

The Auditor-General
Audit Report No.6 2002-03
Performance Audit

Fraud Control Arrangements in the Department of Veterans' Affairs

Australian National Audit Office

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Canberra ACT
29 August 2002

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Veterans' Affairs in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Fraud Control Arrangements in the Department of Veterans' Affairs*.

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

Yours sincerely



P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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

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Abbreviations/Glossary

ADF	Australian Defence Force
AFP	Australian Federal Police
AGD	Attorney General's Department
ANAO	Australian National Audit Office
APS	Australian Public Service
CAU	Contract Advisory Unit
CEI	Chief Executive Instruction
CEO	Chief Executive Officer
CLEB	Commonwealth Law Enforcement Board
COMSUPER	Commonwealth Superannuation Administration
DPP	Commonwealth Director of Public Prosecutions
DVA	Department of Veterans' Affairs
FMA Act	<i>Financial Management and Accountability Act 1997</i>
Health	Department of Health and Ageing
HIC	Health Insurance Commission
HR	Human Resources
ISO	International Organization for Standardisation
LMOs	Local Medical Officers
MOU	Memorandum of Understanding
NAFCOM	National Audit and Fraud Committee
NFCU	National Fraud Control Unit
NO	National Office
PPR	Post Payment Review
PS Act	<i>Public Service Act 1999</i>
QA	Quality Assurance
QAR	Quality Assurance Review
SAFCOM	State Audit and Fraud Committee
SAFER	State Audit, Fraud and Ethics and Review Committee
SCMC	State Case Management Committee

SRCA	<i>Safety, Rehabilitation and Compensation Act 1988</i>
SRS	Strategic Review Services
the Regulations	<i>Veterans' Entitlements Regulations 1986</i>
TIP	Training and Information Program
VAN	Veterans' Affairs Network
VEA	<i>Veterans' Entitlements Act 1986</i>

Summary and Recommendations

Summary

Introduction

1. The Australian Public Service (APS) has a broad customer base and significant levels of expenditure, making the prevention and management of fraud an important issue for sound public administration. The Federal Government demonstrated its ongoing commitment to the protection of its revenue, expenditure and property from fraudulent activity through the release of its first Fraud Control Policy in 1987. This Policy was updated in 1994 and new guidelines were issued in May 2002.
2. Fraud is broadly defined as 'dishonestly obtaining a benefit by deception or other means and includes both tangible and intangible benefits.'¹
3. The importance of agencies establishing effective fraud control arrangements has been recognised in legislative provisions in the *Financial Management and Accountability Act 1997* (FMA Act). Under Section 45 of the FMA Act, Chief Executive Officers (CEOs) are responsible for the implementation of a fraud control plan (FCP) and for reporting to the Portfolio Minister on fraud control within their agencies.
4. This audit of fraud control arrangements in the Department of Veterans' Affairs (DVA) is one of a series of audits, including a survey of fraud control arrangements in the APS,² undertaken by the Australian National Audit Office (ANAO). A list of these audits is at Appendix 1. On completion of the series, the ANAO is to develop a Better Practice Guide on Fraud Control, currently scheduled for 2003.
5. In its Report No.385³, the Joint Committee of Public Accounts and Audit (JCPAA) highlighted the benefits of agencies developing sub-categories of fraud to provide a better understanding of the nature and significance of various types of fraudulent activity. For instance, inappropriate use of information, travel fraud, and identity fraud. This issue will be more fully considered by the ANAO when it develops its Better Practice Guide. The JCPAA requested the ANAO develop sub-categories of fraud, for the purposes of fraud reporting, when preparing the Better Practice Guide on Fraud Control.

¹ *Commonwealth Fraud Control Guidelines*, May 2002.

² Auditor General's Report No.47, *Survey of Fraud Control in the APS Agencies*, ANAO, 20 June 2000.

³ *Review of Auditor General's Reports, 2000–2001, Second and Third Quarters*, August 2001, Canberra.

6. The DVA budget appropriation in 2001–2002 was approximately \$8.6 billion. Almost 99 per cent of the department's total expenditure occurs on disability and income support payments made directly to members of the veteran community and payments to third parties such as hospitals, medical professionals and allied health providers.

7. DVA has approximately 2450 staff and 510 100 'customers'. The department has a National Office (NO) in Canberra and State Offices in each capital city. Offices are also located in some larger and remote regional centres. In some areas, DVA is represented by other agencies, such as Centrelink, under contract arrangements.

8. The department is dealing with an ageing customer base, with more than two thirds of this base being over 75 years of age. This influences the department's customer support philosophy and the approach that is taken in dealing with issues that may contain an element of fraud.

Audit objective, scope and criteria

9. The objective of the audit was to assess whether DVA has implemented appropriate fraud control arrangements in line with the *Fraud Control Policy of the Commonwealth* (the Policy) and whether these arrangements operate effectively in practice.⁴

10. The ANAO reviewed arrangements for the development of the department's fraud policy, fraud risk assessment and FCP within the core functional areas of the department that are responsible for these activities. Fraud awareness-raising and training activities for DVA staff, service providers and customers were examined. As well, the performance of fraud control activities, including the monitoring, reporting and investigation of fraud, were assessed. The audit also examined the operational procedures and guidelines that were in place for reporting and investigating allegations of fraud, including the controls and processes that are used to effect administrative recoveries.

11. The audit criteria were based on the Policy, ANAO criteria applied in earlier fraud control audits, the Australian/New Zealand Standard (AS/NZS) 4360:1999 on risk management, and general better practice that has been identified during other audits of fraud control arrangements.

⁴ The audit criteria were based on the provisions of the 1994 policy. Where appropriate account was taken of the consultation drafts issued subsequent to the 1994 Policy. In May 2002, new guidelines were issued. The department's framework and operations were not assessed against these.

Methodology

12. The audit fieldwork was undertaken between December 2001 and April 2002. Interviews with key staff and reviews of documents and files were undertaken at the DVA National Office (NO) in Canberra and State Offices in Melbourne, Sydney and Brisbane. Compliance issues were assessed against guidelines established for the reporting and conduct of fraud and related investigations, the requirements established by DVA in the department's FCP and its associated action plans, the provisions of key Chief Executive Instructions and, where relevant, recommendations made in internal audit reports.

