and
- raising staff awareness of the need for all complaints and compliments data to be recorded in the department's existing Feedback Management System.

DVA response: *Agreed*

Audit Findings and Conclusions

1. Introduction

This chapter provides background to the Repatriation Commission and the Department of Veterans' Affairs. It describes the key characteristics of the income support program and the department's role in administering the provisions of the Veterans' Entitlements Act 1986. The chapter concludes with an overview of the ANAO's audit objective, scope and methodology.

Background

1.1 Australia has a proud tradition of caring for and supporting its men and women who served in the defence of the nation in wars, conflicts and more recently, in a number of peace keeping operations. The community and successive governments continue 'to honour, remember and express their gratitude to those Australians who have served in the defence of our nation in times of war'.²⁵

1.2 The need to provide support for veterans, widows and their families was anticipated by the Australian Government as early as 1914, with the passing of the War Pensions Act.²⁶ As increasing numbers of injured veterans returned home to Australia during World War I, a repatriation scheme was created to compensate the veterans, in recognition of their sacrifice.

1.3 The passing of the Australian Soldiers Act in 1920 reformed the Repatriation Committee into an incorporated body of three members, with Repatriation Boards in each State.²⁷ The repatriation scheme continued to evolve over the decades in order to meet the changing needs of subsequent generations of veterans. This included the introduction of income support in 1936, in the form of the service pension.²⁸ In 1976, the Repatriation Department became known as the Department of Veterans' Affairs (DVA) and, to this day, DVA continues to provide administrative support to the Repatriation

²⁵ K Rudd MP, A Griffin MP, *Labor's Plan for Veterans' Affairs*, Election 2007: Policy Document, November 2007, available from <http://www.alp.org.au/download/labors_plan_for_veterans_affairs.pdf> [accessed 11 January 2008].

²⁶ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2005–06*, p. 23.

²⁷ Hon M J Clarke, D Riding, Dr D Rosalky, *Report of the Review of Veterans' Entitlements: Chapter 3 – History of the Repatriation System* [Internet]. Commonwealth of Australia, 2003, available from <<http://www.veteransreview.gov.au/report/chapters/ch3.htm>> [accessed 5 May 2008].

²⁸ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 52.

Commission in relation to pensions, benefits and treatment under the *Veterans' Entitlements Act 1986* (the Act).

The Department of Veterans' Affairs

1.4 DVA is the primary service delivery agency responsible for developing and implementing programs that assist the veteran and defence force communities. The department's day-to-day activities are directed by two commissions—the Repatriation Commission and the Military Commission. Relevant legislation delegates powers to these two bodies, which the commissions then delegate to the department.²⁹

1.5 Under the Act, eligible veterans and their dependants may be entitled to receive income support. Delegated DVA claims officers administer income support claims through a process of client registration, assessment of income and assets, and payment to eligible clients. The department processed some 246 056 and 260 486 income support transactions in 2006–07 and 2007–08 respectively.³⁰

1.6 DVA relies on the quality and integrity of electronic income support customer records stored in its various client databases. The accuracy, completeness and reliability of these records influences the quality of the department's service delivery.

Outcomes and Outputs for income support

1.7 The primary focus of this audit is DVA's Outcome 1, specifically Output 1.1: Income support under the *Veterans' Entitlements Act 1986*. The department's objective is to:

deliver a means tested income support pension and other allowances to veterans and dependants under the *Veterans' Entitlements Act 1986* and related legislation.³¹

²⁹ Department of Veterans' Affairs (Defence Portfolio), *Portfolio Budget Statements 2007–08: Budget Related Paper No. 1.4B*, May 2007, p. 13.

³⁰ In 2007–08 new claim intake rose by 41.8 per cent compared to the previous financial year. This occurred as a result of changes to the taper rate of the assets test with a reported additional 4800 plus claims generated over a short period. Workloads returned to pre-July 2007 levels early in 2008–09 according to DVA's 2007–08 Annual Report. From time to time, legislated or policy changes may cause short term fluctuations in income support transactions but do not change the overall systemic downwards trend.

³¹ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 55.

1.8 The total appropriation for DVA's Output 1.1 in 2007–08 was \$44 744 000.³² DVA's Output 1.1 appropriation for the last four years is summarised in Table 1.1.

Table 1.1

Output 1.1: Income support under the *Veterans' Entitlements Act 1986*

| Financial Year | Total price (\$) |
|----------------|------------------|
| 2004–05 | 41 969 000 |
| 2005–06 | 41 011 000 |
| 2006–07 | 40 377 000 |
| 2007–08 | 44 774 000 |

Source: DVA Portfolio Budget Statements, 2004–05, 2005–06, 2006–07 and 2007–08. The amount for 2006–07 includes \$291 000 for supplementaries.

1.9 Table 1.2 provides a list of income support groups and the number of clients under the *Veterans' Entitlements Act 1986*.

Table 1.2

Income support beneficiary population

| Pensioner Group | 2005–06 | 2006–07 | 2007–08 |
|--|---------|-----------------------|---------|
| Service pension veterans (<i>including invalidity</i>) | 122 458 | 113 698 | 108 580 |
| Service pension partners (<i>including invalidity</i>) | 103 110 | 96 864 | 93 959 |
| Income support supplement recipients | 87 003 | 84 471 | 82 550 |
| Age pensioners (<i>social security</i>) | 6 385 | 6 068 | 5 896 |
| Commonwealth Seniors Health Card holders | 10 685 | 11 086 | 9 279 |
| Defence Force Income Support Allowance | 16 266 | 20 793 | 17 391 |
| Total | 345 907 | 332 980 ³³ | 317 655 |

Source: DVA's *Annual Reports 2005–06* (p.56), *2006–07*(p.59) and *2007–08* (p.60). Note: DVA's annual reports also outline five forms of income support paid under DVA's Output 1.1: Income support under the *Veterans' Entitlements Act 1986*. These are the: age service and invalidity service pensions; partner service pension; income support supplement; social security age pension (which is paid to eligible disability pensioners and their partners); and Defence Force Income Support Allowance (DFISA).³⁴

³² Department of Veterans' Affairs (Defence Portfolio), *Portfolio Budget Statements 2007–08: Budget Related Paper No. 1.4B*, May 2007, p. 49.

³³ The income support population in Table 1 for 2006–07 was reproduced from DVA's *Annual Report 2006–07*. However, the population figure for the 2006–07 financial year reported in *DVA's Annual Report 2007–08* is less by 4732.

³⁴ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2007–08*, p. 58.

1.10 Table 1.2 illustrates DVA's declining client population over the past three financial years. At 30 June 2008, the income support pensioner population was 4.6 per cent less than was reported in the previous financial year. This downwards trend is reflected in new income support claim intake and transactions for the same period.³⁵

Operating environment

Veteran population

1.11 The majority of veterans are now elderly or close to retirement age and require a system that:

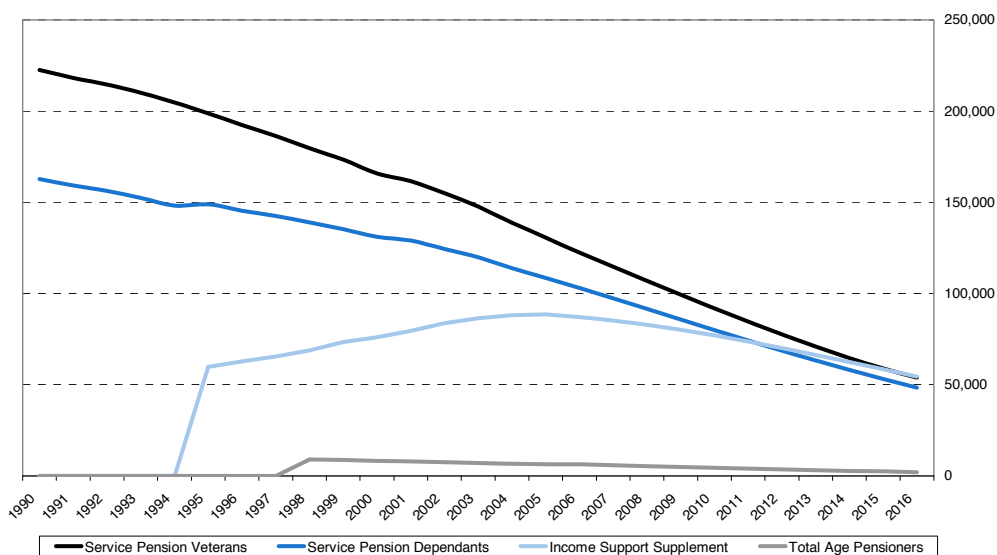
- is not overly burdensome or onerous to navigate;
- that they can confidently trust in; and
- administers income support and other benefits equitably, competently and in a timely manner.

1.12 The younger veterans from more recent deployments are a smaller group, with different needs to their older counterparts. However, while their needs may be different, the results of DVA's most recent published veterans' satisfaction survey at the time of audit fieldwork (conducted in December 2006) indicated that both groups share common expectations of DVA: that is, to provide high quality services and support that is accessible, effective, empathetic and responsive to their changing needs.

oneDVA

1.13 DVA has been going through a significant period of change for several years because of its declining client base. In 2005, DVA commissioned a review of its service delivery arrangements to examine ways to accommodate its declining client group, and potential reduction in workload and resources, by investing in longer term strategies such as workforce and IT planning to better support its business operations. Figure 1.1 illustrates DVA's declining client population.

³⁵ From time to time this downward trend in the workload may reverse in response to legislated or policy changes but this does not affect the overall systemic downwards trend. For example, in September 2007, a change to the taper rate of the assets test generated around 4800 additional claims over a short period, with workloads returning to the pre-1 July 2007 levels early in 2008–09.

Figure 1.1**DVA income support client population and projections**

Source: Executive Summary of DVA Client Population Projections. Note: Actual figures of the client population from 1997 to 2006, and DVA client projections to the year 2016.

1.14 The review resulted in a significant assessment of DVA's capability and strategic direction, and a re-organisation of its business structure and strategy, in order to standardise operations across all service areas, States and Territories. This involved a move away from the State-based culture and practices, to one of a 'single, cohesive agency' known as *oneDVA*, offering the same quality service to veterans and other affiliated clients, regardless of their service status, age or location.³⁶ As part of this restructure, DVA established cross-border virtual teams resourced along national business lines.

Veterans Service Centre

1.15 Complementing the move to *oneDVA* and a client service environment, the department introduced the first phase of the Veterans Service Centre (VSC) in May 2007.³⁷ The centre, supported by the oneVoice telephone environment, has been put in place to help the department improve its efficiency in

³⁶ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2005–06*, p. 28.

³⁷ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 29.

responding to the increase in telephone calls from veterans wanting to access DVA services.³⁸ The VSC was designed to enable trained officers to answer clients' questions and complete related processing at first point of contact.

1.16 The VSC has approximately 50 staff members. As outlined in the VSC catalogue of issues to be handled by the centre, the VSC updates client records related to notification of a change in circumstances, such as change of address, bank account details, income and asset information and death notifications. VSC staff access the Veterans Information Enquiry Window (VIEW) to update changes to a client's record. The VSC is supported by the Veterans' Affairs Network Quick Information Service Helper (VANQISH) and the Client Contact Facility (CCF). The CCF is a communication recording tool where centre staff record tasks generated by clients' telephone calls. Tasks can also be recorded in CCF to notify the business areas of tasks that require their action. The VSC also provides information to clients in the form of correspondence, fact sheets and forms.

Income support IT systems

1.17 Administration of veteran income support entitlements and benefits is supported by complex information technology (IT). A combination of heritage and new systems contain personal and other information about veterans and their dependants. DVA's IT heritage systems run on mainframe computers that date back to the 1970s and 1980s.

1.18 DVA recognised the need to modernise its IT systems to enable the department to meet its current and future business requirements. As a result, DVA invested in the Cúram integrated IT application framework designed for service delivery environments. The department advised that Cúram has better functionality, validations, business rules and a sound data model compared to the current heritage systems.

Income support claims process

1.19 There are a number of avenues available to clients to claim income support. Clients claiming for income support can apply to DVA by lodging an *Intention to Claim* form or by calling DVA and advising of their intention to claim a service pension. Clients are encouraged to apply in the first instance

³⁸ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 137.

using this form. If the claim is received by DVA within three months of lodging the intention to claim form, and the claim is successful, the pension and/or benefit may be backdated to the date the customer first indicated their intention to claim.³⁹

1.20 The new claims process is staged, with a different officer processing each stage. The stages involve: registering the client; screening the application and evidence; assessing/examining the claim; and either granting payment to eligible clients or rejecting the claim. This staged approach by different officers, is designed as an administrative quality assurance and control mechanism. There is a range of support materials and other tools to assist officers in their decision-making (refer to Chapter 2 for further discussion).

1.21 Delegated officers undertake the assessment and determine whether a pension is granted. Each State office operated in a similar way, although one State office had three stages in the process, while another had two. The ANAO observed the claims process, including:

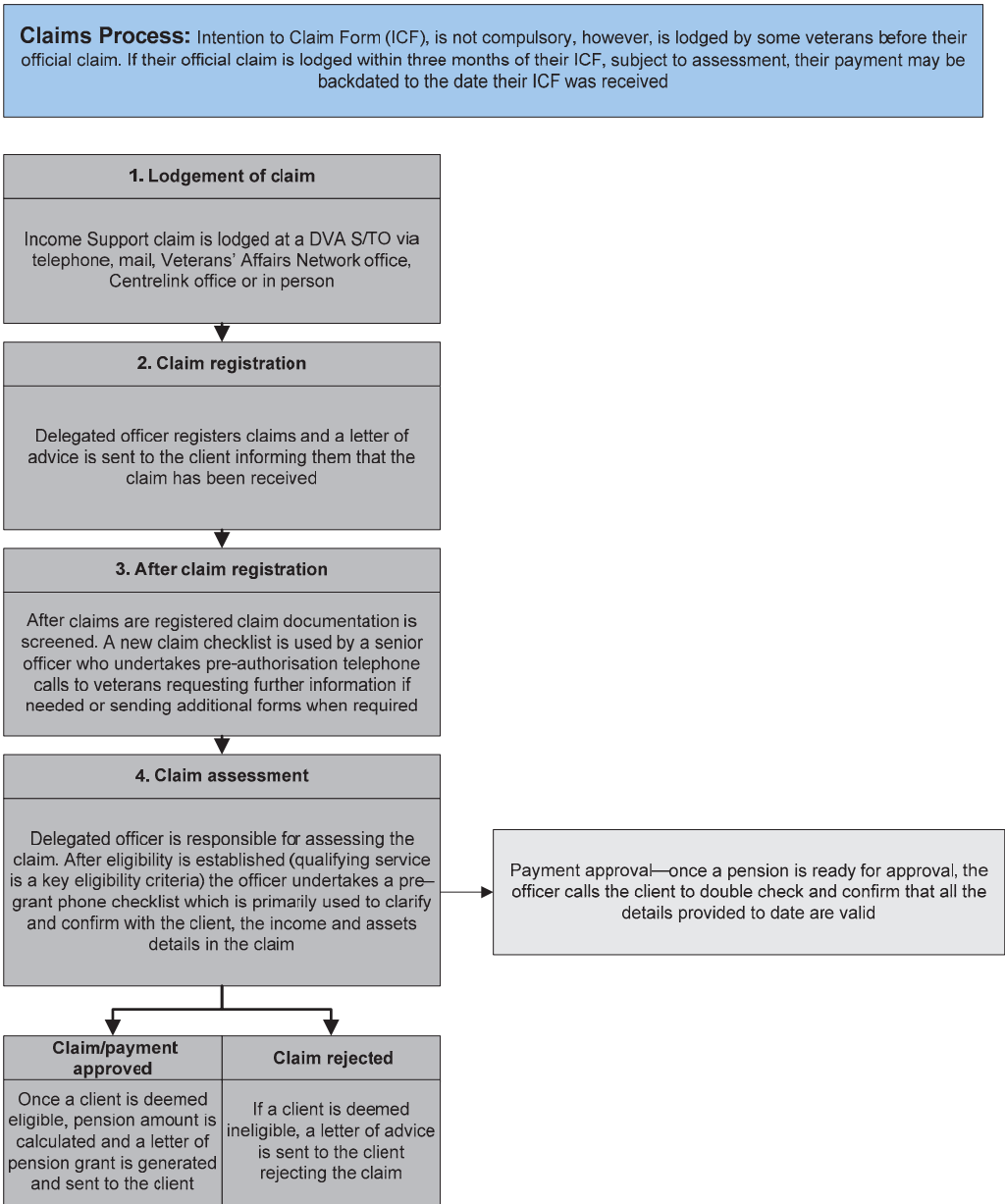
- registration (which includes screening to determine whether the correct documentation has been submitted with the claim);
- assessment/examination; and
- a decision about whether the claim is rejected or it is approved and a pension granted.

1.22 Figure 1.2 below outlines the major steps in the income support claim process.

³⁹ See the Department of Veterans' Affairs booklet, *About Claiming Service Pension*.

Figure 1.2

Processing income support claims



Source: ANAO analysis based on information provided by DVA.

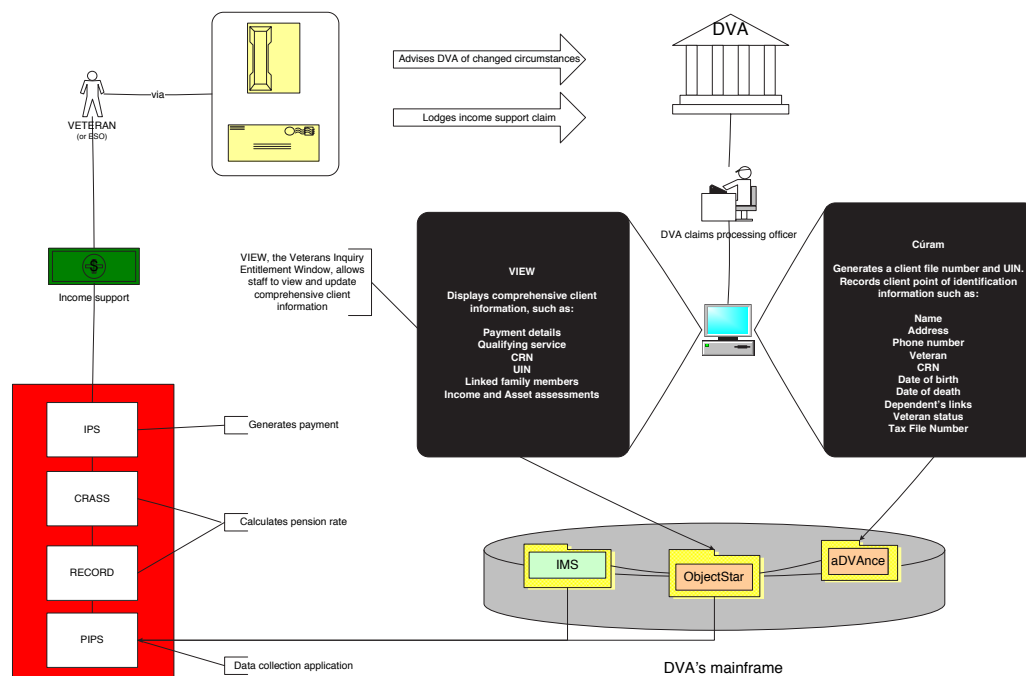
Pension grant

1.23 Once a client has been deemed eligible by a DVA claims officer, all relevant information should be recorded, the pension amount calculated and

payment granted to the respective client. An automatic letter of payment advice is then generated and sent to the client. Claims officers use a combination of many heritage and new IT applications to process a claim. Certain claims are particularly complicated, depending on a client's financial arrangements, and involve complex rules around calculating assets and income. Figure 1.3 illustrates the income support process and the systems involved.

Figure 1.3

Income support process



Source: ANAO analysis based on information provided by DVA. Note: IPS—Integrated Payments System, CRASS—Calculate Retrospective Amount Sub-System, RECORD sub-system, PIPS—Pension Information Processing System.

1.24 Clients also receive an accompanying booklet, *You and Your Pension*, with the grant of payment letter. *You and Your Pension* outlines client obligations and has the status of a legally binding notice, effective from the date of issue or date of new grant of payment. The booklet was first issued to all income support pensioners in July 1998, and has since been issued to all new pensioners at the time of pension grant.