13. As part of the audit, the ANAO also conducted a small survey designed to determine awareness of the department's FCP and code of conduct to determine whether they influenced staff in their day-to-day activities. While the survey was not designed to provide statistically significant results, its findings are indicative of staff awareness of fraud control issues and the effectiveness of the department's induction training. The survey results were confirmed by discussions at each of the sites visited during the audit fieldwork. The results of the survey are detailed at Appendix 2.

Overall audit conclusion

14. The ANAO concluded that, overall, DVA had developed an appropriate fraud control policy that is supported by a FCP, fraud risk assessments and operational procedures that are consistent with the requirements of the *Fraud Control Policy of the Commonwealth* (the Policy).

15. DVA communicates widely the standards of conduct expected of its officers and its commitment to promoting an ethical workplace culture in the department. However, the devolved structure of the department means that State Offices have considerable autonomy in decision-making related to their responsibilities, including staff management practices. The ANAO considers that the need exists for a more consistent approach across the department to ensure the inclusion of fraud and code of conduct matters in induction training and for a review of the effectiveness of on-going fraud awareness-raising activities.

16. The department is taking action to enhance the knowledge of its officers in contract management skills. A number of activities are also conducted with 'customers' and external service providers to improve their awareness of their obligations and ethical responsibilities when dealing with the department.

17. DVA systematically monitors progress in implementing its fraud control strategies and relevant recommendations of internal audit reports. The department's internal audit program addresses the high-risk areas identified in

the Policy and the DVA FCP. However, a specific performance assessment framework that included appropriate performance indicators had not been developed. Suitable performance indicators that include information derived from the results of key controls put in place to mitigate identified risks, would allow the department to assess its performance in managing fraud on an ongoing basis. For example, an assessment could be made of any reduction in the number of identified cases of over-servicing by providers and instances of duplicate billing.

18. Sound operational procedures exist for the conduct of fraud investigations, the referral of cases for prosecution, and the administrative recovery of losses. However, the Fraud Control Management Information System is not performing as expected. Some investigators in the State Offices visited were not trained to the prescribed competency level. As well, the procedures are not applied uniformly across the department, particularly in the Health Services' area.

Key Findings

Governance and Management Arrangements (Chapter 2)

19. The ANAO found that the department's fraud control framework had been developed in line with the *Fraud Control Policy of the Commonwealth*. The DVA FCP:

- addresses the key fraud risks faced by the department; and
- contains strategies that address the risks identified in the fraud risk assessment that underpins it.

20. Appropriate links exist between the FCP, the Corporate Plan, State Office Business Plans and functional area business/ action plans within State Offices.

21. Appropriate arrangements exist for staff access to the FCP. However, staff knowledge, understanding and use of the FCP would be enhanced if it more clearly identified and related requirements to the particular characteristics of work areas, the key actions needed to achieve those requirements and staff responsibilities.

Promoting an Ethical Culture (Chapter 3)

22. DVA is committed to enhancing the standard of conduct of its officers and developing an ethical workplace culture. In order to do this, DVA has:

- made the department's overall fraud policy and FCP available to staff on its Intranet information system;
- implemented appropriate arrangements to manage conflict of interest issues;
- conducted some induction training that includes information on APS values and ethical conduct for all new staff; and
- conducted some continuing training that is directed to fraud awareness-raising.

23. However, the results of the ANAO survey of staff knowledge suggest that the department could do more to raise staff awareness of their responsibilities in relation to the fraud control policy, the FCP and the code of conduct and ethics. The survey results reinforce the need for the department to review its induction and fraud awareness training, including the on-going evaluation and validation of the training that is occurring.

24. DVA delivers many of its services through contracts with third party service providers and is examining the scope for the further outsourcing of support functions. While considerable guidance has been provided to staff on contract management processes and procedures, the department should continue to emphasise and monitor the application of the advice that has been provided.

25. DVA uses a wide range of measures to raise fraud awareness in its 'customers' and service providers. Feedback on the measures used to keep 'customers' advised of departmental requirements indicates that they are effective.

Performance Information, Monitoring and Reporting (Chapter 4)

26. DVA has an appropriate system for submitting reports on fraud related matters to the DVA executive and fulfilling its external reporting obligations. However, it does not have specific performance indicators or targets to assist it in monitoring the progress of its fraud control activities.

27. Sound arrangements exist for monitoring and feedback of progress in implementing fraud control strategies and for following-up recommendations made in internal reports. However, fraud related reports considered by the department's National Audit and Fraud Committee do not indicate whether the strategies are being implemented and are working well in practice. Providing this information would allow the Secretary to be informed of the full extent of fraud and potential fraud against the department.

28. Internal and external reporting obligations in relation to reports to the Portfolio Minister, Parliament and Attorney-General's Department had been met.

Operational Procedures for Reporting and Investigating Allegations of Fraud (Chapter 5)

29. The ANAO found that DVA had:

- established appropriate reporting and recording processes to record allegations of fraud;
- developed CEIs and an investigations manual that provided appropriate guidance on all aspects of the fraud investigation process;
- undertaken fraud investigations in a timely and professional manner in accordance with the DVA Fraud Investigations Manual and the *Fraud Control Policy of the Commonwealth*; but the formal qualifications of some staff in State Office investigation sections was less than that prescribed in the Policy;

- developed and circulated procedures to all investigation staff, on the referral of matters to the DPP for prosecution; and
- implemented a formal set of procedures and delegations for determining staff breaches of the Code of Conduct and determining appropriate remedial action.

30. The department had implemented a Fraud Control Management Information System. However the system has yet to meet the requirements expected of it in aspects such as the production of reports. The system has not gained acceptance throughout the department and is not used to record all instances of fraud that are reported and investigated. As a result, the information that it holds does not identify the full extent of fraud related activities in the department.

31. A quality assurance review (QAR) by the Australian Federal Police of the NFCU conducted in May 2001, commended the unit on its investigation process. However, QAR by the AFP had not been conducted of State Office investigation sections since 1998 and internal QAR of the NFCU and State Office investigation sections does not occur.

Administrative Recoveries (Chapter 6)

32. The ANAO found that the extensive use of administrative procedures to recover expenditure is an important element of DVA's fraud control procedures. However, it is important to recognise that the use of administrative remedies does not necessarily mean that fraud has occurred.

33. The levels of fraud investigation and administrative recoveries that have been achieved in the Health Services' area are not commensurate with the level of potential fraud identified in the DVA FCP.

34. The department is in the process of implementing new procedures in the form of a National Post-Payment Review Program as a major element of new measures directed at reducing overpayments and improving debt recovery. These measures will also result in a more uniform approach by State Offices to these activities.

Recommendations

Set out below are the ANAO's recommendations with the Report paragraph reference. The ANAO considers that all recommendations have equal importance.

**Recommendation
No. 1
Para. 3.11**

The ANAO recommends that DVA encourage staff awareness of fraud policy by providing standardised induction training in relation to fraud control across the department and undertake formal evaluations of the training provided to assess its usefulness.

DVA response: Agreed.

**Recommendation
No. 2
Para. 4.10**

To improve DVA's performance assessment framework for fraud control, the ANAO recommends that DVA incorporate performance indicators for fraud control, where possible, into performance reports to the DVA executive in National and State Offices.

DVA response: Agreed.

**Recommendation
No. 3
Para. 5.9**

The ANAO recommends that DVA assess whether the Fraud Control Management Information System (FCMIS) is meeting user requirements and consider ways of making it more user friendly to:

- encourage its use across the department so that up-to-date information on fraud-related activities is maintained; and
- produce appropriate reports to support the DVA executive in their fraud related responsibilities.

DVA response: Agreed.

**Recommendation
No. 4
Para. 5.23**

To assist in establishing and maintaining a high standard of investigations and record keeping, the ANAO recommends that DVA implement an internal QA process for the fraud investigation functions within the department.

DVA response: Agreed.

**Recommendation
No. 5
Para. 5.28**

The ANAO recommends that DVA review the qualifications of all officers involved in investigative activities and initiate a training program as necessary so that standards prescribed for investigators are met.

DVA response: Agreed.

**Recommendation
No. 6
Para. 6.19**

The ANAO recommends that DVA take action to standardise travel allowance claim procedures and documentation under the Repatriation Transport Scheme to be consistent with the *Veterans' Entitlements Act 1986* (VEA) and its Regulations.

DVA response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter sets out the background to the audit, its objective, scope and methodology. It also outlines the structure of the report.

Background

1.1 The Australian Public Service (APS) has a broad customer base and significant levels of expenditure, making the prevention and management of fraud an important issue for sound public administration. The Federal Government demonstrated its ongoing commitment to the protection of its revenue, expenditure and property from fraudulent activity through the release of its first Fraud Control Policy in 1987. This Policy was updated in 1994 and new guidelines were issued in May 2002.

1.2 Fraud is broadly defined as 'dishonestly obtaining a benefit by deception or other means and includes both tangible and intangible benefits.'⁵ This includes: theft; obtaining a financial advantage by deception; providing false or misleading information to the Commonwealth or failing to provide information; making, using or being in possession of forged documents; bribery and corruption; the unlawful use of Commonwealth services, equipment and property including computers, telephones and vehicles; relevant bankruptcy offences; and any other such similar offences.

1.3 The importance of agencies establishing effective fraud control arrangements has been recognised in legislative provisions in the *Financial Management and Accountability Act 1997* (FMA Act). Under Section 45 of the FMA Act, Chief Executive Officers (CEOs) are responsible for the implementation of a fraud control plan (FCP) and for reporting to the Portfolio Minister on fraud control within their agencies.

1.4 This audit of fraud control arrangements in the Department of Veterans' Affairs (DVA) is one of a series of audits, including a survey of fraud control arrangements in the APS⁶, undertaken by the Australian National Audit Office (ANAO). A list of these audits is at Appendix 1. On completion of the series, the ANAO is to develop a Better Practice Guide on Fraud Control, currently scheduled for release in 2003.

1.5 In its Report No.385⁷, the Joint Committee of Public Accounts and Audit (JCPAA) highlighted the benefits of agencies developing sub-categories of fraud

⁵ *Commonwealth Fraud Control Guidelines*, May 2002.

⁶ Auditor General's Report No.47, *Survey of Fraud Control in the APS Agencies*, ANAO, 20 June 2000.

⁷ *Review of Auditor General's Reports, 2000–2001, Second and Third Quarters*, August 2001, Canberra.

to provide a better understanding of the nature and significance of various types of fraudulent activity. For instance, inappropriate use of information, travel fraud, and identity fraud. This issue will be more fully considered by the ANAO when it develops its Better Practice Guide. The JCPAA requested the ANAO develop sub-categories of fraud, for the purposes of fraud reporting, when preparing the Better Practice Guide on Fraud Control.

1.6 If agencies are to meet their responsibilities as stewards of the public purse an effective governance framework is essential to protect public property, revenue, expenditure, rights and privileges from losses arising as a result of fraudulent activity. As previous ANAO reports on the subject have indicated, there should be a strong focus on prevention involving ongoing vigilance at all levels of an organisation.

Department of Veterans' Affairs

1.7 The DVA mission is to serve members of Australia's veteran and defence force communities, their war widows/widowers and their dependants through programs of care, compensation, commemoration and defence support services.

1.8 The DVA budget appropriation in 2001–2002 was approximately \$8.6 billion. Almost 99 per cent of the department's total expenditure occurs on disability and income support payments made directly to members of the veteran community and payments to third parties such as hospitals, medical professionals and allied health providers.

1.9 DVA has approximately 2450 staff and 510 100 'customers'. The department has a National Office (NO) in Canberra and State Offices in each capital city. Offices are also located in some larger and remote regional centres. In some areas, DVA is represented by other agencies, such as Centrelink, under contract arrangements.

1.10 The department is dealing with an ageing customer base, with more than two thirds of this base being over 75 years of age. This influences the department's customer support philosophy and the approach that is taken in dealing with issues that may contain an element of fraud.