Previous audit coverage

1.25 The ANAO conducted a performance audit of DVA's administration of Repatriation Health Cards in 2003–04. The ANAO has also conducted performance audits in other departments and agencies that analysed the data integrity of specific programs. These include:

- ANAO Audit Report No.16 2007–08, *Data Integrity in the Child Support Agency*, Child Support Agency – Department of Human Services;
- ANAO Audit Report No.29 2005–06, *Integrity of Electronic Customer Records*, Centrelink;
- ANAO Audit Report No.24 2004–05, *Integrity of Medicare Enrolment Data*, Health Insurance Commission; and
- ANAO Audit Report No.47 2004–05, *Australian Taxation Office Tax File Number Integrity*, Australian Taxation Office.

1.26 In 2008–09, the ANAO also conducted a cross-agency performance audit to assess whether agencies are effectively managing the approval of small and medium sized business systems projects. DVA was included in this audit.

1.27 Table 1.3 outlines the relevant recommendations of the ANAO's previous audit in 2003–04, *Management of Repatriation Health Cards*, which involved an analysis of DVA's client databases.

Table 1.3

Recommendations of the Repatriation Health Card Audit, 2003–04

| Audit | Relevant recommendations |
|---|---|
| <p><i>Management of Repatriation Health Cards</i>, Department of Veterans' Affairs Audit Report No. 41, 2003–04</p> | <p>Recommendation No. 2</p> <p>The ANAO recommends that DVA conduct a thorough assessment of the integrity and accuracy of data held on the Client Database and Card Database, with a view to:</p> <ul style="list-style-type: none"> identifying and merging records for clients with multiple UINs; resolving anomalies in date of birth and date-of-death data entries; and identifying and eliminating inappropriate duplicate payments to clients, whether under multiple UINs or inadequately cross-referenced file numbers. <p>Recommendation No. 4</p> <p>The ANAO recommends that DVA re-assess its various methods of client identification, with a view to eliminating the current State-based file number system in favour of a truly unique client identification system, capable of managing comprehensive client information effectively.</p> |

Source: ANAO Audit Report No.41 2003–04, *Management of Repatriation Health Cards*.

The audit**Audit objective and criteria**

1.28 The objective of the audit was to examine the quality and integrity of DVA's income support records, to report on the effectiveness of DVA's management of the data and how it impacts on service delivery.

1.29 The ANAO's opinion was formed based on an examination of the following four criteria:

- DVA's income support records are accurate and complete;
- DVA's income support records are reliable and internally consistent;
- DVA has adequate controls and procedures to ensure high quality income support records; and
- DVA effectively manages income support records and the impacts of data quality on service delivery.

Audit scope and methodology

1.30 The audit scope included an examination of:

- DVA's management of the data including the quality of data stored on its client databases, the processing of claims and payment processing;
- the accuracy, completeness and reliability of DVA's electronic income support records; and
- the impact the quality of data has on service delivery, and related issues of customer support and feedback.

1.31 The ANAO examined DVA's IT governance and performance reporting, quality assurance of claims and the Income Support Review mechanisms to ensure DVA:

- has adequate controls in regard to compliance with legislation, policies, programs and procedures;
- has accurate and reliable income support records; and
- is achieving Outcome 1 and Output 1.1 as defined in the *Portfolio Budget Statements, DVA 2007–08*.⁴⁰

1.32 The audit examined data integrity issues associated with the various types of service pension, income support supplement and the social security age pension, and other related allowances.

1.33 The ANAO's data extraction and analysis encompassed 1 580 546 records in DVA's production environment which included the records of 264 248 income support clients who were *in payment*.⁴¹ While the audit did not directly examine the accuracy of individual payments, it examined issues associated with the reliability of payments, such as the current status of client asset and income information.

1.34 The ANAO utilised DVA's data extraction tool, the Ad Hoc Inquiry System 2000, to extract the records of the 264 248 income support clients who were receiving a payment in the pay period of 15 February 2008.⁴² The ANAO

⁴⁰ Department of Veterans' Affairs (Defence Portfolio), *Portfolio Budget Statements 2007–08: Budget Related Paper No. 1.4B*, May 2007, p. 25.

⁴¹ This refers to clients who were receiving any kind of DVA payment at the time of the data extraction.

⁴² All extracts were taken at 15 February 2008 unless otherwise noted.

then used a computer-aided auditing tool to analyse and perform tests to determine the quality and integrity of income support clients' records.⁴³

1.35 The ANAO performed tests on the data across five broad categories: data integrity; multiple records; income support eligibility, data capture and recording; and asset and income records. While the audit did not directly examine the accuracy of individual payments, it examined issues associated with the reliability of payments, such as the current status of client asset and income information.

1.36 The audit also included a limited number of reviews of paper files and consideration of documentation regarding DVA's IT governance in relation to data management. All data analysis findings in this report were validated by DVA.

1.37 During fieldwork, the ANAO interviewed DVA personnel from various business areas within the department, collected documentation and reviewed a small number of paper files. The business areas within the department involved in the audit included pension claims, overpayments, departmental and pensioner initiated reviews, compliance, quality assurance, feedback management and bereavement. In addition, the audit team met with a number of stakeholders.

⁴³ The ANAO consulted with DVA regularly on the data findings between April and June 2008.

Report structure

1.38 This report is divided into six chapters, as described below.

| | |
|--|--|
| Chapter 1 Introduction | Describes the key characteristics of the income support program and the department's role in administering the provisions of the <i>Veterans' Entitlements Act 1986</i> . The chapter concludes with an overview of the ANAO's audit objective, scope and methodology. |
| Chapter 2 Income Support Controls Framework | Examines DVA's control framework for delivering income support payments and other allowances to veterans and their dependants. |
| Chapter 3 Income Support Eligibility | Outlines the legislative basis for income support to veterans and provides the results of data analysis undertaken by the ANAO to determine the eligibility of income support clients in DVA's records. |
| Chapter 4 Asset and Income Records | Analyses key sets of DVA's records of asset and income information. |
| Chapter 5 Data Integrity | Analyses income support data held in DVA's client databases provided in this chapter. The chapter incorporates the mechanisms implemented by DVA to manage data integrity errors. |
| Chapter 6 Integrity of Feedback Data | Examines the mechanisms used by DVA to record, monitor and analyse client feedback including complaints and satisfaction levels. It considers how DVA uses feedback for business, reporting and client service improvement purposes. |

2. Income Support Controls Framework

This chapter examines DVA's control framework for delivering income support payments and other allowances to veterans and their dependants.

Introduction

2.1 Governance can be defined as a set of responsibilities and practices exercised by an agency's executive, to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability.⁴⁴

2.2 Information Technology (IT) governance is an integral part of agency governance. It provides a system of controls to ensure that an organisation's business objectives are achieved efficiently and effectively. Controls are defined as the policies, procedures, practices and organisational structures designed to provide reasonable assurance that business objectives will be achieved and undesired events will be prevented or detected. Risk management is an inherent part of an agency's controls framework to manage business risks as it involves identifying and analysing risks and consistently working towards mitigating these in a timely manner.⁴⁵

2.3 The ANAO reviewed DVA's controls framework in relation to data integrity, with a view to assessing whether the department had: included risks associated with data integrity in its broader risk management framework; appropriate governance arrangements for IT; and a documented IT controls framework to ensure data integrity and appropriate administrative controls.

Risks associated with data integrity

2.4 The Australian/New Zealand Standard on Risk Management states that it is management's responsibility to define and document its risk management framework and for risk management strategies to be understood and implemented at all levels of an agency.⁴⁶ DVA's risk management framework

⁴⁴ Australian National Audit Office *Better Practice Guide – Implementation of Programme and Policy Initiatives*, October 2006, p. 13.

⁴⁵ Australian/ New Zealand Standard on Risk Management–AS/NZS 4360:1999 *Risk Management*.

⁴⁶ *ibid.*

underpins and supports the governance framework at each of the departmental, business group and project levels to help the department achieve its business objectives.

2.5 The department advised that its Enterprise Risk Framework is a result of DVA-wide risk assessment work carried out by the business groups during 2007–08. DVA’s senior executive considered these risks using a model of broad risk categories.

External risks

2.6 In identifying external risks, DVA’s Enterprise Risk Framework has focused on its clients and political and public stakeholders. At the operational level, DVA has identified other major external risks such as the significant growth in the complexity of financial arrangements and business dealings of Australians, including veterans. This trend is expected to continue.

2.7 DVA’s ability to accurately assess a client’s income support eligibility depends, to a large extent, on clients fulfilling their obligations under the *Veterans’ Entitlements Act 1986* (the Act). This involves clients informing DVA of any changes to their circumstances that may affect the rate of their pension. DVA advises clients of these obligations in writing when a pension is initially granted.

2.8 A major program review by the department in 2002–03 found the likelihood of non-compliance by clients appeared to increase with age (the then average age of a DVA client was 78 years), despite DVA’s efforts to improve pensioner understanding of their obligations.⁴⁷ As health or other issues may impact on the awareness level of aged clients in meeting their obligations, the system needs to be easy to use and information readily accessible.

Internal risks

2.9 As well as relationships with client stakeholder groups, DVA identified its major internal risks as: agency internal capability; agency ICT capability; agency financial capability; and links with central and Australia Government agencies.

2.10 DVA advised the ANAO that no formal documentation of systems design or of any changes made to heritage systems existed due to the age of

⁴⁷ The average age of a war widow is now 82 years.

the systems. The department confirmed that it relies strongly on corporate knowledge of IT systems and processes.

2.11 The department has recognised the need to modernise its systems and processes to better support business operations and service delivery. As part of this initiative, DVA purchased Cúram, an off-the-shelf software product, which the department advised was reasonably compatible with departmental systems. Cúram is an integrated IT application framework designed for service delivery environments, and DVA advised that it has more built-in controls than the heritage systems.

2.12 DVA is implementing Cúram through a staged approach, with data being transferred into the new system through a phased series of automated capabilities introduced over a number of years. The department advised that no work has been scheduled, nor any decision made, to transfer income support data into Cúram at this stage.

2.13 Given DVA's reliance on its IT systems, the department would benefit from assigning appropriate levels of responsibility for managing, monitoring and reporting on data integrity issues, to ensure that the risks identified are actually addressed. This would in turn better position the department to meet its business objectives and service delivery commitments through improved data reliability and business information. DVA also recognises the challenges in appropriately prioritising maintenance and support of heritage systems relative to development and support of other systems. Accordingly, the department advised that DVA's Information and Communication Technology (ICT) capability was to be redefined at the next Information Committee meeting in 2008.⁴⁸

Arrangements for IT governance

2.14 Key elements of IT governance provide assurance about the effectiveness of IT, the management of IT-related risks, and increased requirements for control over information. Value, risk management and control constitute the core of IT governance.⁴⁹ IT governance is the

⁴⁸ On 12 March 2009, DVA advised that the Information Committee met in February 2009 and endorsed a two phased approach for a select tender to conduct a review of the department's current and future ICT requirements. As part of this review an implementation approach for the establishment of a formal prioritisation process will be determined.

⁴⁹ IT Governance Institute: *Control Objectives, Management Guidelines Maturity Models* CobiT4.0.

responsibility of executives and senior management, and consists of the leadership, organisational structures and processes that ensure the enterprise's IT sustains and extends the organisation's strategies and objectives.⁵⁰

2.15 Governance committees are integral to DVA's corporate governance framework.⁵¹ A new governance committee structure was established to support the new *oneDVA* which has subsequently been refined. The new committee structure retains the Executive Management Group (EMG) and the Audit Committee as the senior governance committees in the department.⁵² The departmental committees with key roles in IT governance are the:

- Information Committee, which is responsible for providing a key department-wide overview and direction for strategic ICT management;
- Business Architecture Committee, which acts as the gateway for ICT-based project proposals and supports the Information Committee by ensuring projects conform to enterprise architecture principles;
- Cúram Project Board, which oversees the implementation of the approved Cúram Transformation Roadmap. The Cúram Project Board considers new Cúram-based project proposals from Business Architecture Committee within the existing budget for the Cúram Program of Works. The Cúram Project Board also provides advice to the Information Committee on new proposed Cúram projects; and
- Operations Committee, which provides advice to the department's Secretary and the Executive Management Group on ICT matters relating to business operations to ensure the maintenance and, where possible, enhancement of quality service to the veteran and defence force communities.⁵³

2.16 The department's Design Authority is also an integral part of the overall governance process under the Cúram Development Framework and examines both Cúram and non-Cúram projects. The Design Authority's role is to ensure individual IT projects are assessed against 'out-of-box Cúram

⁵⁰ IT Governance Institute: *Control Objectives, Management Guidelines Maturity Models CobiT4.0*.

⁵¹ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report, 2006–07*, pp. 156–161.

⁵² *ibid.*

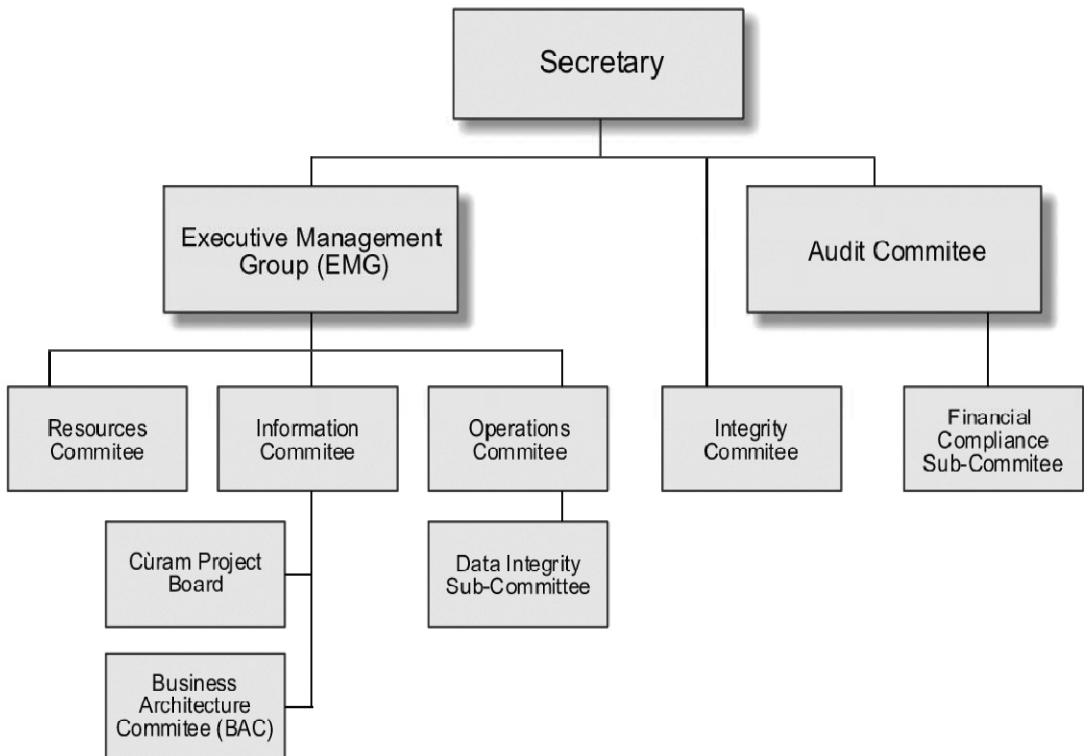
⁵³ *Ibid.*, pp. 150–160.

services' and that cross-program application development is not duplicated. It also ensures projects make maximum use of the functionality of the Cúram Enterprise Framework and examines and evaluates IT business cases to ensure uniformity.⁵⁴

2.17 The key departmental bodies involved in the management of data integrity issues are the Information Management Unit (IMU), the Data Integrity Sub-Committee and the Business Modernisation and Integration Group (BM&I). Figure 2.1 provides an overview of DVA's corporate committee structure following the move to *oneDVA* and later refinements in 2006–07 and 2007–08.

Figure 2.1

DVA's corporate committee structure



Source: Department of Veterans' Affairs, Governance Diagram proposal, 18 July 2008.

⁵⁴ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 159.

Information Management Unit

2.18 The IMU aims to provide high quality ICT systems and services which assist DVA lines of business to meet the needs of DVA's clients, departmental management and staff, in a cost-efficient and effective manner. The IMU's role includes:

- working with respective business areas to develop new ICT systems to meet DVA's changing business needs; and
- providing a range of administrative support activities associated with governance and operational effectiveness.

2.19 The IMU works closely with BM&I, as this group is the primary link between DVA lines of business and the IMU. The IMU is responsible for data management such as data structures, tables, dictionaries and standards, and programming in relation to technical aspects of data management. BM&I works with Service Delivery and the IMU to address the range of business content-related issues that arise in relation to personal data in DVA's client databases.

2.20 The IMU's major business priorities for achieving business objectives and continuity include maintenance of effective ICT governance arrangements, continued support of effective heritage systems and the development of new systems. IMU is responsible for supporting ICT, and with BM&I, educates business units about the operational structures of all ICT governance committees.

Role of the Data Integrity Sub-Committee

2.21 The department's Data Integrity Sub-Committee (DISC) was formed as part of the ongoing effort in DVA to create a department-wide system that provides accurate and consistent business information from original data. The DISC's inaugural meeting was held on 8 November 2007, where the committee's objectives and major tasks were agreed. The committee's objectives are to enhance the integrity of data held in client-related systems and databases and to resolve issues related to data ownership.⁵⁵ The DISC is

⁵⁵ The rationale for introducing DISC, as reported to the Operations Committee on 7 August 2007, was in recognition of the need for a robust governance arrangement to ensure data integrity and reliability across all DVA systems, and to resolve the issues relating to data ownership.

scheduled to meet and report to the Operations Committee every six weeks. However, as at August 2008, DVA advised that it had met once in 12 months.⁵⁶

2.22 Responsibilities of the DISC, and related action items from the inaugural meeting in November 2007, duplicate the role and responsibilities of the IMU, such as: developing and overseeing a data dictionary and establishing ownership of data dictionaries and associated rules of use.

2.23 There is further overlap and duplication between the roles and relationships in regard to the decision making processes of some of DVA's IT committees. For example, several committees and the IMU have a role in assessing aspects of new IT projects, and the authority and lines of reporting are not consistently clear in the decision-making process. The department clarified that BM&I and the IMU are either standing advisers to, or members of, each of the committees.

Internal review of governance

2.24 DVA's most recent formal review of its IT governance was in 2003–04. While some of the better practice suggestions and recommendations have been implemented, several remain outstanding that are relevant to the findings of this audit, such as;

- development of a formal IT Governance Framework;
- formally documenting and regularly updating the interdependencies between application databases; and
- revision of DVA's data management framework to better address data integrity issues.

2.25 In 2007–08, DVA conducted an internal review of its governance structure. The progress report to the Executive Management Group in March 2008 focused on internal governance processes introduced as part of the move to *oneDVA*. The report cites similar issues to those subsequently identified by the ANAO, including:

- staff not understanding the different roles of the committees, and there is considerable overlap;
- the lack of clarity of the lines of authority of committees and which committees have the highest authority; and

⁵⁶ Department of Veterans' Affairs, *Data Integrity Strategy Overview v1 0*, 25 July 2008.

- IT projects being considered by committees outside their charter or without reference to the more senior decision-making governance committee.⁵⁷

2.26 Stakeholder feedback was divided into four key topic areas; audit and risk; people and money; service delivery; and ICT. General governance around service delivery matters was raised as a source of confusion with many examples of duplicated reporting requirements cited as an issue. The ICT area reportedly generated the greatest confusion among stakeholders, suggesting the governance processes for IT projects needs to be revised and more rigorously enforced. However, stakeholders generally supported the documented process flows with the major criticism being the lack of consistency in its application of the IT projects governance process.