1.11 In meeting its responsibilities DVA has defined five outcomes that describe the major activities undertaken by the department. These are summarised below:

- **Outcome 1—Compensation and Support.** Eligible veterans, their war widows/widowers and dependents have access to appropriate compensation and income support in recognition of the effects of war service.

- **Outcome 2—Health Care and Services.** Eligible veterans, their war widows/widowers and dependents have access to health and other care services that promote and maintain self-sufficiency, well-being and quality of life.
- **Outcome 3—Commemorations.** The service and sacrifice of men and women who served Australia and its allies in war, defence and peacekeeping are acknowledged and commemorated.
- **Outcome 4—Service Delivery.** The needs of the veteran community are identified, they are informed about the available community and specific services and they are able to access such services.
- **Outcome 5—Defence Force Services.** Current or former members of the Australian Defence Force (ADF) who suffer an injury or disease, which is causally related to employment in the ADF, are provided with compensation and rehabilitation benefits and services.

1.12 The department's fraud control and detection activities are influenced by the size and dispersion of its customer base and the range of services and support that are provided. Many of these are potentially vulnerable to fraudulent activities by providers and customers. There is a significant level of involvement by service providers from the private sector who provide such services as transport, health care and pharmaceutical services to customers on the department's behalf.

1.13 During 2001–2002, the department's fraud investigation activities recovered \$891 000 relating to cases both for this and previous years. This figure does not include cases which may have incorporated an element of fraud but which have been handled administratively, for example, recovery of monies that were overpaid because the existence of assessable assets was not declared to the department, but where prosecution was not considered appropriate. It is important to emphasise that an administrative recovery does not necessarily imply fraudulent intent. Such recoveries may be the result of errors in advice or claims' processing.⁸

1.14 Reported instances of fraud investigated by the National Fraud Control Unit and the value of fraud recoveries from 1998–1999 to 2001–2002, are shown in Table 1.1.

⁸ DVA has a number of options available to recover funds and/or correct errors. In this report these processes are collectively referred to as 'administrative recoveries'.

Table 1.1**Fraud investigations by DVA 1998–2002**

<i>Number of fraud investigations⁽¹⁾</i>	<i>1998–1999</i>	<i>1999–2000</i>	<i>2000–2001</i>	<i>2001–2002</i>
<i>Current cases at 30 June</i>	212	120	96	99
<i>Referred to DPP and/or AFP</i>	11	15	21	16
<i>Convictions</i>	20	19	14	19
<i>Value of fraud recoveries (\$)</i>	250 050	506 424	650 000	891 000

Source: Department of Veterans' Affairs Fraud Control Plan 2001–2003 and Department of Veterans' Affairs Annual Report 2000–2001, p. 207.

The audit

Objective, scope and criteria

1.15 The objective of the audit was to assess whether DVA has implemented appropriate fraud control arrangements in line with the *Fraud Control Policy of the Commonwealth* (the Policy) and whether these arrangements operate effectively in practice.⁹

1.16 The ANAO reviewed arrangements for the development of the department's fraud policy, fraud risk assessment and FCP within the core functional areas of the department that are responsible for these activities. Fraud awareness-raising and training activities for DVA staff, service providers and customers were examined. As well, the performance of fraud control activities, including the monitoring, reporting and investigation of fraud, were assessed. The audit also examined the operational procedures and guidelines that were in place for reporting and investigating allegations of fraud, including the controls and processes that are used to identify the need for administrative recoveries.

1.17 The audit criteria were based on the Policy, ANAO criteria applied in earlier fraud control audits, the Australian/New Zealand Standard (AS/NZS) 4360:1999 on risk management, and general better practice that has been identified during other audits of fraud control arrangements.

⁹ The audit criteria were based on the provisions of the 1994 policy. Where appropriate account was taken of the consultation drafts issued subsequent to the 1994 Policy. In May 2002, new guidelines were issued. The department's framework and operations were not assessed against these.

Methodology

1.18 The audit fieldwork was undertaken between December 2001 and April 2002. Interviews with key staff and reviews of documents and files were undertaken at the DVA National Office (NO) in Canberra and State Offices in Melbourne, Sydney and Brisbane. Compliance issues were assessed against guidelines established by DVA based on the Policy for the reporting and conduct of fraud and related investigations, the requirements established by DVA in the department's FCP and its associated action plans, the provisions of key Chief Executive Instructions and, where relevant, recommendations made in internal audit reports.

1.19 As part of the audit, the ANAO also conducted a small survey designed to determine awareness of the department's FCP and code of conduct to assess whether they influenced staff in their day-to-day activities. While the survey was not designed to provide statistically significant results, its findings are indicative of staff awareness of fraud control issues and the effectiveness of the department's induction training. The survey results were confirmed by discussions at each of the sites visited during the audit fieldwork. The results of the survey are detailed at Appendix 2.

Other Agencies' responsibilities for fraud control in the Commonwealth

1.20 There are three Commonwealth agencies that have specific roles and responsibilities in relation to fraud control. These are the Attorney General's Department, the Australian Federal Police and the Director of Public Prosecutions.

Attorney General's Department

1.21 The Attorney General's Department (AGD) is responsible for the development of the Policy and overall coordination of matters related to the ongoing management of its implementation. These responsibilities include setting standards for the conduct of fraud risk assessments and FCP, and the review of the fraud risk assessments and FCP that are prepared by agencies. The Policy requires agencies to submit fraud control information annually to the AGD.

Australian Federal Police

1.22 The Australian Federal Police (AFP) has the responsibility for the investigation of serious fraud against the Commonwealth and, as the Commonwealth's primary law enforcement agency, also provides police services in relation to:

- laws of the Commonwealth;
- property of the Commonwealth, including places;
- the safeguarding of Commonwealth interests; and
- anything incidental or conducive to the performance of its functions.

1.23 At the operational level, the AFP is responsible for the conduct of quality assurance reviews of fraud investigation standards within agencies. These reviews encompass the procedures followed during investigations, the maintenance of records and investigation manuals, and the performance standard and training of investigators.

Director of Public Prosecutions

1.24 The primary responsibility of the Director of Public Prosecutions (DPP) is to prosecute people who commit offences against Commonwealth law, including Corporations Law, and to conduct related criminal assets recovery. All prosecutions and related decisions are made in accordance with the guidelines set out in the Prosecution Policy of the Commonwealth.

1.25 The DPP conducts all prosecutions for offences against Commonwealth law except for purely private prosecutions. The DPP can provide advice on investigations, questions of law, and the sufficiency of evidence and proceedings to recover the proceeds of crime.

The Report

1.26 Chapter 2 discusses DVA's fraud governance and management arrangements. Chapter 3 discusses the importance of preventing fraud by creating an ethical workplace culture and related departmental fraud and ethics awareness-raising and training activities. The performance assessment and monitoring framework in relation to the fraud control function is considered in Chapter 4. Chapter 5 examines the operational arrangements in place for reporting and investigating fraud against the department, and the remedies that are applied. Chapter 6 examines the administrative recovery of funds by the department.

1.27 The audit was conducted in conformance with ANAO auditing standards and cost \$176 000.

2. Governance and Management Arrangements

This chapter discusses DVA's Fraud Control Policy, risk assessment and resultant action plans. The links between the Fraud Control Plan (FCP) and the Business Plan and those aspects of the department's management arrangements that influence its fraud control arrangements are also discussed.

Introduction

2.1 Fraud control is an essential element of sound corporate governance and is integral to internal control. It is 'the system by which an organisation is directed and controlled.'¹⁰ The *Fraud Control Policy of the Commonwealth* (the Policy) requires Chief Executives to be responsible for:

Fostering an environment within their agencies which makes active fraud control a major responsibility for all public sector staff, for articulating clear standards and procedures to encourage minimisation and deterrence of fraud, and for the detection and prosecution of offences should they occur.¹¹

2.2 Key elements of sound corporate governance for fraud prevention and control include a comprehensive planning regime that is based on an appropriate risk assessment and complements an agency's policy direction regarding fraud control. The agency's FCP should contain appropriate links to its corporate plan and the activities specified in the business and operational plans of individual work areas. The FCP should be accessible to any staff member and should clearly show that which is needed in an area of responsibility.

2.3 To assess DVA's overall fraud control framework the ANAO examined whether the department had:

- developed an overall departmental policy on fraud prevention and control;
- undertaken appropriate fraud risk assessments on a regular basis and as necessitated by changing conditions;
- based fraud risk assessments on a sound methodology;
- developed a FCP that identifies and addresses the key fraud risks faced by the department;

¹⁰ HB 143: 1999, *Guidelines for managing risk in the Australian and New Zealand public sector*, Standards Australia/Standards New Zealand, p. 10.

¹¹ Commonwealth Law Enforcement Board, 1994, *Best Practice for Fraud Control—Fraud Control Policy of the Commonwealth*, p. 2.

- linked the FCP to related fraud control action plans and other relevant corporate plans;
- made the FCP readily available to staff;
- installed appropriate organisational arrangements to support the implementation and on-going monitoring of the FCP and the investigation of fraud issues; and
- implemented appropriate agreements with other agencies which contribute to the department's fraud control arrangements.

Fraud Control Policy

2.4 DVA's fraud control policy reflects the principles of the *Fraud Control Policy of the Commonwealth*. In accordance with the *Financial Management and Accountability Act 1997* (FMA Act), the department had developed a comprehensive set of Chief Executive Instructions (CEIs), Quality Assurance (QA) Protocols and departmental instructions that provide the policy and procedures for financial and asset management and quality assurance that are to be followed within the department.

Fraud risk assessments

2.5 An agency's fraud risk assessment process should be on-going and iterative and be sufficiently robust to enable all key fraud risks to be identified. Risk assessments should address both the internal and external environments for the agency and they should cover all functions and operations to establish the level, nature, form and likelihood of risk exposures.

Timing and changing conditions

2.6 DVA has undertaken a fraud risk assessment every two years as prescribed by the Policy. The most recent fraud risk assessment was finalised in June 2001. A new FCP that used this assessment was also completed at that time.

2.7 The former Commonwealth Fraud Control Evaluation Committee evaluated the risk assessment and the FCP in October 2001.¹² The committee endorsed the procedure that was followed, but commented that the risks associated with politically sensitive matters and the arrangements for handling such matters had not been addressed. It requested that DVA address these matters in the next fraud risk assessment.¹³

¹² The former Commonwealth Fraud Control Evaluation Committee was made up of representatives of the Attorney General's Department (AGD) and the Australian Federal Police (AFP). This Committee was disbanded when the new Commonwealth Fraud Control Guidelines were issued in May 2002.

¹³ AGD, Criminal Justice Division letter 01/6816 CRJ RG dated 8 October 2001.

2.8 The risk assessment and FCP considered changes in the conditions affecting DVA's operations. The evaluation committee complimented the department on its comprehensive consideration of the impact of future changes on its fraud risk environment.¹⁴ Examples include:

- the possible outcomes of a review of corporate services related to the outsourcing to contractors of corporate support functions such as records, accounts payable, human resources and office services conducted by departmental staff;
- the risks involved in the use of the Internet in meeting government requirements arising from the *Electronic Transactions Act 1999*; and
- the associated *Health Insurance Commission/ Commonwealth Department of Veterans' Affairs Treatment Accounts Processing Fraud Control Plan 2000–2002* recognises the risks to be faced in the transition to a so-called *E Health* environment.

Fraud risk assessment methodology

2.9 The Strategic Review Services Team (SRS) within DVA undertook a whole-of-organisation business risk assessment during October–November 2000. The assessment identified fraud-related risks associated with the department's operational and support activities and resulted in the preparation and development of the FCP. This plan includes a Fraud Control Action Plan (FCAP). The approach taken in developing the assessment ensured that staff with operational knowledge were involved.

2.10 The quantitative results obtained from the fraud risk assessment methodology allowed DVA to:

- identify the factors which contribute to the fraud risk faced by work areas and to assess their relative importance;
- compare the relative results obtained between the various work areas and activities that were reviewed; and
- assign high, medium or low ratings to the risks that had been identified.

2.11 The ANAO found that the fraud risk assessment methodology adopted by DVA was generally sound and complied with requirements specified by the Attorney General's Department (AGD) for these risk assessments. In particular it:

- enabled a 'green fields' measurement of fraud risk (that is, a quantitative approach to measuring risk assuming no controls are in place);

¹⁴ *ibid.*

- was capable of being applied in a consistent manner; and
- used the operational knowledge of staff.