2.27 The department acknowledges there is a need to clarify the ownership of data issues within DVA's business structure. In particular, the department recognises that there is no single DVA business group with overall responsibility for data management, storage and data integrity. DVA advised that:

while specific areas may be responsible for data entry, others may change it, update it, remove it, or engage it in each of their specific business processes. An initial key responsibility of the DISC will be how to decide the ownership question.⁵⁸

DVA's ICT costs

2.28 The cost of DVA's ICT in 2005–06, 2006–07 and 2007–08 was \$53.1 million, \$59.3 million and \$56 million respectively. This includes infrastructure and service costs supporting DVA's existing applications, development of new applications (including Cúram), end user computing and software acquisition and maintenance. The department's estimates of DVA expenditure on application development and support effort and software over the previous three financial years is provided in Table 2.1.

⁵⁷ DVA minute – progress report to the EMG on the internal governance review, dated 17 March 2008.

⁵⁸ DVA email advice to the ANAO, 1 August 2008.

Table 2.1**IT application development and support estimated expenditure**

| Applications | 2005–06 | 2006–07 | 2007–08 |
|--------------|---------|---------|---------|
| Cúram | \$12.6m | \$12.8m | \$12.5m |
| Other | \$16.5m | \$15.5m | \$23.5m |

Source: Department of Veterans' Affairs.

2.29 The cost of implementing Cúram was to be offset by ongoing savings in administration and programme costs arising from the improved IT framework and decommissioning of the relevant heritage systems.⁵⁹ To date, no heritage systems have been decommissioned and the expected efficiencies have yet to be realised.⁶⁰

2.30 The Participant Registration Service (PRS) was the first Cúram product implemented to reduce the number of applications required to search for a client (from six to one).⁶¹ However, DVA advised that due to the number of applications still required to process a claim, it was unlikely staff were aware of any discernable efficiencies from Cúram to date.

Recommendation No.1

2.31 To improve the governance of income support data, the ANAO recommends that the Department of Veterans' Affairs:

- clarifies the authority and role of its Data Integrity Sub-Committee responsible for resolving issues related to data ownership and enhancing the integrity of data held in the department's databases; and
- develops an agency-wide strategy, assigning ownership for data management and integrity issues to business areas.

DVA response: *Agreed*

⁵⁹ Australian Government, *Budget 2005–06: Veterans' Affairs Information Technology Application Development Framework—implementation*, <<http://www.budget.gov.au/2005-06/bp2/html/capital-08.htm>> [accessed 6 June 2008].

⁶⁰ Department of Veterans' Affairs, Participant Registration Service (PRS) ANZT0240 Project Evaluation Report—ANZ version 1.0, 24 May 2007.

⁶¹ Some clients are unable to be located in PRS (for a number of reasons) and staff have to search the old mainframe database and/or the VIEW application. Many other IT applications are used to process a claim.

Departmental response

2.32 The department is currently undertaking a number of steps to strengthen the governance arrangements in place. Firstly, the Lindenmayer Review of DVA's current organisational structure (oneDVA) has also considered the department's internal governance arrangements and internal committee structure. As a consequence, the department will be developing a formal Corporate Governance Charter to examine clarity of roles of both principal and subordinate committees and their reporting arrangements.

2.33 In addition, the department is in the process of engaging a consultant to conduct a review of DVA's current and future information and communication technology (ICT) requirements. This review will consider issues surrounding data ownership and data integrity, as well as clarify the relationship between the Data Integrity Sub-Committee (DISC), the Information Committee and Information Management Unit (IMU).

2.34 Within the department's current ICT controls framework there is a requirement that each system database has a nominated System Owner. The list of System Owners is published and maintained on the intranet and the department is considering the linkages between system and database ownership. The department will review the relevant Procedures and Technical Instructions in its Quality Management System and associated documentation and update the data integrity components to better integrate with the System owner/Data ownership arrangements.

DVA's controls framework

2.35 The department's controls framework for income support consists of a combination of :

- IT controls; and
- administrative controls.

2.36 The ANAO examined the department's controls framework, including IT controls, tools to support claims processing and administrative controls.

IT controls

Systems documentation

2.37 The department's administration of income support involves a combination of complex heritage and new IT systems. In this environment, it is important to document the IT controls framework, including formal systems

documentation (such as a comprehensive data dictionary and system specifications reflecting the business rules). However, at the time of the audit fieldwork, DVA did not have in place formal documentation of its IT controls framework or systems.

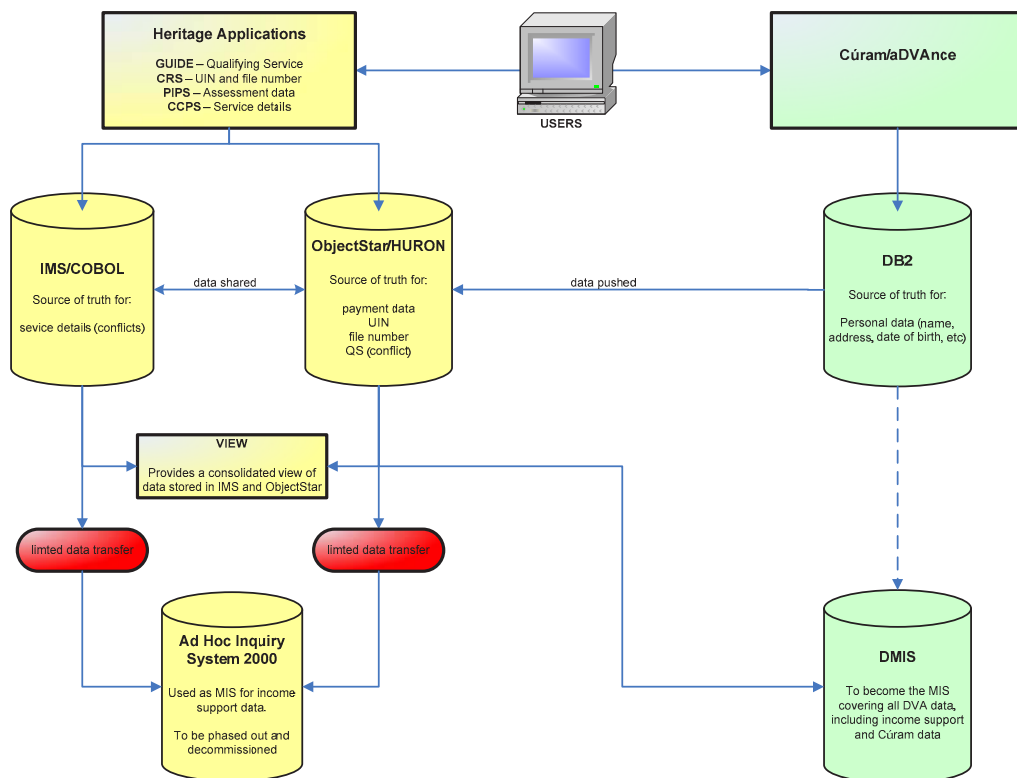
2.38 DVA's heritage and more contemporary IT systems contain large quantities of information that is used by departmental staff to make decisions about client claims for income support. As well as increasing the costs associated with maintaining the integrity of data across different IT systems, the lack of systems documentation requires managers to spend considerable time reviewing the data for currency and usefulness.

2.39 Figure 2.2 provides an overview of DVA's income support systems. DVA intends to de-commission the Ad Hoc Inquiry System 2000 (which is currently the Management Information System for income support data) when the Department's Management Information System (DMIS) becomes the 'source of truth' for all DVA reports. At 12 February 2009, DVA had not provided a date for the full implementation of DMIS.⁶²

⁶² On 12 March 2009, DVA advised that 29 June 2009 is the revised production release date for the DMIS redevelopment project. Decommissioning of AIS2000 would still be subject to further enhancement of DMIS. This would be a separately funded project and timing would be subject to priority and appropriate funding.

Figure 2.2

Overview of income support systems



Source: Prepared by the ANAO with input from DVA.

Links between legislation and business rules

2.40 The *Veterans' Entitlements Act 1986* (the Act) is administered by DVA principally to provide pension payments and other benefits to veterans and certain other persons. The key eligibility provisions that must be met by an applicant to be entitled to receive a service pension, are contained in Parts III and IIIA of the Act. These are: to be a veteran; to have rendered qualifying service (QS); and to have reached the required age.

2.41 The ANAO examined whether there was documentation that evidenced the link between income support legislative and policy requirements and the business rules built into DVA's heritage and Cúram systems. Integral to strengthening DVA's IT controls is documentation of its existing systems. This would help to ensure an evidentiary link between the electronic records of clients receiving an income support benefit and the key legislated and policy requirements. It would also assist the users of DVA

systems and data to assess: the strengths and weaknesses of particular IT systems; the significance and suitability of the data to answer specific queries; and the risks associated with using raw data without additional corroborating evidence. During the audit, DVA did not have in place formal documentation of its IT controls framework or systems.

Data entry controls

2.42 Currently, DVA's IT systems contain few documented data entry controls.⁶³ One of the existing controls is the name search function which is available for staff to use when registering a new client in the Participation Registration Service (PRS) in Cúram. DVA informed the ANAO that when registering a client, the first step requires staff to perform a name search. This enables the officer to determine whether the client has previously been entered into DVA's systems. However, this control measure is only fully effective if DVA officers use the name search function. The function can be bypassed, increasing the risk of multiple records being created (the ANAO's findings about multiple records are examined in detail in Chapter 5).

2.43 Information Quality Rapid (IQ Rapid) is a control used in DVA's systems for entering Australian addresses. IQ Rapid determines a Delivery Point Indicator (DPID) for addresses. A DPID is a unique number that has been randomly allocated to each address maintained in Australia Post's National Address File. The ANAO found 84 per cent of correspondence addresses and 80 per cent of residential addresses of income support clients *in payment* were entered with the assistance of IQ Rapid. While staff can override this function,⁶⁴ the results identify the effectiveness of the control and compliance with policy in most cases.

2.44 The ANAO's data analysis found data entry type errors throughout DVA's electronic records or similar issues that require further investigation. The analysis of the department's 1 580 546 total client records found:

⁶³ DVA advised that Cúram has functions that should allow for improved data entry validation.

⁶⁴ Overriding this function may be necessary in some situations such as overseas or newly created addresses not yet updated in the National Address File.

- 24 820 multiple records where a client had more than one Unique Identification Number (UIN)⁶⁵;
- instances of dollar amounts where the numbers appeared to be input incorrectly. For example, an Australian Valuation Office property valuation recorded as \$29 000, with the client's mortgage recorded as \$152 099, suggests the correct valuation was likely to be \$290 000;
- 2874 clients had disclosed a mortgage against a property and of these, 112 had a mortgage in excess of the asset value owned⁶⁶;
- 1575 records of a first name of only one letter;
- incorrect name titles, for example, males with Mrs or Miss and females with Mr; and
- 483 clients aged over 130.

2.45 This analysis highlights the relationship between data entry controls and data entry errors. The quality and integrity of DVA's income support data could be improved by strengthening and tailoring the data entry controls to mitigate the risk of data entry errors. Increased staff awareness of frequently occurring data entry errors could also assist in improving data quality. For example, quality assurance and training could be better targeted to raise awareness of common data error problems and the importance of compliance with data entry procedures and processes. DVA has advised the ANAO that Cúram functionality should also enable the department to improve validation controls around data entry.

Administrative controls

2.46 The ANAO examined DVA's administrative controls to determine whether the department: provided up-to-date income support policies, procedures and other tools to assist in the processing of claims and records management; had quality assurance and review programs to provide assurance that income support data is correct; and was achieving outcomes

⁶⁵ The ANAO conducted further analysis on all client records receiving payments from DVA either as income support recipients or from some other DVA payment. Of the 423 865 clients receiving some form of payment from DVA, there were 32 records that matched on first name, middle initial, surname and date of birth. In addition, 8 of these 32 records had an exact match on residential address details, indicating that they were multiple UINs. Clients with multiple UINs may be in receipt of different payments or benefits under different records.

⁶⁶ This may be for clients that fully or partially own their properties.

through its various data matching activities including identifying incorrect payments.

Support materials to assist income support claims processing

2.47 The most comprehensive information about DVA's income support program, policy and procedures is contained in the department's Consolidated Library of Information and Knowledge (CLIK). CLIK contains links to relevant legislation, policy provisions and procedures and other reference material for income support. While it is regularly reviewed and updated, information is missing or not up-to-date in some subject areas. Details of CLIK and other tools available to claims officers are summarised in Table 2.2 below.

Table 2.2

Tools for processing claims

| Support tool | Issues |
|--|--|
| Consolidated Library of Information and Knowledge (CLIK) | CLIK is the key online tool for departmental officers processing claims. It contains all the legislation, policy and reference material and is comprehensive. CLIK also contains useful policy history. CLIK is not necessarily efficient when attempting to find information. Claims officers reported that it was comprehensive but cumbersome for new staff. The ANAO found that not all the information is up-to-date in CLIK. |
| Checklists | Checklists are provided for each part of the process from registration through to grant of payment. Checklists are put onto the file which assists the quality assurance claims checks. While there were a variety of checklists, not all officers in the same location used the same checklists, and checklists varied across States. ⁶⁷ |
| TRIM | Claims forms are in TRIM with easy access links from the intranet. |
| Business lines | Business lines are contained in CLIK and provide up-to-date departmental instructions about changes to legislation, policy and payments and other business decisions that impact on the agency and staff. |
| Questions and answers (Q&A) | Online links from the intranet to Q&As about claims issues. |
| Fact sheets | Online links to the fact sheets on the intranet. |
| VANQISH | Provides access to daily changes and updates. |

Source: ANAO analysis based on information provided by DVA.⁶⁸

⁶⁷ The ANAO collected checklists from the two field visits and requested checklists used in the income support claims process, from three other State offices.

⁶⁸ On 12 March 2009, DVA provided new information about Cúram online help and tools available for evidence gathering and decision making.

2.48 DVA claims officers undertake a range of work and have a processing target of 12-15 income support claims a week.⁶⁹ Income support tasks can range from processing new claims to minor changes to a client's address, as well as changes to a client's circumstances which may or may not directly impact on the client's rate of pension.

2.49 DVA officers are provided with considerable information and support materials to assist in their decision-making. However, disclosure by clients of their circumstances is essential to good decision making by DVA in order to establish a client's eligibility and to determine their correct entitlement. The *Veterans' Entitlements Act 1986* (the Act) obligates clients to notify the department about changes in their circumstances that might affect their pension rate or eligibility (see Chapter 3 for further discussion).

2.50 Copies of checklists used by claims officers to support the claims process were provided to the ANAO. In December 2007, DVA streamlined the claims process through the introduction of protocols for claims registration and document screening using a standard checklist. However, in February and March 2008, the audit found that procedures and checklists used by DVA officers processing claims varied within and across State offices. The department acknowledges the importance of standardised checklists and work practices to support national consistency in claims processing. DVA would benefit from re-issuing instructions to State offices about the importance of the standard checklists and work practices.

Quality assurance

2.51 DVA's National Income Support Quality Assurance (QA) program is designed to provide assurance of reviews and new income support claims by ensuring data entry, decision-making and entitlements are correct. New claims officers undergo intense on-the-job training, often for up to 12 months, to become accredited. Quality Assurance Officers monitor new claims officers' decision-making throughout this period. The QA program reviews a random sample of five per cent of new claims, case reviews and other high-risk cases selected each fortnight.

⁶⁹ On 12 March 2009, DVA advised income support national targets of 12 claims a week are included in staff individual PD&F's. During audit field work, the ANAO was advised that the output target in Queensland was 12 claims a week and in NSW was 12-15 per claims per week.

2.52 The QA program tracks accredited personnel error rates each quarter and officers can lose all or part of their accreditation when errors exceed the performance standards of five per cent for critical errors and 10 per cent for non-critical errors.

Errors identified in income support records

2.53 An error may be made in relation to either the eligibility or payment of income support pensions, allowances and benefits. A 'high' error rating is given to errors that will have a detrimental effect on DVA or the client, or have a significant cost in monetary terms.

2.54 Errors defined as high include:

- unlawful decisions;
- errors resulting in an incorrect payment of more than \$5 per fortnight per client;
- grant of an asset-tested pension without a valuation on property;
- a pension paid or advice sent to the wrong client, or incorrect advice provided in client correspondence;
- an arrears assessment being incorrect by more than \$50 per client; and
- incorrect data entry of personal details, affecting eligibility.

2.55 A 'low' error rating is given to errors that will not cost the department significantly in monetary terms, or that has minor implications for the client or DVA. Minor data entry mistakes or omissions are not counted as errors where the pension rate is not affected and once corrected, will not cause a detrimental impact to the client. These errors include:

- incorrect data recorded resulting in an error in payment of \$5 or less per fortnight per client;
- an arrears assessment being incorrect by less than \$50 per client;
- incorrect payment (for reasons such as lack of evidence, insufficient investigation) of \$5 or less per fortnight per client; and
- incorrect data entry of personal details which does not affect eligibility.

2.56 Feedback regarding errors is provided to the relevant officer and trends are fed back into training and improving the claims process and QA program.

Error trends identified by DVA

2.57 The main trends identified in claims processing in the department's most recent QA workshop in 2005–06 were;

- the increasing complexity of business income tax returns;
- evidence not being taken into account;
- lack of attention to detail; and
- the 'date-of-effect', while recorded, being overlooked by the claims officer. (Date-of-effect rules were introduced in 1997–98. The rules essentially allow 14 days for a client to notify DVA of a change in their circumstances that may affect their pension).

2.58 Participants of the department's QA workshop reported the increasing financial complexities and workloads as contributing factors to some of the error trends in claims processing.

Income support QA performance standards

2.59 The income support QA performance standards relate to the percentage of cases assessed as critical or non-critical rather than the number of errors identified in each claim. The performance standards for QA income support are outlined in Table 2.3.

Table 2.3

National QA performance standards for income support

| Income support performance standards | |
|--------------------------------------|--|
| QA check | Percentage of cases assessed as critical should not exceed 5 per cent |
| | Percentage of cases assessed as non-critical should not exceed 10 per cent |

Source: Department of Veterans' Affairs, Income Support National Protocols, Quality Assurance, 2005.

2.60 A case is assessed as critical if:

- one or more of the individual errors has been assessed as high; or
- the cumulative effect of the low-rated errors is a payment of more than \$5 per fortnight per client.

2.61 A case is assessed as non-critical if:

- all errors have been assessed as low; and
- the cumulative effect of the low-rated errors is a payment of \$5 or less per fortnight per client.

Claims processing performance standard

2.62 DVA provided the ANAO with the income support *oneDVA* Report Card for the 12 month period ending 29 February 2008. The report shows the number of income support claims processed within the 32 day performance measure progressively declined each quarter, while the critical error rate increased each quarter. In the final quarter (ending 28 February 2008), the average number of days taken to process 95 per cent of the claims was 148 days, with a critical error rate of 9.4 per cent. This is outside the claims processing performance standard of 32 days (the mean time taken to process target) and exceeds the quality assurance critical error standard of five per cent.

Enhancing DVA's quality assurance program

2.63 DVA's approach to Quality Assurance (QA) includes checking for data input and other errors in five per cent of new income support claims processed (as well as reviews and high risk cases), to ensure the outcome accurately reflects the evidence on file. The department could build on its existing QA program for income support by increasing the focus on frequently occurring data entry errors and implementing standard data entry procedural controls. These types of initiatives would increase the likelihood of identifying data entry errors, reduce the impact of these error types which can adversely affect a client's entitlements and help improve the quality of DVA's income support data generally.

Valuation of assets

2.64 DVA's policy is to regularly review the assets of pensioners whose pension is reduced due to the asset test, or those clients who are assessed under the income test and the total value of the client's assets fall within an internally specified amount of the asset value limit.⁷⁰ This means that clients under the lower limit of assets thresholds, or above the lower asset limit, who have their pension reduced due to the income test, are not deemed high risk by DVA and are therefore, not regularly reviewed as a general rule.