Fraud Control Plan (FCP)

2.12 A FCP is a specific requirement of both the Policy and the FMA Act.¹⁵ The FCP provides a mechanism for outlining an agency's overall approach to fraud control.¹⁶

2.13 The criteria and findings relating to the ANAO assessment of DVA's FCP are summarised in Table 2.1.

Table 2.1

ANAO assessment of DVA's Fraud Control Plan

Criteria	Met Criteria	ANAO Comments
	Yes/No ✓/—	
Reflects risks identified in risk assessment.	✓	The FCP was appropriately linked to the results of the fraud risk assessments.
Outlines strategies to rectify shortcomings identified in the risk assessment.	✓	Activities assessed as having 'High' to 'Significant' risk had strategies developed and included in the plan.
Provides timetable for the implementation of strategies.	✓	The strategies included in the plan were assigned priorities and broad timeframes for implementation and completion. A review of the activities required by the previous FCAP was included.
Nominates action areas responsible for implementing each strategy.	✓	Relevant positions were identified for implementing each strategy.
Addresses corporate issues required by the <i>Fraud Control Policy of the Commonwealth</i> .	✓	Corporate issues such as travel administration' IT and protective security were addressed.

¹⁵ Section 45 of the FMA Act requires CEOs to implement an agency wide Fraud Control Plan that includes and addresses fraud by external parties as well as internal fraud.

¹⁶ *Best Practice for Fraud Control, Fraud Control Policy of the Commonwealth*, CLEB, 1994, p. 21–22.

2.14 The DVA FCP recognised that the control measures included in the plan and other information sources such as ‘whistle blowers’ and IT system reports, ‘can reveal phenomena which may or may not be treated as instances of fraud.’ In such cases, the plan provides for ‘line management’ to exercise a ‘reasoned judgement in determining whether to treat the observed discrepancies as possible cases of fraud’¹⁷. In any case, whether or not fraud is identified, administrative processes may be used as necessary to recover any funds. Administrative recoveries are addressed in Chapter 6.

Links to the Corporate Plan

2.15 An agency’s fraud control planning framework should aim to maximise the effectiveness of the fraud control function by promoting a coordinated approach to fraud control across the agency.

2.16 The criteria and findings relating to the ANAO assessment of the coordination of DVA’s fraud control function is summarised in Table 2.2.

Table 2.2

ANAO assessment of coordination of DVA’s fraud control function

Criteria	Met Criteria	ANAO Comments
	Yes/No ✓/—	
Clear links between the FCP and the Corporate Plan.	✓	Appropriate links existed between the department’s Corporate Plan and its FCP.
State Office business and operational plans linked to the higher-level plans.	✓	State Office Business Plans were consistent with the Corporate Plan.
Branch business and action plans consistent with higher level plans.	✓	Within State Offices, business/action plans for the principle branches covering compensation, support, health and corporate development were consistent with the State Office business plan.
Action plans in functional work areas consistent with branch and higher level plans.	✓	The existence and quality of action plans varied, but overall this criterion was met. For example, in one case the work area presented the department’s FCP as its action plan.

¹⁷ Department of Veterans’ Affairs Fraud Control Plan 2001/03 para. 6.4.1

Availability to staff of Fraud Control Plan

2.17 DVA disseminates its FCP by making it available to staff on its Intranet and the department's Information Retrieval and Management System. The plan is a lengthy, descriptive document that includes information from the Annual Report, the Corporate Plan, CEIs and management protocols.

2.18 The ANAO survey of staff knowledge of the FCP indicated a general awareness of the plan but it was not evident that staff had related the requirements set out in the FCP to their work areas.

2.19 As well, in relation to staff responsibility as outlined in the FCP, 52 per cent of respondents to the ANAO survey were unaware or not sure of their responsibility regarding fraud control in their specific area of work. Some of them saw it as being the responsibility of the National Fraud Control Unit, while others considered it as being task specific and doing their jobs efficiently. Only 20 per cent of respondents recorded a general understanding in terms of risk management, prevention, detection, reporting and investigation of fraud. This reinforces the need for further education of staff in relation to this matter and this is discussed in Chapter 3.

2.20 Furthermore, during the fieldwork the ANAO found that at supervisor level, the requirements of the FCP as they related to work areas were not well known.

2.21 The ANAO considers that knowledge, understanding and use of the FCP by staff generally would be facilitated if it were presented in a format that more clearly identifies requirements and the key actions needed to achieve those requirements. For example, by providing a summary of the plan.¹⁸

Organisational arrangements

2.22 The branch structure at National Office (NO) and State Office levels reflects the three major activities of the department namely, compensation and support, health care services and corporate support. The responsibility for all of the department's outcomes is allocated to these areas.

2.23 In recent years NO has become responsible for some functions previously conducted by State Offices that contribute to fraud control such as internal audit, data matching and the pharmaceutical approval process that are more effectively and efficiently carried out centrally. During its fieldwork the ANAO was advised that the resultant standardisation of processes and procedures had contributed to consistency in decision-making and had enhanced fraud control activities. Additionally, processes for the administrative recovery of funds have benefited in the areas concerned.

¹⁸ The complete results from the ANAO staff survey are at Appendix 2.

Agreements with other departments

2.24 Memoranda of Understanding (MOU) between DVA and the Health Insurance Commission (HIC) and the Department of Health and Ageing (Health) contribute to DVA's fraud control arrangements. The former provides for the regular flow of information on health services provided to the veteran community similar to that used by the HIC for Medicare.

2.25 The department maintains a close relationship with the HIC. DVA relies on data from the HIC and its review systems as a basis for monitoring the levels of health services being provided to its 'customers' and in identifying potential fraud resulting from false claims and over servicing by both providers and 'customers'. The MOU between DVA and the HIC covers the provision of this data and other support functions undertaken by the HIC. Included is a requirement that the HIC conduct a risk assessment of the processing of treatment accounts and develops a FCP that is specific to the support provided to DVA. At the time of the audit the HIC risk assessment and plan had been sent to DVA for approval and was under review within the department.

2.26 The MOU with Health supports fraud prevention by providing for data matching on a daily basis of entitlements for access to aged care facilities.

ANAO conclusion

2.27 DVA has an appropriate fraud control policy. Risk assessments have been carried out every two years in accordance with the *Fraud Control Policy of the Commonwealth*. The methodology for these risk assessments was sound and complied with requirements specified by the AGD.

2.28 DVA has an appropriate FCP. The Plan addresses the key fraud risks faced by the department and contains strategies that address the risks identified in the fraud risk assessment that underpins the Plan.

2.29 Appropriate links exist between the FCP, the Corporate Plan, State Office Business Plans and functional area business/action plans within State Offices.

2.30 Appropriate arrangements exist for staff access to the FCP. However, staff knowledge, understanding and use of the FCP would be enhanced if it more clearly identified and related requirements to the particular characteristics of work areas, the key actions needed to achieve those requirements and staff responsibilities.

3. Promoting an Ethical Culture

This chapter addresses the importance of preventing fraud by creating an ethical culture that is recognised in the workplace and by customers and service providers and relates this requirement to DVA's fraud and ethics awareness-raising and training activities.

Introduction

3.1 The *Fraud Control Policy of the Commonwealth* (the Policy) states that:

The Government recognises that fraud prevention goes beyond monitoring the effectiveness of financial controls. It also requires the maintenance of an ethical climate.... Chief Executives must ... foster and develop within agencies the highest standards of ethical behaviour ...¹⁹

3.2 The creation of an ethical workplace culture is an essential element of a sound governance framework. Section 44 of the *Financial Management and Accountability Act 1997* (FMA Act) states that Chief Executive Officers (CEOs) are responsible for promoting efficient, effective and ethical use of Commonwealth resources. In order to facilitate staff understanding of fraud control, agencies should provide information and conduct awareness-raising sessions on an on-going basis to ensure that visibility and awareness of fraud issues is maintained. Training needs to be systematic and continuous. Where agencies provide services and rely on 'customers' to supply information to determine eligibility for entitlements, measures should be implemented to promote customer awareness of the need for accurate information and advice in relation to changes in circumstances. As well, 'customers' need to understand the problems that may arise when information is not accurate.

3.3 A continuing issue for the Australian Public Service (APS) is the effectiveness of contract management, particularly given the extent of outsourcing. Although many of the risks associated with outsourcing are not fraud-related, it can expose departments, amongst other things, to the risk of loss of public funds, loss of reputation and poor standards in the delivery of services. As a result, departments should include provisions in contracts that protect the Commonwealth's interests and provide appropriate contract management training for staff.

¹⁹ *Best Practice for Fraud Control, Fraud Control Policy of the Commonwealth*, CLEB, 1994, p. 8.

3.4 In assessing the effectiveness of DVA's approach to promoting ethical behaviour, the ANAO examined whether DVA had:

- established and communicated widely the standards of conduct and/or ethics expected of its officers, including in relation to conflict of interest;
- conducted appropriate fraud and ethics awareness-raising and training initiatives for staff, including training in contract management; and
- promoted awareness of the consequences of fraudulent conduct and the expectations raised by public sector values and ethical standards to its 'customers' and external service providers.

Establishing and communicating standards of conduct

3.5 Chief Executive Instructions (CEIs) and the DVA Corporate and Fraud Control Plans emphasise the importance of staff displaying the highest ethical and behavioural standards in performing their official duties, their responsibilities regarding fraud control and their role in the protection of Commonwealth resources and information. These documents are readily accessible to staff through the DVA Intranet. The requirements of the Australian Public Service (APS) Code of Conduct are included in induction procedures for new employees.

3.6 DVA had developed appropriate procedural guidelines regarding conflict of interest issues. A register of the interests of Senior Executive Service (SES) staff is maintained. A range of standard contracts that include in their provisions appropriate clauses related to conflict of interest by service providers are used.

3.7 However, the results of the ANAO staff survey suggest that more could be done by the department to raise awareness of the responsibilities in the areas of fraud and code of conduct. When asked what relevance or impact on their daily work the Department's/APS Code of Conduct/Ethics had:

- 76 per cent of respondents demonstrated a fair to good understanding by outlining the APS values and work standards required of them, but only 43 per cent showed an awareness of fraud and risk in relation to their duties;
- 20 per cent of respondents stated that the Code had no relevance or little impact on their daily work; and
- 4 per cent of respondents thought the Code was not applicable or had little relevance to their area of work.

Fraud and ethics awareness-raising and training

Induction training

3.8 The department's induction procedures provide for new appointees to be made aware of fraud, public sector values and ethics and physical and IT security requirements as part of their induction into the department. These procedures include advice on how to access the APS Code of Conduct and the rules and procedures for Internet access and security.

3.9 The ANAO found, however, that:

- the level of detail that these procedures were meant to address and how the information was provided, varied between State Offices. For example, in some areas, reliance was placed on the distribution of information as part of the initial Human Resources administrative processes and in others the requirement existed for managers/supervisors to provide the training as part of a job orientation process;
- induction training was not evaluated for its effectiveness; and
- records were not maintained that confirmed the intended information or training had been delivered.

3.10 When asked in the staff survey whether the department had provided training in relation to the code of conduct/ethics and fraud awareness/control as part of induction, only 26 per cent of the respondents indicated that induction training had been provided. More than half of this group stated that the induction did not include material on the code of conduct and fraud awareness and even if it did, they could not remember as they had done their induction training many years ago.

Recommendation No.1

3.11 The ANAO recommends that DVA encourage staff awareness of fraud policy by providing standardised induction training in relation to fraud control across the department and undertake formal evaluations of the training provided to assess its usefulness.

DVA response

3.12 Agree. The department has identified induction training as one of its 12 priorities within its national learning strategy.