Reviews of high risk cases

2.65 In 2004, DVA introduced the Enhanced Compliance Program (ECP) to expand department-initiated reviews, principally in order to manage the risk

⁷⁰ The Department of Veterans' Affairs, Consolidated Library of Information and Knowledge (CLIK), *The Policy Library*, Part 10: Chapter 2, Section 2.

of pensioner non-compliance. The ECP targets high risk cases with no recent review or potentially volatile income and asset items. The ECP has been successful in improving the integrity of the current status of a client's circumstances and is achieving substantially higher than expected savings.⁷¹

2.66 The ECP is the only department-initiated review type that provides a comprehensive review of a person's previously submitted assets and income. The department's review of the ECP states that these reviews update all aspects of a person's pension assessment and all other review types only update one or two assessment items.⁷²

2.67 Approximately 10 000 of these reviews are conducted each year, which is less than four per cent of income support pensioner households. Clients are sent a tailored review form specific to each pensioner household and are required to confirm the details of their assets and income records or to update any changes to their circumstances.⁷³

2.68 In the first two and a quarter years of the program, 72 per cent of ECP reviews resulted in a variation to the client's pension rate (with 51 per cent being reduced and 21 per cent increased).⁷⁴ This is a significant outcome and clearly illustrates the value of the program to DVA's administration of income support.⁷⁵ The audit found more than 70 per cent of clients records *in payment* had not had a comprehensive review of all of their assets for more than eight years (refer to Chapter 4 for further discussion).

Data matching activities

2.69 In 1990–91, the Government introduced a Budget measure to detect incorrect payments in the income support system through matching specific data. DVA, in addition to Centrelink and the Australian Taxation Office (ATO),

⁷¹ Department of Veterans' Affairs, *Review of Lapsing and Terminating Measures Departmental Report*, p. 2.

⁷² DVA employs a range of review activities, the majority of which review only one or two asset and/or income assessment items. The type of review will also depend on the particular impetus for the review. However, the ECP is a distinct, targeted review program that provides a comprehensive review/update of all aspects of a person's pension assessment.

⁷³ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2005–2006*, p. 54.

⁷⁴ Department of Veterans' Affairs, *Review of Lapsing and Terminating Measures Departmental Report*, p. 2.

⁷⁵ The resource costs associated with this program where cases have not been reviewed for many years can be high. In particular, where retrospective adjustments have to be applied to pensions over a number of years, to account for multiple changes to the pensioner's circumstances.

are source agencies. The program includes a focus on increasing computerised cyclical matching of data held by various Australian Government agencies.

2.70 DVA’s participation in the data matching program with Centrelink and the ATO adds another level of administrative control, as it provides a mechanism for detecting incorrect payments, non-disclosure of income and identity fraud. The matching cycle involves a series of six steps undertaken to process data provided by the source agencies. A new matching cycle may be executed every five to six weeks, with a maximum of nine cycles per year. DVA also separately exchanges information with Centrelink in relation to new income support claims.

2.71 The success of the data matching program relies on the integrity of data within DVA’s client databases and IT controls. Integral to DVA’s IT controls is documentation of the existing systems, standards for data input and procedural compliance around DVA’s Unique Identification Number and State-based file number. Table 2.4 provides the results of DVA’s cyclical data matching with external agencies, for the previous three financial years, displays the non-cyclical⁷⁶ data matching results.

Table 2.4

Results of DVA’s cyclical data matching activities

| Cyclical data matching with Centrelink and the ATO | | |
|--|-----------------------------------|-------------|
| Financial year | Number of overpayments identified | Total value |
| 2005–06 | 286 | \$1 623 097 |
| 2006–07 | 102 | \$226 850 |
| 2007–08 | 24 | \$449 004 |

Source: Department of Veterans’ Affairs, Annual Reports 2005–06, 2006–07 and 2007–08.

⁷⁶ In addition to the cyclical matching, non-cyclical data matching is undertaken with other agencies.

Table 2.5**Results of DVA's non-cyclical data matching activities**

| Results of non-cyclical 'fact of death' data matching | | |
|---|-----------------------------------|-------------|
| Financial year | Number of overpayments identified | Total value |
| 2005–06 | 218 | \$336 606 |
| 2006–07 | 206 | \$341 523 |
| 2007–08 | 531 | \$994 349 |

Source: Department of Veterans' Affairs, Annual Reports 2005–06, 2006–07 and 2007–08.

2.72 In contrast to the cyclical data matching program, the number of non-cyclical data matching activities more than doubled last year. The information in the above tables confirms the importance of data matching in identifying incorrect payments and achieving savings in public expenditure. High quality client data is integral to achieving quality data matching outcomes.

Opportunities to improve data integrity

2.73 DVA has a range of IT controls, checklists and procedures, assurance and review measures and client contact activities (including call centres), that are intended to, or present an opportunity to, improve data integrity. Improved understanding of the cost and opportunities to enhance the reliability of DVA's data would assist the department to identify and implement cost-effective arrangements to improve data integrity, and therefore, service delivery.

Recommendation No.2

2.74 The ANAO recommends that the Department of Veterans' Affairs:

- documents a controls framework for income support and systems based business rules; and
- evaluates its current IT controls and assurance activities to determine which elements are most efficient and effective in improving data integrity.

DVA response: *Agreed*

Departmental response

2.75 The department will review and document the existing controls framework for income support and system based business rules.

2.76 The current ICT controls include QMS Procedures and Technical Instructions, as well as methodologies and standards for systems, release & change management controls. These controls are regularly reviewed and updated to comply with the department's ICT system ISO 9001 certification.

2.77 The department will review the relevant Procedures and Technical Instructions in its Quality Management System and associated documentation and update them accordingly with a focus on data integrity.

3. Income Support Eligibility

This chapter examines the integrity of DVA's income support records to determine whether eligibility requirements have been met for income support recipients.

Introduction

3.1 It is important that the electronic records of clients receiving an income support benefit contain evidence to meet the key eligibility requirements of the *Veterans' Entitlements Act 1986* (the Act). This would help to ensure that the right person is receiving their correct entitlement. The quality and integrity of DVA's income support data are also important for data exchange with external agencies, as the more reliable the data exchanged, the increased likelihood of incorrect payments and fraud being identified.

3.2 The mandatory eligibility requirements to receive a service pension are: to be a veteran; to have rendered qualifying service (QS); and to have reached the required age. The ANAO examined the integrity of DVA's electronic data against qualifying service and other key legislative requirements for the age service pension, invalidity service pension, income support supplement and social security age pension.

Forms of income support under the *Veterans' Entitlements Act 1986*

3.3 All DVA income support pensions are subject to income and assets tests except for income support pensions received by people who are permanently blind in both eyes.⁷⁷ Pension rates are calculated and paid at either single or couples rates, with the amount granted dependant on the client's income and assets. Two separate tests are applied: the income test and the assets test. The test that results in the lower rate of pension determines the pension amount. The Act obligates pensioners to inform DVA about changes in their circumstances that may affect the amount of their pension. The Act also obligates DVA to inform pensioners of their obligations.

3.4 There are six income support benefits administered by DVA under the Act and this audit examined four benefit types: age service pension; invalidity service pension; income support supplement; and social security age pension.

⁷⁷ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 55.

Income support pensioners are also eligible to receive supplementary allowances which include rent assistance and telephone allowance. Table 3.1 outlines the beneficiary population for income support over the last three years.

Table 3.1

Income support beneficiary population

| Pensioner Group | 2005–06 | 2006–07 | 2007–08 |
|--|---------|-----------------------|---------|
| Service pension veterans (<i>including invalidity</i>) | 122 458 | 113 698 | 108 580 |
| Service pension partners (<i>including invalidity</i>) | 103 110 | 96 864 | 93 959 |
| Income support supplement recipients | 87 003 | 84 471 | 82 550 |
| Age pensioners (<i>Social Security</i>) | 6 385 | 6 068 | 5 896 |
| Commonwealth Seniors Health Card holders | 10 685 | 11 086 | 9 279 |
| Defence Force Income Support Allowance | 16 266 | 20 793 | 17 391 |
| Total | 345 907 | 332 980 ⁷⁸ | 317 655 |

Source: DVA's *Annual Reports 2005–06* (p.56), *2006–07*(p.59) and *2007–08* (p.60). Note: DVA's annual reports also outline five forms of income support paid under DVA's Output 1.1: Income support under the *Veterans' Entitlements Act 1986*. These are the: age service and invalidity service pensions; partner service pension; income support supplement; social security age pension (which is paid to eligible disability pensioners and their partners); and Defence Force Income Support Allowance (DFISA).⁷⁹

Mandatory requirements

Analysis of mandatory eligibility requirements of in payment client records

3.5 At a minimum, DVA's income support records for each client should contain evidence to support the key eligibility requirements⁸⁰ to receive income support payments. The ANAO used the department's Ad Hoc Inquiry System 2000 (AIS) to extract *in payment* client records. These records were analysed to determine whether DVA's income support records met the key eligibility requirements for veterans, partners and widows/widowers. The total number of records extracted for each pension type is shown in Table 3.2. These records reflect all of DVA's clients *in payment*.

⁷⁸ The income support population in Table 3.1 for 2006–07 was reproduced from *DVA's Annual Report 2006–07*. However, the population figure for the 2006–07 financial year reported in *DVA's Annual Report 2007–08* is less by 4732.

⁷⁹ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2007–08*, p. 58.

⁸⁰ These are described in each income support section in this paper.

Table 3.2**Total income support clients used in analysis**

| Income support type | Number of unique records |
|-----------------------------|--------------------------|
| Age service pension | 126 891 |
| Invalidity service pension | 50 246 |
| Partner service pension | 737 |
| Income support supplement | 80 736 |
| Social Security Age pension | 5 638 |
| Total | 264 248 |

Source: ANAO analysis of DVA's records.

3.6 The ANAO's analysis shows that partner service pension record numbers were unexpectedly low at 737. DVA advised the ANAO that AIS is a tool that returns raw data with some simple business rules applied and a further level of business logic needs to be applied in order to turn the data into meaningful and reliable numbers. For example, if a couple over the relevant pension age apply for a service pension and fulfil all other eligibility requirements, the system will record both recipients as receiving an age service pension. However, from a legislative perspective the veteran would be eligible for age service pension and his/her partner, the partner service pension. DVA informed the ANAO that data extracted from AIS will show the two recipients on 'age service pension' and that further business logic (that is, the client's veteran and relationship status) needs to be applied to determine the appropriate pension classification.

3.7 DVA also applies business logic to the raw data presented in reports to Parliament and in its annual reports. The department advised that the business logic applied depends on the particular circumstance and the data being extracted. The logic can either be based on precedent or identified and applied on a case-by-case basis. The unreliability of DVA's raw data has potential implications on data sampling for compliance purposes.

Qualifying service

3.8 The primary eligibility criteria for a claimant to be eligible for an age service pension or an invalidity service pension (and associated benefits) are to be a veteran and to have qualifying service (QS). While QS broadly requires that a veteran 'incurred danger from hostile forces of the enemy' a veteran may

also be recognised as having QS if their service is of a kind determined by the Minister for Defence to be warlike service.

3.9 A claimant who has military operational service but has not incurred danger from hostile forces is a veteran without QS. A veteran without QS is not eligible for a service pension.⁸¹ However, he or she may be eligible for a disability pension, which is discretionary compensation for an injury or disease that the Repatriation Commission has accepted as caused by military service. Determining and recording veterans' QS details is a key requirement to ensure the integrity of DVA's income support processing and is a mandatory requirement of the Act.

3.10 DVA records military service in two ways:

- conflict details (used to determine veteran status); and
- service details (used to determine QS eligibility for the service pension).

3.11 The ANAO extracted 99 079 veterans records in DVA's client databases and tested their service details records for evidence of the conflict the veteran served in, as well as the dates the veteran served in that conflict. The results of DVA's analysis are displayed in Table 3.3.

3.12 DVA has acknowledged that the electronic service details of veterans are incomplete, but advises that these are not used to determine eligibility for the service pension. Instead, QS eligibility is determined and recorded by a delegate, who records this on the paper file as well as in the Generic Update Interface for DVA Entitlements (GUIDE) application. The electronic recording of QS is a reflection of the delegate's decision based on the client's service history. However, the ANAO's findings show many instances where conflict details are not recorded electronically.⁸²

⁸¹ Unless they are married to a veteran with QS.

⁸² On 12 March 2009, DVA advised that the recording of qualifying service details in electronic records was not a requirement until the GUIDE application was implemented in 2003 (DVA initially advised GUIDE implementation date to be June 2002). In May 2008, DVA acknowledged that some client records are missing critical information such as war code which has to be accurate.

Table 3.3

Qualifying service findings and implications

| Legislated requirements | Findings | Implications |
|-------------------------|--|--|
| Qualifying service (QS) | <p>Of the 99 079 veterans eligible for the age service pension, 40 306 veterans, (41 per cent) did not have a complete electronic record of service details.</p> <p>The ANAO inspected a sample of 40 service pensioners' paper files, with incomplete electronic service details records and found 39 of the files contained sufficient evidence of the veteran's military history and service details to prove their QS eligibility.</p> | <p>QS is a key legislative requirement for the service pension. Current and future decision making and pension grant is based on data in DVA's electronic records.</p> <p>As such, all key electronic fields should be complete and contain evidence to support the delegate's decision and the key income support legislated and policy requirements.⁸³</p> <p>DVA has advised that paper files are generally not used once a new claim is processed. Therefore, future decisions may be based on electronic records with incomplete key fields.</p> <p>When information is fragmented across different records, this leads to inefficient administration and increases the risk of error.</p> |

Source: ANAO analysis of DVA's records.

Key legislative requirements

Age service pension

3.13 The age service pension is paid to veterans five years earlier than the social security age pension paid by Centrelink, in recognition of the tangible effects of war that may result in premature ageing and/or loss of earning power. On 15 February 2008, the pension age for veterans was 60 years for males and 58 years and six months for females and the pension age for non-veterans was 65 for males and 63 years and six months for females.⁸⁴

3.14 The ANAO extracted and tested the eligibility of 126 891 age service pensioners *in payment*, to determine whether they satisfied the age requirements. These 126 891 age service pensioners include veterans and spouses eligible to receive the partner service pension. To analyse the age requirements correctly, the ANAO separated the age pension population into

⁸³ On 12 March 2009, DVA advised that the recording of qualifying service details in electronic records was not a requirement until the GUIDE application was implemented in 2003 (DVA initially advised GUIDE implementation date to be June 2002). In May 2008, DVA acknowledged that some client records are missing critical information such as war code which has to be accurate.

veteran and non-veteran categories. The results of the ANAO's analysis are displayed in Table 3.4.

Table 3.4

Age service pension findings and implications

| Legislated requirements | Findings | Implications |
|-------------------------|---|---|
| Age Service Pension | <p>The ANAO inspected 126 891 age service pensioner records and found 4774 records (3.8 per cent) of female non-veterans, and five records of male non-veterans, did not meet the age requirements.</p> <p>Further analysis revealed these records are most likely for clients receiving the partner service pension.</p> | <p>DVA is not currently categorising clients correctly who are receiving the partner service pension, as partner service pensioners.</p> <p>This pension category does exist in DVA's systems. However, it is not being effectively utilised by the department.</p> <p>Business logic has to be applied to turn the raw data into reliable information.</p> |

Source: ANAO analysis of DVA's records.

Invalidity service pension

3.15 The invalidity service pension is not subject to income tax when paid to a pensioner who is less than the social security pension age. When invalidity pensioners reach the social security pension age, they are no longer eligible for the invalidity service pension but will be eligible for the age service pension.

3.16 The ANAO analysed the records of all invalidity service pensioners in payment to determine whether they met the age requirement to receive the invalidity service pension.

3.17 Table 3.5 displays the ANAO's analysis of the ages, at 15 February 2008, of the 50 246 invalidity service pension clients.⁸⁵

⁸⁴ *Veterans' Entitlements Act 1986*, Section 5QA.

⁸⁵ One client did not match.

Table 3.5**Invalidity service pension findings and implications**

| Legislated requirements | Findings | Implications |
|----------------------------|--|---|
| Invalidity Service Pension | <p>The ANAO found that 18 787 (37 per cent) of the 50 246 invalidity service pensioners did not meet the requirement to receive the invalidity service pension. Instead, their age indicated they should be receiving the age service pension.</p> <p>Invalidity service pension is not tax assessable until the pensioner reaches social security pension age.</p> <p>Further analysis of a sample of the 18 787 client records in VIEW revealed the payments of misclassified invalidity pensioner records, who had reached social security pension age, were flagged as tax assessable.</p> | <p>Both pension rates are the same but once the invalidity service pensioner reaches the social security pension age, the person automatically receives the age service pension, which is subject to income tax.</p> <p>DVA still classifies these clients in the system as invalidity pensioners. This has implications for data integrity, taxation and reporting purposes. DVA has to apply business logic to readjust the raw data, to ensure the information reported is reliable.</p> |

Source: ANAO analysis of DVA's records.

3.18 The department advised that an IT system control exists that automatically identifies the invalidity pension as income tax accessible once the pensioner reaches social security pension age. However, this does not address two issues. The first relates to the automatic system control that can only be effective if the client's date of birth data is accurate (the validity of DVA's client date of birth data is discussed in Chapter 5). The second relates to reporting and sampling activities, as AIS does not distinguish the 37 per cent recorded incorrectly as invalidity pensioners who are now receiving the age service pension. In order to ensure accurate information for reporting and sampling for compliance, DVA would have to apply its business logic and re-adjust the raw data accordingly.

Income support supplement

3.19 To be eligible to receive the income support supplement, the key requirement for claimants is to be a war widow/widower. This is generally a person who, immediately before their partner's death, was the partner of, or was legally married to:

- a veteran; or
- a person who was a member of the forces; and

- who is receiving: a war widow's/widower's pension; or a pension that is payable under the law of a foreign country that is (in the opinion of the Commission) similar to a war widow's/widower's pension.

3.20 The ANAO extracted 80 736 records of clients receiving the income support supplement, to test whether the records contained evidence to support the eligibility requirements to receive the income support supplement. The ANAO tested all income support supplement records to determine whether the records contained information that confirmed the client had been married to a veteran and that the veteran is now deceased. Table 3.6 shows the results of the ANAO's analysis.

Table 3.6

Income support supplement findings and implications

| Legislated requirements | Findings | Implications |
|---------------------------|--|---|
| Income Support Supplement | <p>Of the 80 736 client records, the ANAO found 77 695 (96 per cent) clients receiving the income support supplement met the legislated requirements. Further analysis showed that the electronic entry for 73 income support recipients were recorded as being married to a veteran whose record indicated the veteran was still alive. Further testing of a sample of the records (not matched to a deceased veteran in VIEW), determined that these income support supplement recipients were either veterans in their own right, or have been married more than once.</p> <p>Testing of the remaining 2968 <i>in payment</i> client records, not matched to a veteran or matched to a non-deceased veteran, found issues similar to those identified in the above analysis of the 73. However, many of these records were too complex to comprehensively test due to DVA's use of State-based file numbers to match veterans and partners.</p> | <p>These results show the majority of income support supplement client records meet the eligibility requirements to receive the supplement.</p> <p>The continued use of the State-based file numbers and complexity of linkages between records, reduces the quality of the data and DVA's capacity to provide assurance that the 2968 clients <i>in payment</i> are eligible to receive the income support supplement.</p> |

Source: ANAO analysis of DVA's records.

Social security age pension

3.21 To be eligible to receive the social security age pension from DVA, a person must be an Australian veteran, have reached pension age, receive a disability pension from DVA, and not receive a service pension from DVA or any other service pension benefit from Centrelink. This condition was

introduced to enable clients to receive all of their payments from DVA.⁸⁶ The ANAO tested the 5638 records of age pension clients *in payment* to assess whether they:

- have reached the eligible age;
- receive a disability pension from DVA; and
- are not receiving a service pension from DVA.

Age requirement

3.22 On 15 February 2008, the qualifying age for the social security age pension was 65 years for males and 63 years and six months for females. The ANAO extracted 5638 age pensioner records to determine whether the records contained evidence that the pensioners were of the correct age to be eligible to receive the age pension. This test included 3066 males and 2572 females, as both members of a married couple must meet the age requirement to receive the age pension. Table 3.7 shows that all clients to be the correct age to receive the social security age pension.

Table 3.7

Social security age pension findings and implications

| Legislated requirements | Findings | Implications |
|-----------------------------|--|--|
| Social Security Age Pension | DVA's electronic records indicated that all 5638 <i>in payment</i> client records were the correct age to receive the Social Security age pension. | Consistent with the legislation, none of these clients were in receipt of both the Social Security and Age Service pensions. |

Source: ANAO analysis of DVA's records.

Clients receiving the service pension and social security age pensions

3.23 The ANAO analysed the records of the 5638 age pension clients to determine whether any clients were also in receipt of the service pension. The ANAO found no records of clients receiving both the social security age and service pensions.

⁸⁶ Department of Veterans' Affairs, *You and Your Pension* 2007 Edition, p. 5.

4. Asset and Income Records

In conducting data integrity analysis of DVA's income support records, anomalies were identified in asset and income records. The ANAO conducted further analysis of particular assets and income data to determine whether the department regularly updated the asset and income records of its clients.

Introduction

4.1 As explained in Chapter 3, the service pension for veterans is calculated under two separate tests—the income test and the asset test. The amount of pension a veteran or a spouse receives depends on the value of their assets and income. The test that results in the lower rate of pension determines the pension amount. For couples, the service pension is calculated on the combined income and assets, regardless of which member actually receives the income or owns the asset. A DVA client will receive the maximum rate of income support if his or her income and assets do not exceed set limits.^{87/88} The *Veterans' Entitlements Act 1986* (the Act) obligates pensioners to inform DVA about changes in their circumstances that may affect the amount of their pension. The Act also obligates DVA to inform pensioners of their obligations.

4.2 The ANAO conducted an analysis of DVA's income support data to assess the integrity of clients' asset and income records, and whether DVA reviews the income and assets of its clients. The ANAO examined the department's: administrative controls; asset and income records; and approach to reviews of client asset and income records.

Administrative controls

4.3 Assessing income support claims is increasing in its complexity and requires a high level of skill and due diligence as clients' general financial arrangements become more complicated with each generation of veterans. In addition, requirements specific to income support entitlements are regularly

⁸⁷ The Department of Veterans' Affairs, *DVA Facts IS88, Income and Assets Tests* [24 June 2008] p. 1.

⁸⁸ During the audit, the ANAO found about 40 per cent of service pensioners *in payment* were receiving less than the maximum pension rate (refer to paragraph 4.20).

amended.⁸⁹ During fieldwork, the ANAO observed delegated departmental officers undertake this task.

4.4 The department provides comprehensive support materials to assist DVA officers in the claims assessment process.⁹⁰ However, information contained in CLIK can take time to find and DVA staff reported CLIK to be cumbersome for new officers to use. While checklists are used by DVA staff in the claims process, the checklists used were not standard across State offices.

4.5 DVA advised that the majority of asset valuations are determined by a departmental officer assessing the claim; and where appropriate, the Australian Valuation Office is engaged to determine certain asset values, generally real estate. Once clients are receiving a pension, they are obligated to notify DVA of subsequent changes within specified timeframes that may affect their pension rate or eligibility for income support.⁹¹ Similarly, DVA is responsible for ensuring clients understand their obligations, particularly to declare all assets and income. In line with this process, clients are informed by the department about their obligations to declare all assets and income.

4.6 The department's regular program of cyclical data matching with Centrelink and the Australian Taxation Office identifies cases of undeclared income, fraud and incorrect payments. DVA advised that income support pensioners earning casual wages undergo regular three-monthly reviews, which the claims officer manually initiates during the claims process. Identifying unreported client assets is a more difficult task for DVA, as the information collected relies on self-disclosure by the client and assets are not data matched with external agencies. However, income derived from assets may be detected through data matching processes (see Chapter 2 for further discussion about data matching).

⁸⁹ These amendments specifically refer to Part III B of the *Veteran's Entitlements Act 1986*.

⁹⁰ These include policy, procedural and reference material in the Consolidated Library of Information and Knowledge (CLIK), question and answer lists, Departmental Instructions and checklists for each of the stages in the claims process (refer to Chapter 2 for further discussion).

⁹¹ *Veterans' Entitlements Act 1986*, s. 54.

Asset and income records

Proceeds of the sale of the principal home

4.7 DVA's policy sets out how departmental staff are to update client circumstances when the principal home of an income support client is sold. Most commonly, the value of the home sale proceeds is assessed as an asset unless the proceeds are to be used to acquire a new principal home within 12 months. In this situation, the portion of proceeds that the person intends to use in acquiring the new residence will be a disregarded deductible asset for 12 months.⁹² DVA monitors situations where principal home sale proceeds have been claimed as a deductible asset. The ANAO extracted the 264 248 income support *in payment* client records and analysed 347 records where the proceeds of sale of the principal home were classified as a deductible asset to determine whether any were more than one year old. The ANAO found 84 records were classified as a deductible asset more than one year after the sale of the principal home. The ANAO conducted further analysis of these 84 records and found 36 were more than two years old. The results of this analysis are displayed in Table 4.1.

Table 4.1

Proceeds of sale of principal home, used as a deductible asset

| Time span | Number |
|-------------------------------|--------|
| No home sale date | 26 |
| Less than one year old | 237 |
| Between one and two years old | 48 |
| More than two years old | 36 |

Source: ANAO analysis of DVA's records.

4.8 These findings are inconsistent with DVA's policy and such cases would benefit from closer monitoring and review by the department.

⁹² Note: Home sale proceeds, including any portion considered a disregarded asset, remain subject to the deeming provisions under the income test. There is also discretion in the Act for an extension of a further 12 months, depending on a client's circumstances.

Aged care and principal home

4.9 A DVA client is considered to be 'in care' if they are:

- an aged care resident; or
- in a care situation.⁹³

4.10 When a DVA client on a service pension has retained the principal home they own but have vacated to enter care, the policy allows the former residence to continue to be regarded as the principal home (and not an asset) for the following periods:

- up to two years from the day the client is considered to be 'in care';
- for as long as the client's partner resides in that home; or
- up to two years beginning from the day the client's partner leaves the home to be 'in care', or from the partner's date of death.

4.11 Non-homeowner rules apply once any of the periods above expire and the former residence is then counted as an asset. However, the ANAO also identified a significant number of cases (at least 33 or 16 per cent of the 204 records sampled), where the two year non-homeowner exemption period had expired but the residence was not recorded as an asset.

4.12 The ANAO acknowledges that the 'in care' asset policy is more complicated to monitor than home proceeds, as principal homes are not a distinct deductible asset. DVA informed the ANAO that the department regularly monitors these types of outstanding cases. Cases where the principal home is no longer exempt are identified as a high risk category for review under DVA's Enhanced Compliance Program (ECP). However, there are service delivery implications for 'in-care' clients because of the increased risk of incorrect payments and, therefore, potential to incur unexpected debts.

Curtilage and principal home

4.13 Curtilage is defined as the area of land occupied by a dwelling, its yard and any outbuildings, that is actually enclosed or considered to be enclosed. DVA consider it to be the land surrounding the principal home, including

⁹³ More specifically, a person is considered to be 'in care' if they are: receiving care in a facility principally for persons with mental disability; receiving nursing home-type care in hospital; in respite care; in community care and in community-based care; or personally providing community-based care.

cases where this is a farm.⁹⁴ If the total area of the title on which a client's home stands is two hectares or less, the land that is used for private and domestic purposes may be exempt from the asset test. If the total area of the title on which a client's principal home stands is more than two hectares, then the area over two hectares will usually be included as an asset (after any mortgage has been deducted from the value).⁹⁵

4.14 The ANAO identified 789 client records where addresses had been disclosed for curtilage in the property table and compared these to the client's residential address. Of the 789 clients who had disclosed curtilage, 258 or 32 per cent, had a different residential address from their curtilage address.

4.15 In one example, the client disclosed curtilage in New South Wales, while their residential address was actually in Queensland. Therefore, their New South Wales property should be disclosed as an asset. The ANAO also found cases where clients had left their farms and acquired a new residential address without their curtilage details being adjusted to reflect the changes in their circumstances. This highlights the importance of reviewing and fully updating a client's electronic records within a reasonable timeframe when the department is notified of a change in a client's circumstances. Such an approach would help to ensure that pensioners receive their correct entitlement.

DVA's review of client asset and income records

DVA's review policy

4.16 DVA's Income Support Review Program monitors and reports on compliance with legislation and policy and conducts a range of reviews based on risk profiling of cases. Reviews of a client's personal or financial circumstances may be conducted at the initiative of the pensioner or the department. As the assets of veterans are most likely to increase over time, the

⁹⁴ The Department of Veterans' Affairs, Consolidated Library of Information and Knowledge (CLIK), The Policy Library, Part 9, Chapter 2, Section 3.

⁹⁵ There is an exception to this rule if clients are over veteran pension age. If a client is over veteran pension age and:

- they have lived on their property for 20 years or more; and
- effective use is being made of the land, where possible; and
- the land is over two hectares and is held on the same title as a person's principal home; then the 'extended land use' test applies and all the land on that title will be disregarded as an asset.

risk presented to DVA involves relevant cases not being captured by DVA's review program. The department's approach treats shares and investments, and investment properties in different ways (refer to Chapter 2 for further analysis regarding reviews).

Shares or unit-based managed investments

4.17 DVA receives regular fortnightly share and investments information that automatically updates the assets information in client records. Any shares or unit-based managed investments will be updated with revised values of these assets fortnightly and twice each year, during the Statutory Increase⁹⁶ in March and September.

Investment property

4.18 If a client's pension is paid under the assets test, or if their asset value is within the internally specified amount to be asset tested, DVA updates the value of any business, farm or other property (such as a holiday home) each year.

ANAO analysis

4.19 The ANAO extracted and tested 264 248 income support client records and found 7810 had a reduced pension, as determined by the application of the department's asset test. This is less than three per cent of the total number of income support clients. Therefore, DVA's policy of regularly reviewing and updating asset records of clients on reduced pensions due to the asset test updates a very small percentage⁹⁷ of the income support population on a regular basis.

4.20 Table 4.2 shows the distribution of service pensioners receiving the pension after the application of the asset and income tests. The table also provides a breakdown of the number of income support clients receiving the maximum rate of pension. Of the 177 874 service pension records, the ANAO identified 105 870 (about 60 per cent) as receiving the maximum pension rate.

⁹⁶ Twice a year the value of a client's shares that are listed on the Australia Stock Exchange are updated with the most recent sale price, as are all unit-based investments.

⁹⁷ Less than 3 per cent of DVA's income support population.

Table 4.2**Distribution of service pensioners receiving the pension⁹⁸**

| Pension type | Pension reduced due to the asset test | Pension reduced due to the income test | Receiving maximum pension | Total records |
|---------------------------|---------------------------------------|--|---------------------------|---------------|
| Service pension | 7 638 | 63 596 | 105 870 | 177 874 |
| Income support supplement | 67 | 5 624 | 74 823 | 80 736 |
| Age pension | 105 | 4 521 | 934 | 5 638 |
| Total | 7 810 | 73 741 | 181 627 | 264 248 |

Source: ANAO analysis of DVA's records.

4.21 The ANAO analysed the last date of change in the asset and income records for all 264 248 income support clients *in payment*. For clients without a change date, the ANAO used the client creation date. Table 4.3 and Table 4.4 show the year of the last change date for the asset records of all income support clients.⁹⁹

Table 4.3**Analysis of asset and income records for *in payment* clients not updated since 1999**

| Year | Number of assets records not updated since 1999 | Percentage | Number of income records not updated since 1999 | Percentage |
|---------------------------------------|---|------------|---|------------|
| Earliest client creation date, (1999) | 787 164 | 75.93 | 24 752 | 38.86 |

Source: ANAO analysis of DVA's records.

Note: The earliest client creation date is 21 February 1999. DVA advised the ANAO that prior to the implementation of ObjectStar there was no history of assessments online, just the date and details of the latest assessment. When ObjectStar was implemented, only that assessment was transferred across in a conversion exercise. Earlier assessments were file cased. The ANAO could not investigate change dates before 1999, as data was moved from the department's Information Management System (IMS) into ObjectStar in 1999 and date of assessment of assets prior to that date, was not loaded into the system.

⁹⁸ The ANAO could not match all records.

⁹⁹ Of the 264 248 income support clients *in payment*, only 240 545 clients had records of assets or income. Most clients had more than one record of assets or income. In fact, one client had 82 records of assets or income. On 12 March 2009, DVA advised that the department's analysis has identified that there are 366 clients receiving a payment that have neither an income item nor an asset item.

Table 4.4**Analysis of asset and income records for *in payment* clients updated since 1999**

| Year | Number of asset records updated since 1999 | Percentage | Number of income records updated since 1999 | Percentage |
|-----------|--|------------|---|------------|
| 1999–2006 | 87 030 | 8.40 | 4 511 | 7.08 |
| 2007 | 113 500 | 10.95 | 8 085 | 12.69 |
| 2008 | 48 949 | 4.72 | 26 351 | 41.37 |

Source: ANAO analysis of DVA's records.

Note: The ANAO based the update of asset and income records on either the client creation date or the change date of the record. The ANAO subsequently found that some asset records of the pre-1999 population, that appeared to have not been updated, were for vehicle models made in the 2000s. The Ad Hoc Inquiry System 2000 (AIS) does not have the functionality to extract the creation date of asset and income records.

4.22 The ANAO found more than 70 per cent of clients' asset records have not had all of their previously submitted asset items fully updated for eight years or more. While most of these clients are not currently asset means tested, some may move into that category once their circumstances are comprehensively reviewed and updated. DVA acknowledges that there are a significant number of property values where the records have not been updated for many years to reflect the rise in property market values during the same period. The department is currently addressing this issue through its Enhanced Compliance Program (ECP) by reviewing a percentage of these types of cases, which are considered high-risk (refer to Chapter 2 for further details).

4.23 The ANAO noted that over 50 per cent of the income records of service pensioners had been reviewed or updated since 2007. Unlike DVA's income records which are regularly data matched with agencies such as the Australian Taxation Office and Centrelink, the department cannot detect instances where the assets declared by clients vary from those disclosed to other agencies. As there are fewer administrative controls, asset records present more of a risk to the integrity of DVA's income support data.

Investment property value updates

4.24 DVA updates clients' managed investment assets fortnightly and revalue them twice each year, in order to 'maintain the integrity of client records'.¹⁰⁰ However, the integrity of some other asset values is not so tightly monitored, such as investment property values. There is no regular updating of market values of real estate and farm properties that are recorded as assets for pension purposes under the asset test. While investment properties only make up 1.6 per cent of DVA's total asset records, the asset value per property, or fluctuations, can be significant and directly affect a client's entitlements.

4.25 DVA already receives regular fortnightly share and investments information that automatically updates the relevant assets information. The department could consider accessing yearly updates of current medium market property values through avenues such as unimproved local council property values or the Real Estate Institute of Australia Market Reports. Pensioner investment property assets could be monitored against these reports each year based on the level of risk identified during assessment of their assets and income. In order to reduce the potential for incorrect pension payments occurring in the future, all property assets should undergo a review, the frequency of which should be based on the level of risk.

4.26 During fieldwork, the ANAO was advised that investment properties and some farm property investments have not been reviewed for many years and may fit the profile to be reviewed through the department's ECP. The ECP is designed to review all of a client's assets and income, targeting high-risk cases with no recent review or potentially volatile income and asset items. Under the ECP, the service pensioner is sent a *Review of Personal and Financial Circumstance* form, which is tailored to a client's personal circumstances and requires the client to review and confirm or update the information (refer to Chapter 2 for related discussion and recommendation).

4.27 The Act obligates clients to disclose all property holdings to DVA. However, clients are not obligated to keep DVA informed of the increasing market value of investment properties unless there has been an alteration that increases the value of the property.¹⁰¹ The onus is on the department to

¹⁰⁰ Department of Veterans' Affairs, *Departmental Instruction: Date-of-Effect*, C19/99, 9 July 1999.

¹⁰¹ The Department of Veterans' Affairs, Consolidated Library of Information and Knowledge (CLIK), *The Policy Library*, Part 11: Chapter 1, Section 4.

regularly review these investment property assets to ensure the integrity of its data.

4.28 The absence of regular monitoring and reviewing of fluctuating investment property values over a number of years could result in DVA's clients not receiving their correct entitlements. Currently, a greater level of review is undertaken to monitor and identify clients' income streams. For example, a three-monthly review is manually set by the DVA claims officers for clients earning casual wages.

Mortgage and property valuations

4.29 DVA has a memorandum of understanding with the Australian Valuation Office (AVO) which provides for property valuations in bulk each year, one-off property valuations requested by DVA officers, and the provision of online web services by AVO. The latter assists DVA officers to conduct valuations on the assessable property of DVA clients. The department advised that wherever possible, most assessment of property owned by veterans is determined by departmental claims officers, without the need for an AVO valuation. A factor contributing to this strategy is the cost associated with each AVO property valuation sought by DVA.¹⁰²

4.30 Property details input into DVA data tables result in combinations of manual and automated intervention. DVA claims officers enter the total value of the property and the percentage owned while the department's system automatically calculates the assessable asset value. All other fields for property records (which can include contents, curtilage, mortgage and other encumbrances) are manually calculated by the DVA claims officer. The system will then subtract or add the values to the assessable asset value as required.

4.31 Given the manual nature of the mortgage information input, potential risks exist for data entry and asset value calculation errors. For the 2874 clients who disclosed a mortgage against a property, the ANAO found 112 client records had a mortgage in excess of the asset value owned.¹⁰³ Furthermore, it was noted that 15 of the 112 had partial ownership of the property asset.

4.32 Overall, there are insufficient controls in the department's systems to identify cases where clients' mortgages are in excess of the asset values owned.

¹⁰² ANAO visit to a Department of Veterans' Affairs' State office, 27–29 February 2008.

¹⁰³ This may be for clients who fully or partially own their properties.

In addition, partially owned property needs to be monitored over time to ensure the mortgage component is adjusted in line with the client's percentage ownership. This appears to be the case for clients who have negative equity as a result of excessive mortgage values.

4.33 Each year in October/November, income support cases requiring a property valuation are automatically selected and forwarded to the AVO for valuation by April in the following year. DVA's criteria for extracting cases includes all income support pension recipients who have a property, a business (with a property), a farm, or who sublet a portion of their home and who are either:

- assets tested; or
- income tested and have total assets in their assessment within the internally specified amount of the prescribed assets limit.

4.34 The AVO valuations for a single property valuation, or the results of yearly bulk requests, are currently entered manually as the automation of this activity is yet to be implemented. Until this activity is automated, the potential for data input errors and failure to detect these errors is a risk for DVA.¹⁰⁴

Deemed income from assets

4.35 Deeming refers to how income from financial assets is assessed for income test purposes and applies to most DVA and Centrelink payments. Instead of calculating the actual return or income clients are receiving from their assets, DVA's policy assumes clients are earning a rate of interest known as the 'deeming rate'. Income from some financial assets can be difficult to calculate and deeming is judged to be a simpler and fair way of assessing the amount of income earned through financial assets.¹⁰⁵

4.36 Bank accounts are regarded as an asset and a deemed rate of interest earned is treated as income and counts towards the income test. The deemed

¹⁰⁴ The ANAO found one property valued by the AVO with an asset value of \$29 000 recorded. The client's mortgage on the property was \$152 099. This suggests a zero was left out when the value was entered into DVA's system and should read \$290 000. Data entry errors can impact on the accuracy of the client's assessment and therefore, the correctness of their pension entitlement, as they have the potential to reduce the asset amount substantially and the errors could be difficult to detect. See also section 2.41 in Chapter 2 where over 100 properties were found to have disclosed mortgages greater than the value of the assets owned. On the 12 March 2009, DVA advised that AVO valuations were automated in July 2008.

¹⁰⁵ Department of Veterans' Affairs, *You and Your Pension* 2007 Edition, p. 32.

interest rate is regularly updated by DVA, which then updates the deemed income component of the asset record. This mechanism is only fully effective if DVA's records of client bank accounts details are up-to-date and accurate.

4.37 In the ANAO's analysis of asset and income records, bank account records made up 45 per cent of asset records. Further analysis of all asset records showed that 77 per cent of client bank account records have not been updated by DVA for eight years or more.

4.38 Similar to other assets, bank accounts have the potential to fluctuate and exceed the assets value limit (where the pension starts to reduce) thus generating a debt. Clients already on a reduced pension rate due to the value of their financial assets, could also incur a debt, if their bank accounts are not subjected to regular review.

Integrity of assets and income records

4.39 The integrity of a client's income and asset data is integral to the accuracy of DVA's income support payments, as clients' pension amounts are calculated in relation to their assets and income. The department currently undertakes a number of assurance activities to help improve the integrity of client records. The significant activities include DVA's QA, Review and ECP programs and projects to correct data errors, as well as administrative and automated measures the department has in place to ensure timely updating of asset and income records.

4.40 The ANAO's data analysis indicates that there would be considerable merit in DVA reviewing its current assurance activities to assist the department to identify which measures are delivering the most effective and efficient outcomes and to refocus these accordingly. In particular, the number of asset records that have not undergone review for many years warrant special attention.

4.41 Systematic reviews should continue to be risk based and aligned to the particular events or circumstances that lead to incorrect payments and benefits occurring, as identified from intelligence gathered through compliance and other assurance activities. Targets could be set by DVA to ensure all asset and income records undergo a comprehensive review (of all previously submitted asset and income information) within set timeframes. This would include those in receipt of full pensions (and part-pensions that are not considered by DVA to be high risk), or pensioner households that are not reviewed through other assurance measures.

4.42 A key finding of DVA's review of the ECP was the ongoing need to review pensioner households whose income and assets are not reassessed through other departmental review measures.¹⁰⁶ All client records should undergo comprehensive review, with the frequency determined by the level of risk. DVA's review found ECP overpayments take longer than anticipated to process because many of the retrospective adjustments to pensions are applied over a number of years to account for multiple changes to a pensioner's circumstances, which is resource intensive and expensive.

4.43 Addressing the issues highlighted in the review of the ECP, will help the department to provide greater assurance that the payments and benefits associated with these records are correct, thus improving client service. Timely review and updating of client records at the time DVA is informed of changes in a person's circumstances will also help to improve the accuracy of pensions.

¹⁰⁶ Department of Veterans' Affairs, *Review of Lapsing and Terminating Measures Departmental Report*, p. 2.

5. Data Integrity

The ANAO's analysis of income support data held in DVA's client databases and the mechanisms implemented by DVA to manage data integrity errors, is provided in this chapter.

Introduction

5.1 In the context of this audit, the term 'data integrity' is used to refer to the consistency, accuracy and reliability of information across client records. DVA utilises a number of different information technology (IT) systems and applications that store basic information such as the client's file number, name, address, date of birth, date of death, service history, and a record of claims processing for service and/or disability pensions. Veterans' electronic records and their partners' and dependants' records are also linked.

5.2 In this chapter the ANAO examines:

- the migration of heritage data into DVA's new IT system, Cúram;
- the accuracy and completeness of selected mandatory fields and other key fields that underpin the integrity of DVA's income support programs (the key fields were Unique Identification Number, date of birth and address); and
- DVA projects aimed at identifying and correcting data errors, specifically the department's Data Integrity Cleanup Exercise, and the Data Integrity Problems Program.

Migration of heritage data into Cúram

5.3 In 2005, after a period of analysis and assessment, the department began modernising its IT to better support business operations and service delivery. As part of this initiative, DVA purchased Cúram, an off-the-shelf software product, with a 60 per cent compatibility with departmental systems, to better support its new model of business operations, *oneDVA*. DVA advised that Cúram is an integrated IT application framework designed for service delivery environments and has more built-in controls than heritage systems.

5.4 DVA undertook considerable project planning, and data testing, analysis and cleansing to prepare the heritage data for transfer into the new system. Implementation of the first phase was completed in November 2006. As a result, income support records are now stored on a mainframe system

spanning three databases: the Information Management System (IMS), ObjectStar and DB2 (Cúram). DVA now manage client data stored across a combination of heritage and the new Cúram applications, which is neither cost effective, nor efficient. Based on advice from DVA, decommissioning of heritage systems and transfer of income support data into Cúram is unlikely to occur for several years.

5.5 Notwithstanding the preparations made for the data transfer, unanticipated data incompatibility and integration issues emerged during the migration of data into Cúram. Integration with heritage systems and validations was not sufficiently considered before the data transfer. For example, heritage records with blank date of birth fields were rejected by Cúram during uploading of the data, because Cúram functionality requires a greater level of client detail. To resolve the issue and to ensure the transfer of the data into Cúram, DVA made a decision to populate the blank date of birth fields with 'dummy' data.^{107/108}

5.6 DVA transferred all client records into Cúram. This included records containing erroneous and redundant data where no activity had occurred for many years. Almost half of the records (over 800 000) were identified by DVA as having no recent activity or missing critical information such as war code.¹⁰⁹ However, DVA advised that the transfer of all records into Cúram was considered to be an efficient workaround because the resources required to correct each record were considered prohibitive, for minimal gain.¹¹⁰ This has resulted in 'dummy' as well as obsolete data being caught up with the 'live and real' data.

5.7 The department's publicly available data regarding income support is also now sourced from both heritage and Cúram systems. DVA use the Ad Hoc Inquiry System 2000 (AIS) tool to extract certain data from the source systems for monitoring and reporting purposes. During the audit, DVA advised that the 'source of truth' data is not contained in AIS reports, as

¹⁰⁷ DVA advice to the ANAO, 19 July 2008.

¹⁰⁸ A dummy variable is defined as a variable that does not contain any useful data but it does reserve space that a real variable will use later.

¹⁰⁹ DVA meeting with the ANAO, Canberra, 14 May 2008.

¹¹⁰ DVA advice to the ANAO, 19 July 2008.

business logic and knowledge need to be applied in order to turn the raw data into meaningful and reliable numbers.¹¹¹

5.8 In this environment, the department relies heavily on the corporate knowledge held by a few key staff about its IT systems and business processes. Specialist knowledge of the strengths and weaknesses of the department's IT systems and the application of business logic by individual officers is also required to turn the raw data into meaningful and reliable information.

Data integrity

5.9 The ANAO investigated the accuracy and completeness of records of selected mandatory fields and other key fields that underpin the integrity of DVA's income support programs. These were: active and inactive records; multiple records; date of birth; and address.

Active and inactive records

5.10 At 30 June 2007, DVA's databases held around 1.5 million client records. At the time, the income support client population was 332 980 and the population of clients with repatriation health cards was 293 620—a combined total of 626 600.¹¹² Therefore, approximately 60 per cent of the one and a half million client records held in DVA's production environment are not active; that is, these clients are not receiving any entitlement or benefit. This is consistent with DVA's analysis of the client records transferred from heritage systems into Cúram. A previous ANAO audit of the *Management of Repatriation Health Cards* in 2003–04 found that around 50 per cent of the production environment databases contained inactive client records.¹¹³ This is a significant increase in four years.

5.11 In February 2008, the ANAO identified 832 000 client records in the production environment (out of a possible 1 580 546 records) with no active links to other records and sometimes with a date of death recorded many decades in the past. The ANAO considers there is no business reason for DVA to maintain these records in the production environment.

¹¹¹ DVA advice to the ANAO, 25 July 2008.

¹¹² Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–2007*, pp. 59 & 101.

¹¹³ ANAO Audit Report No.41 2003–04, *Management of Repatriation Health Cards*, p. 59.

5.12 DVA's inactive records relate to clients who are not *in payment* and do not receive a health card or any other entitlement. The previous audit in 2003–04 found many of these shell records related to veterans who lodged some type of claim with DVA in the past, but whose claim was rejected. DVA advised that many of these records were deleted prior to the transfer of data from heritage systems into Cúram. However, some of these records remain in DVA's production environment despite these clients having had no subsequent dealings with DVA. Other records relate to deceased clients who died many years ago. In the interests of greater efficiency, the production environment databases should primarily contain information relating to DVA's active client populations. Inactive records could be archived or relocated outside the production environment, with the potential to be reintroduced into the production environment if and when required. If this could be achieved with minimal cost and system re-engineering, DVA could expect a positive impact on system performance.

5.13 During the audit, DVA committed to undertake technical work to establish approximately 6500 missing relationship links between records in Cúram, as 2500 of these are *in payment*. Once this work is completed, the ANAO suggests that the department consider the benefits of identifying and archiving or relocating the inactive redundant records outside the production environment. DVA's investment in this strategy will substantially improve the currency and integrity of its data in the production environment.

Multiple records

5.14 An effective database is characterised by each client record being uniquely distinguished from all other records. DVA clients are distinctively identified in at least two ways within DVA's systems. DVA uses the Unique Identification Number (UIN) as the primary key to clearly distinguish between clients on its databases. The business systems that call up client information from the client database treat each UIN as one record, one client. Therefore, if a client has two UINs, their information is split or replicated across two electronic records and the business systems treat the information as two separate client records/two separate clients.

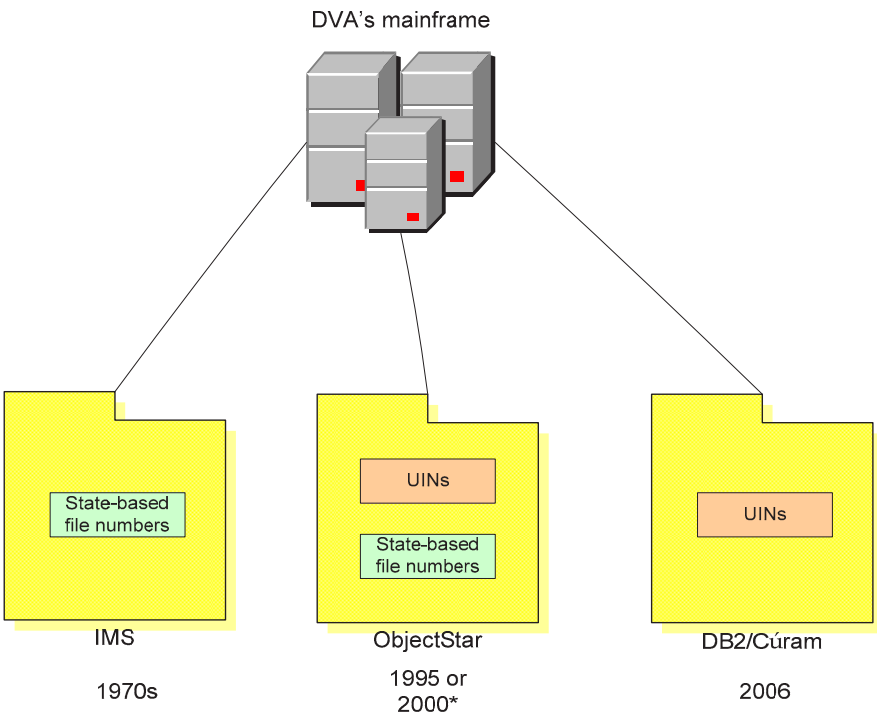
5.15 Individual clients with multiple UINs present a number of business risks to DVA. Information about a client that is split across two or more records clearly subverts the intention of the business systems to maintain one record containing comprehensive, up-to-date information about an individual

client. This impacts on data integrity and, particularly, on the reliability of future decision-making and reporting.

5.16 In addition to the UIN, a State-based file number is generated for each client during the registration process. While the UIN is the ‘primary key’, in practice DVA identifies and services clients using the State-based file number as the principal identifier. All DVA correspondence items use this number as a client identifier. Not all file numbers are changed when a client moves interstate if they reside near the relevant State border and elect to retain their current file number. State-based file numbers are also used by clients to apply for local and State Government subsidies. Figure 5.1 illustrates the location of DVA’s primary keys (UINs and State-based file number) across the department’s systems.

Figure 5.1

DVA’s primary keys



Source: ANAO’s analysis of DVA’s records. *DVA provided two different implementation dates.

5.17 The ANAO previously reviewed DVA's use of State-based file numbers in 2003–04.¹¹⁴ Among other data integrity issues, the audit found that client information can be fragmented across multiple electronic records and multiple files, particularly over a period of time as clients apply for different benefits. This audit found similar issues which were confirmed through a review of 92 client files. Many of the files contain information and/or evidence supporting eligibility for income support that is inconsistent with the information in the electronic records of clients *in payment*.

Number of multiple records

5.18 The ANAO extracted the entire list of DVA clients, including records with a date of death recorded. The report produced 1 580 546 records, each comprising seven data fields.¹¹⁵ The ANAO attempted to identify multiple records that could reasonably be for the same person; that is, records that matched exactly on combinations of the client's surname, given name, middle initials, date of birth, and address.

5.19 The ANAO then conducted further analysis to verify the finding of a client with multiple UINs (that is, two or more UINs) by checking the records against a more extensive range of client information in the Veterans Information Enquiry Window (VIEW). Client address and/or service number and/or social security reference number and/or details of the client's spouse (where recorded) were used to verify that the clients in question were the same person.¹¹⁶

5.20 Employing this methodology, and starting with the 1 580 546 total records population, the ANAO matched 50 667 client records on first name, middle initial, surname and date of birth. Further analysis found the records represented 24 820 clients who had been issued with multiple UINs. While the majority of the records related to inactive client records, the results highlight

¹¹⁴ See Australian National Audit Office, *Management of Repatriation Health Cards*, Audit Report No. 41, ANAO, Canberra, 2003–04, Chapter 4.

¹¹⁵ The data fields were UIN, first name, name initials, surname, name title, date of birth and date of death.

¹¹⁶ The ANAO notes that the methodology employed will not guarantee the identification of all clients with multiple UINs - there remains a small number of possible coincidental matches. Coincidental matches would constitute clients with similar details but who are different individuals. Based on previous experience with the analysis of large datasets, these may account for up to 10 per cent of the records identified by the ANAO.

the potential for poor data to affect the efficiency and reliability of DVA’s decision-making.

5.21 Table 5.1 shows a stratification of the number of instances of clients with multiple UINs. The table compares the findings of multiple UINs in this audit with those from the previous audit in 2003–04. These comparative results show multiple UIN errors have increased significantly since the previous audit.

Table 5.1

Multiple records criteria: first name, middle initial, surname, date of birth

| Number of Unique Identification Numbers (UINs) associated with an individual client | Number of client records | Number of client records identified in previous ANAO audit ¹¹⁷ |
|---|--------------------------|---|
| 2 | 23 911 | 16 983 |
| 3 | 819 | 487 |
| 4 | 72 | 47 |
| 5 | 13 | 10 |
| 6 | 2 | 2 |
| 7 | 2 | 2 |
| 9 | 1 | 1 |
| Total | 24 820 | 17 532 |

Source: ANAO analysis of DVA’s records.

Multiple records in payment

5.22 The ANAO also undertook an analysis of potential multiple records for clients that were recipients of income support payments. Of the total 1 580 546 client records, 264 248 clients were identified to be in receipt of income support payments. Only two clients *in payment* matched on first name, middle initial, surname and date of birth. The ANAO further investigated the records of these two clients in VIEW and determined in both instances that these were different individuals.

¹¹⁷ The previous ANAO Audit No.41 of 2003–04, *Management of Repatriation Health Cards*, used the same methodology, but excluded 1255 records that had blank date of birth fields. This audit identified 625 records that potentially have a ‘dummy’ date of birth, as discussed in Chapter 5. These 625 records may have been blank during the previous ANAO audit and excluded in the methodology.

5.23 The ANAO conducted further analysis on all client records receiving payments from DVA either as income support recipients or from some other DVA payment. Of the 423 865 clients receiving some form of payment from DVA, there were 32 records that matched on first name, middle initial, surname and date of birth. In addition, 8 of these 32 records had an exact match on residential address details, indicating that they were multiple UINs.

Multiple records and Centrelink reference numbers

5.24 A client should only have one UIN and one Centrelink Reference Number (CRN).¹¹⁸ The CRN is assigned by Centrelink as a unique identifier for all Centrelink clients. There were 546 330 client records identified in DVA's databases that had CRN numbers attached to the record. The ANAO extracted all client records with CRNs and conducted an analysis of multiple CRN records with identical first name, middle initial, surname and date of birth. Overall, this analysis revealed negligible instances of multiple CRN records, with only seven clients matching on these criteria, each with two different CRNs.

Date of birth data integrity errors

5.25 Date of birth is a legislative requirement for service and age pensions and is a key requirement under DVA's proof-of-identity policy. Furthermore, since 1995, date of birth has been an eligibility control required by DVA at the time of client registration and for clients receiving (or about to receive) a payment.¹¹⁹ However, DVA advised that date of birth was not a mandatory field in its heritage systems, although this situation changed when Cúram was implemented.

5.26 Date of birth is also a primary key used in data matching activities and provides an effective control to ensure the correct benefit is paid to the correct client, assisting in the detection of fraud and incorrect payments. Accurate proof-of-identity information (such as birth date) is particularly important for the integrity of DVA's income support records, as contact with clients is generally by telephone and correspondence, rather than face-to-face.

¹¹⁸ A CRN is a personal identifier assigned by Centrelink for the purposes of identifying people (and organisations) eligible for specific services, including some public health care services, such as oral health services.

¹¹⁹ DVA advised the ANAO that with the introduction of ObjectStar in 1995, registration/creation of a client required a date of birth to be entered. However, DVA provided two different dates regarding the implementation of ObjectStar and associated payment systems, which were 1995 and 2000.

Migration of birth date records from heritage systems into Cúram

5.27 DVA informed the ANAO that when uploading client records from heritage systems into the new Cúram system, many date of birth records in ObjectStar were found to be blank.¹²⁰ The previous audit of DVA's client databases in 2003–04 also found many anomalies in DVA's date of birth data, including 56 631 client records that had no birth date recorded. When DVA attempted to upload the client records with blank date of birth fields into Cúram, these records were rejected because Cúram functionality requires a greater level of client detail than heritage systems.

5.28 To resolve the issue and enable the transfer of the data, DVA populated the blank date of birth fields with 'dummy' data. DVA advised that the 'dummy' dates of birth were used for this purpose to enable the transfer of data into Cúram to proceed.

5.29 Generally, the 'dummy' dates of birth used for veterans and their spouses were 23 September 1920 for World War Two veterans and 23 September 1950 for the Vietnam War veterans. DVA informed the ANAO that it was noted in the comment section in each affected client record in VIEW, that the client record contained a 'dummy' date of birth. This informs DVA officers of the 'dummy' date of birth data.

Dummy dates of birth for clients *in payment*

5.30 The ANAO analysed the use of 23 September as a 'dummy' birth date for the 264 248 income support *in payment* client records. The ANAO found 51 client records had a recorded date of birth of either 23 September 1920 or 23 September 1950. Of the 51 records, 11 contained a comment in VIEW indicating that the date of birth date was a 'dummy'.

File reviews of clients in payment with dummy dates of birth

5.31 The ANAO conducted a review of the 11 client files *in payment* with a 'dummy' date of birth recorded and found 10 of the 11 files contained evidence of the clients' correct birth date on file. The ANAO subsequently provided DVA with these findings to correct the 'dummy' date of birth fields using the clients' valid birth certificates. The practice of inputting dummy data perpetuates the heritage system data problems in the new Cúram environment and will eventually have to be rectified.

¹²⁰ ObjectStar accepted a client's record regardless of whether a date of birth was recorded.

5.32 The ANAO reviewed 92 files in total, including the 51 mentioned above, and compared the hard copy information with the electronic record. The ANAO found files contained evidence that was inconsistent with or not reflected in the client's electronic record. The majority of the paper files contained evidence that eligibility requirements had been met. However, DVA advised that the electronic record is the 'source of truth' for client data, not the client file.

Analysis of the total client population birth date records

5.33 The ANAO analysed all 1 580 546 records of clients' dates of birth and found an extraordinary number of clients in DVA's database to be born on specific days of the year. This suggests that while the date of birth fields were populated, those dates appeared to contain invalid or 'dummy' data. The dates were 1 January, 20 February, 1 July, 23 September and the 31 December.

5.34 In order to gain an appreciation of the quality and integrity of the data stored on DVA's client databases, the ANAO analysed birth-date data and found two groups of interest: those aged over 100 years; and those with assumed 'dummy' dates of birth. The ANAO analysed all 1 580 546 DVA client records and found many data anomalies.¹²¹ The ANAO then calculated the age of all clients with a birth date recorded before 1 January 1903 with no recorded date of death. The ANAO found 438 clients aged over 130 by current age in the department's database.

5.35 As previously discussed, the value most often used by the department when a birth date is unknown, is 23 September. The audit found over 37 000 clients who were recorded as being born on that date.

5.36 DVA has identified similar issues to the ANAO and has conducted recent initiatives designed to eliminate the practice of 'dummy' data being recorded in client records. (See paragraph 5.55 in this chapter for birth date related issues identified by DVA).

Updating the date of birth field in client records

5.37 There are a range of options available to DVA for updating client age records that are populated with 'dummy' data, particularly where the clients are *in payment*, including:

¹²¹ The earliest date of birth was 918 and the latest recorded was November 2007.

- through doctracker, which was implemented as part of Cúram, to improve the management of veteran information exchange with the Department of Defence;
- writing to the client requesting a certified copy of the evidence; or
- when clients call or vice versa, checking their record in VIEW and requesting certified copies of missing evidence or corroborating information.

5.38 Sound records management procedures would also assist DVA to better manage information and evidence provided in support of a client's eligibility for income support, particularly when the client is already *in payment*. The department's administrative procedures and records management practices should ensure that a client's electronic record is corrected at the same time revised client information is placed on the client's paper file, or scanned into the electronic records management system. This would be more efficient and improve the integrity of DVA's electronic records significantly.

5.39 Revised processes would also reduce DVA's business risks, including risks to future decision-making based on low integrity electronic records. Electronic records may be inconsistent with or not reflect the evidence on the paper file and create the risk that all available information may not be known to the decision-maker. DVA has been moving to a paperless office environment for several years and, as a general rule, the use of paper files is limited to new claims processing and manual overpayment investigations.

Address data integrity errors

5.40 DVA's proof-of-identity policy requires clients to provide evidence of their residential and contact addresses when applying for income support. This information is a mandatory requirement. Correct and accurate contact addresses are important for informing clients about their obligations and other issues, through correspondence. Correct residential address data is equally important for data integrity and data matching purposes.

5.41 DVA informed the ANAO that it uses Information Quality Rapid (IQ Rapid), a third-party software application, to assist DVA officers input clients' address records. An advantage of this software is that it determines the

Delivery Point Indicator (DPID) for the address and adds it to the record. A DPID is a unique number that has been randomly allocated to each address maintained in Australia Post's National Address File.¹²² The use of this barcode and the DPID provides a greater level of assurance as it standardises the quality and integrity of address records, improving data matching with other agencies.

5.42 IQ Rapid is the default for inserting address records in DVA's systems. However, DVA officers can override the IQ Rapid application and insert address records manually. This may be necessary in some situations, such as overseas or newly created addresses that are not yet updated in Australia Post's National Address File. However, address records that are manually entered will not contain a DPID and may be prone to data entry errors.

5.43 In the analysis of address data, the ANAO identified 267 000 postal addresses, out of a possible 1 580 546 client records, that do not accord with Australia Post standards.¹²³ The ANAO also identified almost 70 000 residential address fields that contained invalid data. Many client records contained the same post office box in both the residential and contact address fields. Many of the data integrity issues relating to address data indicated errors were created during the data entry process.

5.44 The ANAO extracted and tested the residential address records of all income support clients *in payment*. Results showed that a post office box in the residential address record could contain a valid DPID. Out of a total of 212 535 records, the ANAO found 4117 client address records that were recorded as a post office box and contained a DPID.

5.45 During analysis of client addresses, it was noted that 459 *in payment* client records have an 'unknown' address recorded. Further analysis revealed that many of these clients did not have a valid postal address.

5.46 Incorrect addresses can impact on the effectiveness of data matching with external agencies. However, DVA advised matches with criteria (such as a client's date of birth, name and surname), can mitigate this situation. As with

¹²² Australia Post, *Barcoding – Frequently Asked Questions*, Australia Post, available from <<http://www.auspost.com.au/BCP/0,1467,CH3203%257EMO19,00.html>> [accessed 16 May 2008].

¹²³ For the current Australian standards see Australia Post, *Address Presentation Standards*, Australia Post, available from <http://www.auspost.com.au/GAC_File_Metafile/0,,2041%255Faddresspresentation,00.pdf> [accessed 2 May 2008].

other findings in this report, many of these data quality issues revolve around the effectiveness of DVA's data entry controls and compliance with DVA's policies and procedures.

DVA projects to detect and correct data errors

5.47 The modernisation of DVA's IT systems and the data integrity work conducted in relation to the former Australian Government Access Card project, provided an opportunity for DVA to focus on the integrity of its client data. Two major IT projects initiated by DVA to identify and correct inaccurate data were:

- Data Integrity Cleanup Exercise (DICE); and
- Data Integrity Problems Program (DIPs).

5.48 Much of the DICE and DIPs work revolves around repairing the data errors transferred from heritage systems into Cúram during the migration of client records, or errors that were newly created as a result of incompatibility issues between heritage and Cúram systems during the uploading of the data. The accuracy of the data has deteriorated since Cúram was introduced, with several data items being affected (such as relationships between client records).¹²⁴ For example, DVA estimates more than 6000 record relationships were unable to be transferred into Cúram and approximately 40–50 000 invalid date of birth records were transferred from heritage systems into the new environment.

Data Integrity Cleanup Exercise

5.49 Considerable work has been undertaken by DVA to identify data integrity issues over the past two years during work on the former Access Card project, which was designed to give Australian citizens a unique identifying number that could be used across all Government agencies. Accurate proof-of-identity data is a DVA policy requirement for income support. Proof-of-identity data is also important in data matching across agencies to reduce identity fraud and detect incorrect payments.

5.50 Many of the proof-of-identity related data integrity issues identified by the original DICE project are consistent with the ANAO's findings in this audit

¹²⁴ Department of Veterans' Affairs, Data Integrity Cleanup Exercise (DICE) Project Business Case version 0.3, 7 August 2008.

and findings of the previous ANAO audit in 2003–04. DICE focussed on the key areas of date of birth, relationships, and addresses. Data integrity issues identified by the department's DICE included:

- 28 630 clients with a dummy birth date bulk-loaded from previous data cleanup exercises;
- the recording of false birth dates, leading to a recommendation that the practice needs to stop; and
- the need to educate all staff about the importance of correct data for all cases.

5.51 The original DICE project was closed when the Access Card project was discontinued in November 2007. The project did not meet its objective as outlined in DVA's end of project report for DICE, because:

...lack of project management rigour meant that the project had less visibility to the Executive, no clear plan and hence, insufficient resources.¹²⁵

DICE Phase 2 (DICE 2)

5.52 A recent business proposal to resolve some of the DVA data integrity issues (titled DICE 2 and dated 8 May 2008) was agreed to by DVA's Resources Committee in June 2008.¹²⁶ While the committee agreed to the proposal, the business case has been referred to the Cúram Project Board (CPB) for consideration against other IT priorities. If the board endorses the proposal, it requires Information Committee approval to proceed.¹²⁷

5.53 The objectives of DICE 2 are to: complete the analysis started as part of the original DICE project; identify and implement mechanisms to correct the data errors that have been identified, with the immediate priority being to correct those affecting payment; establish mechanisms to minimise the recurrence of those data errors identified by DICE (either manual or

¹²⁵ Department of Veterans' Affairs, *End of Project Report for ADV11 Data Integrity Cleanup Exercise (DICE)*, undated and unsigned.

¹²⁶ This is the most current official DICE 2 submission provided by DVA to the ANAO. DVA provided a further draft business DICE 2 case proposal dated 11 July 2008 and an overview of data integrity issues in July 2008.

¹²⁷ On 12 March 2009, DVA advised that discussions of the business case have been ongoing, with more detail requested on the impact of the various actions being proposed. Finalisation of this updated proposal is nearly complete. In the interim investigation has commenced on individuals with suspect birth dates, and the manual investigation into and resolution of relationship issues continues. The department is also purchasing the IDEA software to improve our ability to monitor and report on data integrity issues.

automated); and implement appropriate monitoring and reporting mechanisms. This will include processes to ensure the continued alignment of Cúram and heritage data during the transitional period until there is no further reliance on heritage data; do all of the above within an appropriate timeframe given the increasing risks in this area; and achieve all of the above within a reasonable budget.¹²⁸

5.54 The priorities for DICE 2 in scoping the project were based on the cost-benefit relevant to future corporate gain. Priorities have been identified to ensure critical erroneous data is corrected in the first instance for clients *in payment*, as this is the department's priority. Table 5.2 below, outlines the scope and objectives of DICE 2.

Table 5.2

Scope and objectives of DICE 2

| DICE 2 project scope | Objective |
|--|---|
| Correcting dates of birth for clients <i>in payment</i> | The date of birth field is a primary key in all client matching. Other external agencies that data-match with DVA will also benefit from DVA data being more accurate. Age will play more of a role in Cúram applications where eligibilities are automatically examined. |
| Correcting relationships | Relationships that are held correctly in heritage systems have not all been correctly loaded into the Cúram databases. There are several restrictions in programming that prevent a relationship history being recorded or updated. |
| Any analysis of client data where a date of death is recorded and a surviving partner is <i>in payment</i> | Currently, DVA does not update details of deceased clients. However, where a person receives payments based on entitlement of a deceased client due to an incorrect or missing relationship, such cases will need to be fixed as a priority. |
| Any analysis of client data where a date of death is recorded and a surviving partner is not <i>in payment</i> | Currently DVA does not update details of deceased clients. However, where a client died recently, a payment may need to be made after investigation. Therefore, missing relationship details may need to be corrected to facilitate payment under future Cúram model. These mismatch relationships would remain a low priority unless they were put into payment. |
| Implementation of a facility to allow viewing of Cúram data | If Cúram data is to be the 'source of truth' facilities need to be provided to ensure ongoing data integrity into the future. |

Source: Department of Veterans' Affairs, *DICE 2, Business Case Funding Application*, 8 May 2008.

¹²⁸ Business Case Funding Application - 2008–09, Data Integrity & Cleanup Exercise (DICE) Phase 2, dated 8 May 2008 and agreed to by DVA's Resources Committee in June 2008.

5.55 A further draft business case proposal for DICE 2 dated 11 July 2008, highlights similar data integrity issues also identified by the ANAO. For example, the department identified 30 000 living clients recorded as over 100 years old, with 9500 recorded as over 110 years old in DVA's client databases. Of the 30 000, 205 born after 1900 were *in payment* and 3 born prior to 1900 were *in payment*. More than a year after Cúram was implemented, DVA's efforts to eliminate the practice of recording 'dummy' birth dates in client records is still evident.¹²⁹

5.56 DVA would benefit from expanding the scope of DICE 2 to include the cleanup of client residential and contact addresses, particularly those 459 cases identified by the ANAO as *in payment*, with address 'unknown'.¹³⁰ Client records with inaccurate residential addresses, such as post office boxes, were also not included in the project scope for DICE 2, submitted to DVA's Resources Committee in May 2008.

Data Integrity Problems Program

5.57 A Data Integrity Problem (DIP) is a manual or automated process which corrects inaccurate data. The process involves fixing the data via direct alteration of the data in the appropriate tables/database. The process can involve a series of steps from: identification of the issue; preventing reoccurrence through application modification; and where a programmable correction is possible, implementing a special program to correct large scale data problems; or specifying small scale data corrections which can be manually corrected. An audit trail of all changes is kept. Under the DIPs project, problems that are detected with the integrity of DVA's data in the department's production ObjectStar tables need to be clearly stated and submitted to the IT Applications team responsible for the maintenance of the application concerned.

5.58 Wherever possible, DVA is introducing system solutions to minimise the likelihood of ongoing data corruption and to support the automated

¹²⁹ DICE—Guidelines and recommendations, Recommendation 1: 'The recording of false dates of birth needs to stop. DVA no longer has stand alone systems and many relationships with external organisations now exist. No date of birth should be recorded without verification and probably contravenes some Government requirement if we do put in dodgy dates'.

¹³⁰ DVA had initially advised that DICE 2 would contain recommendations to investigate the ANAO's finding of the 459 cases *in payment* with addresses 'unknown'. However, this was not identified in the DICE 2 official proposal agreed to by DVA's Resources Committee in June 2008, as provided to the ANAO in July 2008.

correction of corrupt data. Refinements to Cúram have already been made by the department to enable the department's IT technicians to correct record relationship errors, without having to resort to DIPs.

Detection and management of multiple records

5.59 DVA has a number of mechanisms for identifying multiple client records such as:

- ad hoc reports, that identify duplicate clients *in payment*, are obtained by State office personnel, using the Ad Hoc Inquiry System 2000;
- automatically generated monthly reconciliation reports, comparing ObjectStar and Information Management System (IMS) card data, providing details of duplicated treatment eligibilities; and
- the daily data match with external agencies, in particular, the Centrelink concessions match and Utilities Allowance calculator, which are scrutinised to identify duplicate records.

5.60 Multiple records identified by DVA are either corrected immediately or referred to the responsible section in the Business Modernisation and Integration Branch (BM&I) for resolution, depending on the complexity of the duplication.

5.61 More complicated duplications require access to the department's system software and data to fix the problems. DVA advised that this requires a protected security clearance and there are procedures in place to check the data before and after the work is completed. Accessing system software and data presents a high level of risk to DVA, as unauthorised changes would be difficult to detect.¹³¹

5.62 Significant work has been undertaken by DVA during the past few years and there has been a decrease in the rate of multiple UINs created since Cúram was implemented. Since 2003–04, DVA has completed 570 merge-type DIPs action to eliminate multiple UINs. Currently there are 66 records awaiting some form of (mostly merge) DIP action. However, the net increase in

¹³¹ On 12 March 2009, DVA advised that 'Audit trails are in place for those changes sought by the business, with the request and all associated documentation being incorporated within a Service Request and the final changes checked and accepted by a business representative. Privileged user access to database systems and software is a known and acknowledged risk. The department has a number of controls in place to ensure that this risk is managed including security clearances, audit logs, separation of duties and reviews of the data by responsible business areas following changes. DVA did not provide documented evidence of the process'.

multiple UINs suggests that while DIP action has eliminated some multiple records, the project is unable to meet the increase.

5.63 As well as multiple records, duplicate client records are also being created in the new Cúram system. DICE documentation confirms that duplicate clients are being created in Cúram and are distinguished from multiple UINs created in heritage systems, by not having a UIN attached.¹³²

Data integrity of active records

5.64 During the audit, DVA decided to adhere to a standard that when a client record is activated, any invalid or 'dummy' data associated with that record will be corrected before payment is made. The ANAO considers that, unless otherwise approved, this requirement should be extended so that all invalid key data or missing information in active records of clients receiving any income support benefit (including health cards), is corrected whenever the opportunity arises. For example, confirming information during interaction with clients or correcting data during assurance or other records management activities.

5.65 The Veterans' Service Centres oneVoice telephone service is well-positioned to identify incorrect data in client records at the point of contact with the client. Staff could check the accuracy of information held in key fields in DVA's systems by confirming the client's details and requesting documented evidence, if information is found to be incorrect. It is important that DVA officers request confirmation of a client's details from official documents, rather than correcting invalid or missing data based on a conversation.¹³³ This is consistent with DVA's policy requirements for proving income support eligibility.

5.66 The department's Data Integrity Sub-Committee (DISC) is tasked with creating a departmental-wide system that assigns ownership for data management and data integrity issues and for enhancing the data held in DVA's client databases. Once established, this system should allow the department to develop and monitor an agency-wide strategy to prioritise and address DVA's data integrity issues. The approach would benefit from assigning tasks to relevant business areas for completion within specified timeframes. Priorities could be based on a stratification of the risks such as

¹³² Department of Veterans' Affairs, DICE—Guidelines and Recommendations.

¹³³ DVA advice to the ANAO and follow-up discussion, 15–25 August 2008.

assigning a higher priority to the correction of active records *in payment* to ensure pension amounts are correct.

5.67 During the audit, DVA committed to undertake technical work to establish approximately 6500 missing relationship links between records in Cúram, as 2500 of these are *in payment*. Once this work is completed, the ANAO suggests that the department consider the benefits of identifying and archiving or relocating the inactive redundant records outside the production environment. DVA's investment in this strategy will substantially improve the currency and integrity of its data in the production environment.

Recommendation No.3

5.68 To enhance the quality and integrity of income support records, the ANAO recommends that the Department of Veterans' Affairs:

- strengthens its data entry system and procedural controls by implementing a standard set of national procedures for income support client records management;
- validates customer data when interacting with clients and during income support assurance activities; and
- updates incorrect data in all key fields of active electronic client records prior to granting a payment or benefit.

DVA response: *Agreed*

Departmental response

5.69 The department will review procedures and any changes identified will be implemented. Further, the department will reinforce the need to validate client data when interacting with clients or during our quality assurance processes and the department will update key data fields where relevant.

6. Integrity of Feedback Data

This chapter examines the integrity of DVA's feedback data including the department's policy, procedures and systems to manage stakeholder feedback data.

Introduction

6.1 The capture, recording and analysis of client feedback is an important element of any Government department's effective client management and continued business improvements. This includes seeking and valuing the views of stakeholders by recording and using their feedback to identify areas for business and service delivery improvements. It also provides information about decision making and data integrity issues that have a direct impact on clients and service delivery.

6.2 A service charter is a strong performance measurement and accountability tool through its focus on customer service outcomes. Agencies report against the commitments in their service charters each year in the agency's annual report.¹³⁴ DVA has a service charter that contains a number of major service standards and commitments that are linked to the performance framework in DVA's Corporate Plan 2006–09,¹³⁵ one of which commits to valuing client feedback in order to monitor and improve service delivery.¹³⁶

6.3 The ANAO examined the department's:

- management of stakeholder feedback; and
- feedback management system and complaint reporting.

Management of stakeholder feedback

6.4 According to the *Client Service Charter Principles* (the Principles) June 2000, a service charter 'must contain information on the feedback and

¹³⁴ Australian Public Service Commission, *Foundations of Governance in the Australian Public Service*, 2005, available from <<http://www.apsc.gov.au/foundations/index.html>> [accessed 4 September 2008].

¹³⁵ Department of Veterans' Affairs, *Department of Veterans' Affairs' Corporate Plan 2006–09*, available from <http://www.dva.gov.au/media/publicat/corp_plan/06/index.htm> [accessed 11 January 2008].

¹³⁶ Department of Veterans' Affairs, *DVA Service Charter*, 1998, available from <http://www.dva.gov.au/media/publicat/2006/service_charter/index.htm> [accessed 25 April 2008].

complaints processes'.¹³⁷ These Principles state that each Government department must have an avenue for client feedback and a mechanism for complaints handling.¹³⁸ DVA's service charter invites and values customer feedback, and informs clients of the processes involved in submitting a complaint to DVA.¹³⁹

6.5 DVA receives client feedback, including complaints and compliments, through various means including correspondence and telephone. The department receives approximately four million calls per year, which accounts for over 70 per cent of contact by DVA clients.¹⁴⁰ The department's document *Procedural Policy-Handling Feedback from the Veteran Community* essentially sets out DVA's national procedures for feedback management practices. The policy states that DVA's Feedback Management System (FMS) is used for recording and analysing feedback and was developed to monitor the department's performance against its service charter. The policy further articulates that 'all staff in DVA will be responsible for dealing with and recording feedback and resolving complaints'.¹⁴¹

Feedback management practices

6.6 During fieldwork, the ANAO observed there was a noticeably low level of awareness among departmental staff of DVA's FMS and the national feedback policy procedures. DVA advised that the procedural policy for handling feedback is not widely used by DVA staff but all complaints should be entered into FMS, including those recorded in the Deputy Commissioners' files in each State.

6.7 DVA also receives feedback through the Veterans Service Centre (VSC), in the States of Victoria, South Australia, Western Australia and the Northern Territory. DVA advised that no reporting facility is yet available on the categories of calls received by the VSC. Anecdotally, about 80 per cent of calls

¹³⁷ Australian Public Service Commission, *Client Service Charter Principles*, June 2000, available from <www.apsc.gov.au/charters/principles.pdf> [accessed 29 July 2008] p. 12.

¹³⁸ *ibid.*

¹³⁹ Department of Veterans' Affairs, *DVA Service Charter*, available from <http://www.dva.gov.au/media/publicat/2006/service_charter/index.htm> 1998 [accessed 25 April 2008].

¹⁴⁰ Department of Veterans' Affairs, *Veterans' Service Centre (VSC) Phase 1 Review*, 1 May 2008, p. 8.

¹⁴¹ Department of Veterans' Affairs, *Procedural Policy – Handling Feedback from the Veteran Community*, 2004, pp. 3 & 5–6.

received by the VSC relate to income support. As at 9 May 2008, the VSC had received 400 000 calls during its first 50 weeks of operation. Within this period, two weeks of calls were not recorded therefore, based on DVA's anecdotal advice, more than 320 000 calls were likely to be income support-related.

6.8 Unfortunately, DVA does not have a record of the number and type of complaints and compliments received by the VSC. DVA advised that the process for managing complaints in the VSC involves escalation to the Team Leader or back to the relevant business area, depending on the issue.¹⁴² The extent and type of queries received by the VSC is a potential source of management information that DVA does not appear to be fully capturing or monitoring.

6.9 The ANAO considers the information captured by the centres could be more effectively utilised to improve the accuracy of complaint and compliment statistics and for continuous improvement purposes in terms of business practices and communication materials.

6.10 The department acknowledges that there is national inconsistency and a lack of awareness of the current feedback handling policy, and that compliance by staff with the policy requires improvement. Furthermore, the department has advised that until a new system is implemented, data from the current system will continue to be inaccurate.

Feedback Management System and reporting

6.11 DVA staff are required to comply with the requirements of the department's Feedback Management System and supporting procedural policy. This is consistent with the guiding principals in the Australian Standard *Complaints Handling* (AS4269-1995).

6.12 Complaints and compliments recorded in the department's FMS are obtained from a range of sources, including ministerial correspondence. The ANAO analysed the FMS and found 14 income support complaints had been recorded in 2005-06 and 26 income support complaints had been recorded in 2006-07. These figures represent approximately seven per cent of the total number of complaints that were recorded by DVA in those years.

¹⁴² The department advised that it is considering updating its Client Contact Facility (CCF) database to record complaints and compliments. CCF is used by VSC staff to record changes to clients' circumstances when they call. CCF then automatically generates an advice to the relevant business area for information or action. CCF is not yet rolled out in all States.

Public reporting of complaints data

6.13 In DVA’s *Annual Report 2006–07*, the department reports a high level of overall satisfaction with its services by the veteran community. DVA also reports that 372 complaints were recorded in 2006–07, compared to 198 in the previous financial year. Table 6.1 provides a breakdown of the satisfaction levels of complainants in regard to the handling of their complaint by DVA, as reported in the department’s annual reports across six financial years. The table shows that, in 2006–07, 51 per cent of clients were satisfied with DVA’s handling of their complaint. This is the lowest recorded satisfaction level over the six financial years and is down from 73 per cent in the previous financial year.

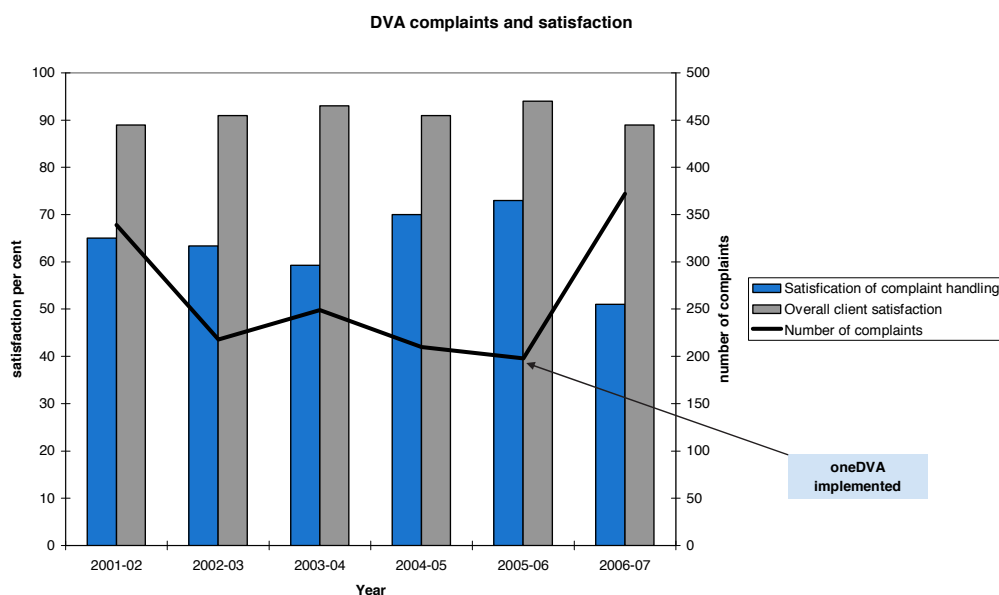
Table 6.1

Satisfaction level of complainants reported by DVA in Annual Reports

| DVA Annual Reports | Number of complaints | Percent satisfied with DVA’s handling of complaint |
|--------------------|----------------------|--|
| 2001–02 | 339 | 65% satisfied |
| 2002–03 | 218 | 63% satisfied |
| 2003–04 | 249 | 59% satisfied |
| 2004–05 | 210 | 70% satisfied |
| 2005–06 | 198 | 73% satisfied |
| 2006–07 | 372 | 51% satisfied |

Source: DVA annual reports, 2001–02 to 2006–07.

6.14 Figure 6.1 presents these results to illustrate a comparison over the six-year period. DVA clients have reported a consistent level of satisfaction with the department’s services over a number of years. While overall client satisfaction has remained steady, the number of complaints has increased. For example, reported complaint numbers almost doubled in 2006–07, while complainants’ satisfaction with how DVA handled their complaint dropped significantly. This result could be due to a number of factors. The absence of rigorous analysis by the department makes it difficult to determine why shifts occur and to identify the major contributing issues that influence changes.

Figure 6.1**Satisfaction levels of complainants and overall client satisfaction**

Source: DVA annual reports from 2001–02 to 2006–07.

6.15 DVA acknowledges that client satisfaction levels with complaints handling is an unreliable indicator due to data recording issues. Staff members can only record that the client is satisfied if they are advised by the client. The department also counts issues in ministerials as complaints if recorded as such in its FMS. In these circumstances; the satisfaction of the complainant with the process is not recorded in FMS. Overall, this situation is difficult to manage and may affect the reliability, integrity and quality of the data and information that DVA obtains through complaints, including the measurement of client satisfaction with the process and resolution. This position inhibits the opportunities available to the department to fully utilise feedback information for monitoring and improving its service delivery.

Annual Report complaints data

6.16 DVA undertakes a number of steps to produce the complaint numbers recorded in its annual reports. During the last quarter of a financial year, a review of ministerial correspondence is conducted to identify issues that would be considered complaints. Ministerials which have not previously been entered are then recorded in FMS, if the issues can be identified in the title. An FMS report is then run for inclusion in the annual report.

6.17 In 2005–06 the department’s annual report recorded 198 complaints, with complaints doubling to 372 in 2006–07. The ANAO requested DVA reproduce the department’s FMS reports for both financial years and the complaint numbers provided were 200 and 326 respectively. These results are provided in Table 6.2.

Table 6.2

Reproduction of annual report complaints data

| Financial Year | FMS report 1 | FMS report 2 (as at 6 August 2008) | Annual report numbers |
|----------------|----------------|------------------------------------|-----------------------|
| 2005–06 | 198 complaints | 200 complaints | 198 complaints |
| 2006–07 | 320 complaints | 326 complaints | 372 complaints |

Source: DVA data and annual reports for 2005–06 and 2006–07.

6.18 DVA advised that often complaint numbers extracted in retrospect increase slightly, as complaints are recorded after the cut-off date for submission to the annual report. The 2005–06 complaint numbers illustrate the outcome when DVA applies business logic to the raw data, to turn it into meaningful and reliable information. DVA explained that the anomaly in the 2006–07 complaint figures was due to a large number of complaints (52 in total from one individual) that were not recorded in FMS but were reflected in the annual report figure.

6.19 DVA confirmed that most departmental staff are not aware of the department’s national complaint handling procedural policy and generally do not record complaints in FMS.¹⁴³ These circumstances, and the fact that the Deputy Commissioners offices record complaints they receive separately, suggests that the number of complaints reported in DVA’s annual report is potentially only a portion of all received complaints. DVA acknowledges the inaccuracies of its complaints data and advised that complaint numbers would be closer to 2000 or 3000 per year if the department’s feedback handling system was reliable.¹⁴⁴ This is a significant issue and has implications for DVA in terms of its service delivery performance assessment and improvement strategy.

6.20 The department’s feedback management system and supporting procedural policy also requires departmental staff to record compliments.

¹⁴³ DVA advice to the ANAO, 1 April 2008.

¹⁴⁴ Department of veterans’ Affairs, ANAO meeting with DVA, 4 August 2008.

Similar to the process for recording complaints, compliments recorded in the department's FMS are obtained from a range of sources, including ministerial correspondence. In DVA's *Annual Report 2006–07*, the number of compliments reported was 227, which is almost half the 440 reported in the previous year.

6.21 DVA is aware of the weaknesses in its feedback management practices and procedures policy and commissioned an independent review of its complaints handling system and policy in 2007. The review led to a number of recommendations, including the need for a new framework for complaint handling. A framework that focuses on ensuring that complaints are welcomed, recorded and dealt with effectively and efficiently which would in-turn be used to improve services. The review also recommended the need for an improved data capture system containing a robust analysis and reporting capacity.

6.22 DVA informed the ANAO that the implementation of a new complaints system is subject 'to consideration of a business case' and a number of additional issues including resource availability and DVA's IT governance processes. DVA has not yet developed a timeline for when the new system will be implemented. The department will continue to use FMS in the meantime and, until then, DVA advised that the complaints data that is recorded and reported will continue to be inaccurate.¹⁴⁵

6.23 In the interim, it would be prudent for DVA to engage departmental staff in raising awareness of the need for all client feedback to be recorded in the existing FMS and to ensure compliance with the *Procedural Policy-Handling Feedback from the Veteran Community*. In doing so, DVA should focus on awareness raising and highlighting the value the department places on client feedback and the intelligence gathered from complaints in particular—as a driver of improvements to business and quality of services. This would enable more accurate reporting and accountability until funding is allocated for a new feedback management system.

¹⁴⁵ DVA advice to the ANAO, 1 April 2008.

Recommendation No.4

6.24 The ANAO recommends that the Department of Veterans' Affairs implements interim measures to enhance the quality of its feedback data while designing the new feedback system to manage stakeholder feedback by:

- improving compliance by staff with the department's current procedural policy; and
- raising staff awareness of the need for all complaints and compliments data to be recorded in the department's existing Feedback Management System.

DVA response: *Agreed*

Departmental response

6.25 The department will develop and deliver a communication strategy aimed at improving staff awareness and compliance with the department's complaint handling processes.

6.26 Existing procedural documentation will be updated and the Client Contact Facility (CCF) will be improved to streamline complaint and compliment data capture.

6.27 Modification of the current Feedback Management System (FMS) is being progressed. The proposed modifications will reflect the department's structure and business processes together with improved reporting functionality to provide more useful and relevant management information and allow better analysis for business improvement.



Ian McPhee

Auditor-General

Canberra ACT

22 April 2009

Appendix

Appendix 1: Department of Veterans' Affairs formal response to the proposed report

The Department of Veterans' Affairs (DVA) agrees with the recommendations of the ANAO report. The ANAO report highlights the significant organisational changes occurring within DVA, both in terms of Information Technology and Communications, and internal structures to effectively manage the declining population of veterans and their dependants. The department acknowledges the requirement to continue to address data integrity issues and to ensure staff understand the importance of accurate data entry. The department has commissioned several reviews to ensure the current controls and governance arrangements are effectively supporting the department's operations and enabling quality decision making.

Recommendation No. 1

To improve the governance of income support data, the ANAO recommends that the Department of Veterans' Affairs:

- clarifies the authority and role of its Data Integrity Sub-Committee responsible for resolving issues related to data ownership and enchainning the integrity of data held in the department's databases; and
- develops an agency-wide strategy, assigning ownership for data management and integrity issues to business areas.

Departmental response: *Agreed*

The department is currently undertaking a number of steps to strengthen the governance arrangements in place. Firstly, the Lindenmayer Review of DVA's current organisational structure (oneDVA) has also considered the department's internal governance arrangements and internal committee structure. As a consequence, the department will be developing a formal Corporate Governance Charter to examine clarity of roles of both principal and subordinate committees and their reporting arrangements.

In addition, the department is in the process of engaging a consultant to conduct a review of DVA's current and future information and communication technology (ICT) requirements. This review will consider issues surrounding data ownership and data integrity, as well as clarify the relationship between the Data Integrity Sub-Committee (DISC), the Information Committee and Information Management Unit (IMU).

Within the department's current ICT controls framework there is a requirement that each system database has a nominated System Owner. The list of System Owners is published and maintained on the intranet and the department is considering the linkages between system and database ownership. The department will review the relevant Procedures and Technical Instructions in its Quality Management System and associated documentation and update the data integrity components to better integrate with the System owner/Data ownership arrangements.

Recommendation No. 2

The ANAO recommends that the Department of Veterans' Affairs:

- documents a controls framework for income support and systems based business rules; and
- evaluates its current IT controls and assurance activities to determine which elements are most efficient and effective in improving data integrity.

Departmental response: *Agreed*

The department will review and document the existing controls framework for income support and system based business rules.

The current ICT controls include QMS Procedures and Technical Instructions, as well as methodologies and standards for systems, release & change management controls. These controls are regularly reviewed and updated to comply with the department's ICT system ISO 9001 certification.

The department will review the relevant Procedures and Technical Instructions in its Quality Management System and associated documentation and update them accordingly with a focus on data integrity.

Recommendation No. 3

To enhance the quality and integrity of income support records, the ANAO recommends that the Department of Veterans' Affairs:

- strengthens its data entry system and procedural controls by implementing a standard set of national procedures for income support client records management;
- validates customer data when interacting with clients and during income support assurance activities; and

- updates incorrect data in all key fields of active electronic client records prior to granting a payment or benefit.

Departmental response: *Agreed*

The department will review procedures and any changes identified will be implemented. Further, the department will reinforce the need to validate client data when interacting with clients or during our quality assurance processes and the department will update key data fields where relevant.

Recommendation No. 4

The ANAO recommends that the Department of Veterans' Affairs implements interim measures to enhance the quality of its feedback data while designing the new feedback system to manage stakeholder feedback by:

- improving compliance by staff with the department's current procedural policy; and
- raising staff awareness of the need for all complaints and compliments data to be recorded in the department's existing Feedback Management System.

Departmental response: *Agreed*

The department will develop and deliver a communication strategy aimed at improving staff awareness and compliance with the department's complaint handling processes.

Existing procedural documentation will be updated and the Client Contact Facility (CCF) will be improved to streamline complaint and compliment data capture.

Modification of the current Feedback Management System (FMS) is being progressed. The proposed modifications will reflect the department's structure and business processes together with improved reporting functionality to provide more useful and relevant management information and allow better analysis for business improvement.

Glossary

| | |
|------------------------------------|---|
| 'Active' and 'inactive' records | 'Active' records refer to clients receiving any type of DVA benefit (payment, card or allowance). 'Inactive' records refer to clients receiving no form of benefit, including eligible and ineligible clients. |
| Ad Hoc Inquiry System 2000 – (AIS) | AIS is a tool used by various business areas within DVA to generate statistics for inclusion in a range of publications and performance reports. It is also the tool ANAO used to extract various DVA data sets for detailed analysis during this audit. |
| aDVance | DVA's application modernisation initiative is known as aDVance. To reduce the number of abbreviations used in this report, all references to the new system are to Cúram, rather than aDVance. |
| Batch runs | Department Initiated Action (DIA) is a re-assessment action undertaken by DVA. Clients whose assets and income fall into a specific category will be subject to 'batch' runs of reviews. |
| Centrelink | Centrelink is an Australian Government agency that delivers a range of services to the Australian public, most particularly for the Department of Education, Employment and Workplace Relations and the Department of Families, Housing, Community Services and Indigenous Affairs. |
| Client file number | DVA organises client information within a State-based file number system. State-based file numbers incorporate a State identification code, so a new file number is generally issued whenever a client moves interstate. |
| Cúram | Cúram is an off-the-shelf, service delivery information technology applications framework. Cúram was introduced by DVA in 2005–06 to consolidate and integrate the department's service delivery applications to meet future business needs. |

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| Data cleansing | Data cleansing refers to the act of deleting, removing and/or correcting a database's invalid data. The goal of data cleansing is also to bring consistency to different sets of data that have been merged from separate databases. |
| Data integrity | In this audit, the term 'data integrity' is used to refer to the consistency, reliability and accuracy of information across client records, particularly electronic records. |
| Department of Veterans' Affairs | The Department of Veterans' Affairs (DVA) is part of the Defence portfolio and is responsible for implementing and administering Government policy and programs specific to veterans and war widows, serving and former members of the Australian Defence Force and some members of the Australian Federal Police. ¹⁴⁶ |
| Data Integrity Cleanup Exercise (DICE) | DICE was initiated as part of the former Access Card project to address data errors and was closed following the demise of that project. A new, formal business case, known as DICE Phase 2, was proposed by DVA in May 2008. This audit refers to the initial data cleanup project as DICE and the subsequent business case proposal as DICE 2. |
| DocTracker | DocTracker was implemented as part of Cúram phase one and enables better management of military personnel information that DVA and the Department of Defence exchange. |
| Dummy data | Dummy data refers to a variable that does not contain any useful data. Where the system requires a data field to be completed and the data is unknown, dummy data can be used as a workaround. |
| Duplicate records | A duplicate record refers to a single client having two or more records created in DVA's new Cúram system. |

¹⁴⁶ Department of Veterans' Affairs, *Department of Veterans' Affairs Annual Report 2006–07*, p. 10.

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| Ex-service organisations (ESO) | ESOs exist to help veterans, their dependants and descendants in matters ranging from social activities through to health, welfare, pension services as well as advocacy. DVA maintains a policy of partnership with ESOs. This close liaison with the veteran community enables a direct line of communication between DVA and the veteran community. |
| Generic Update Interface for DVA Entitlement (GUIDE) | The GUIDE application is used by claims officers to record qualifying service and other eligibility requirements. |
| Heritage | A heritage application, more commonly known as a legacy application, is an old but still functioning application. An important feature of new software products is the ability to work with heritage/legacy applications, or at least be able to import data from them. |
| Income Support beneficiary population | The income support beneficiary population in this report includes those receiving various types of service pension, income support supplement and the social security age pension and/or other related allowances/benefits. |
| Income Support clients <i>in payment</i> | Income support clients <i>in payment</i> refers to any DVA client receiving a pension payment at the time of data extraction. The audit extracted DVA's 1 580 546 total client records, of which 264 248 were <i>in payment</i> at the time of data extraction. |
| <i>in payment</i> | The term <i>in payment</i> is used by DVA to refer to clients whose records indicate they are receiving a pension payment. |
| Multiple records | Multiple records refer to a single client having two or more records in ObjectStar, under two or more different Unique Identification Numbers. |

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|------------------------------|---|
| ObjectStar | The ObjectStar environment resides on DVA's mainframe computer and holds client data and other information. DVA uses ObjectStar to access other Database Management Systems. |
| <i>oneDVA</i> | The <i>oneDVA</i> structure has reorganised the department's business areas along functional lines, enabling DVA to re-scale operations for different functions as workloads in particular areas reduce. The removal of national and State boundaries is an important feature of <i>oneDVA</i> , creating national lines of business with departmental managers and their staff operating within a geographically dispersed team environment. |
| Primary key | The primary key of a relational table uniquely identifies each record in the table. DVA considers the Unique Identification Number (UIN) to be the key that uniquely identifies clients. |
| Unique Identification Number | DVA allocates a Unique Identification Number (UIN) to each client so that individuals are clearly distinguishable. A client should, therefore, only have one UIN. |
| Veteran | A veteran is a person (or a deceased person) who is taken to have rendered eligible war service, defined as qualifying service in Section 7 of the <i>Veterans' Entitlements Act 1986</i> . This includes a person who is a Commonwealth veteran; or an allied veteran or mariner. |
| VIEW | The Veterans Information Enquiry Window (VIEW) is a front-end application that displays personal and other information related to DVA clients that is sourced from heritage and new DVA databases. |

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