Continuing fraud and ethics awareness-raising

3.13 An across-the-department program of continuing fraud and ethics awareness-raising is conducted by the National Fraud Control Unit (NFCU). The ANAO was advised that 785 staff had attended such training since 2000. The DVA Intranet is also used to provide fraud and ethics related information from time-to-time. For example, on the use of the Intranet. While not solely directed to fraud and ethics issues, DVA had conducted a Staff Attitude Survey in late 2000. Questions in the survey included reference to fraud and ethics matters. The survey had a high response rate overall and resulted in favourable findings on staff attitudes to fraud and ethics issues although many respondents could not relate requirements to their immediate work area. The findings of the ANAO survey were consistent with this latter finding. Both the DVA and ANAO surveys suggest that staff training is not assisting staff in understanding the relevance of fraud and ethics issues to their immediate workplace.

3.14 The ANAO found that the need for evaluation of the training conducted by the NFCU had been recognised by the National Audit and Fraud Committee (NAFCOM). At that time, NFCU advised NAFCOM that evaluation was based on an assessment by the instructors, on the reaction of their audiences and the subsequent response of attendees as evidenced by actions such as increases in approaches to the NFCU. However, formal records of these responses had not been maintained. The ANAO considers that this approach to evaluation does not provide an independent assessment of the content and standard of presentations and the relevance of training to the needs of those attending. Formal evaluations might identify, for example, whether the frequency of training is appropriate and whether the training should be supplemented by other awareness-raising activities or alternative means of delivery. Subsequent to the audit fieldwork the ANAO was provided with sample course assessment sheets for a workshop that was conducted on 28 May 2002.

Training for managers

3.15 The provision of training for managers in relation to fraud control is important because of the supervisory responsibilities exercised and the example that is set by managers. Also, the department's performance agreements include the requirement that staff at these levels be involved in risk and fraud management.

3.16 The ANAO found that DVA includes responsibilities for fraud control and risk management in the duty statements of managers. However, training that was specifically directed to management level was not identified by the ANAO. DVA acknowledged that such training was not currently occurring, as priority had been given to other aspects of management development.

Training in contract management

3.17 DVA maintains a contract advisory unit. This unit had developed a number of standard contracts and has conducted a range of training activities related to tendering and contract management, has provided advice as needed and maintains an Intranet website that includes general advice on contract management issues as well as a range of standard contracts. Since late 2001, the unit has also distributed a hard copy newsletter dealing with topical contract management issues. These activities are consistent with the ANAO better practice model for contract management.²⁰

3.18 An internal audit of contracting had been undertaken in August 2001. This audit found, generally, that inadequate documentation was maintained by contract managers of the various contract management phases. This meant that it was difficult to determine whether contract management processes had been followed appropriately. It was also identified that insufficient contract management training and support occurred, incomplete information had been placed on the department's Contracts and Indemnity Register Online and there was inadequate monitoring by line management of contractor performance.

3.19 An implementation program for the recommendations arising from the internal audit report had been developed and the results had been promulgated on the Intranet. However, during the audit the ANAO found a mixed level of awareness and performance of contract management responsibilities in some areas that suggests the department should maintain and reinforce the impetus of its follow up of the internal audit recommendations.

Promoting customer awareness

3.20 DVA places obligations on its 'customers' to provide accurate and timely information on matters that affect the benefits being received from the department. These procedures contribute to the department's fraud prevention and control arrangements by placing the responsibility on 'customers' to verify the accuracy of information supplied to the department and to update information if circumstances such as increases in income or changes in dependent status occur. For example, in the income support area, veterans have an obligation to advise the department of any event that may affect their entitlements. In some cases where the department has identified veterans whose entitlements have changed, the department has initiated reviews.

²⁰ ANAO Better Practice Guide, *Contract Management*, ANAO, February 2001.

3.21 Principal sources of information for veterans include a publication titled *You and Your Pension*²¹ that details the range of benefits that are available and the obligations of veterans and a comprehensive range of fact sheets (known as *DVA Facts*) that are available from the Internet and in Veterans' Affairs Network (VAN) offices. Free call telephone inquiry and advisory services are operated throughout Australia and a newsletter, *Vetaffairs*, is published quarterly. From time-to-time *Vetaffairs* includes articles on fraud that are related to the DVA environment. Where appropriate, forms, such as claim forms used by veterans to claim travel allowances, carry fraud-related warnings.

3.22 The department has conducted veterans' awareness surveys to ascertain, among other issues, how well these various publications meet the needs of veterans and whether they are being read and used for guidance. The surveys have identified that the measures being taken are appropriate and that veterans read their content in detail. The department also operates a Training and Information Program (TIP) that is used to educate those who advise veterans of their entitlements, to update the advisors on developments as they occur and the correct way in which to make submissions and to provide information to the department. Fraud and ethics segments are included in TIP sessions.

Promoting external service provider awareness

3.23 Maintaining external service provider awareness is a challenging task for DVA as the number of providers is extensive with a wide range of support functions being provided by them. For example, around 90 per cent of Local Medical Officers (LMOs), nursing homes, State owned hospitals and 400 nursing services across Australia provide support to DVA 'customers' on behalf of the department.

3.24 In some cases external service providers are also involved in the approvals process for support functions such as the provision of travelling allowances for veteran's and their attendants (when needed) and transport for veteran's to their place of treatment. In these circumstances DVA retains accountability for the services and needs to ensure that services that are delivered are conducted in line with relevant public sector values and ethical standards.²²

²¹ The full title of this booklet is, *You and Your Pension—a guide for income support pensioners including service pensioners, social security age pensioners (paid by DVA), and war widows and widowers who receive the income support supplement*.

²² See also PSMPC *State of the Service Report 1999–2000*, p. 3. ... *The APS is accountable for all aspects of a contractor's performance and agencies will need to consider...(contract provisions) ... that spell out clearly the standards of behaviour that are expected and the penalties for non-compliance.*

3.25 Measures used by DVA to promote external service provider awareness include the:

- formal contracting of all health professionals delivering services to DVA customers;
- inclusion in the standard contracts used by DVA of appropriate clauses that cover expected standards of behaviour in relation to matters such as protection of confidential information, conflicts of interest, code of conduct matters, the need for ethical behaviour and conformance with privacy, fraud and APS guidelines;
- provision of a range of advisory manuals depending on the services being delivered. For example, Health Professional packages are provided to LMO's;
- provision of a variety of update advisory notices when required;
- conduct of liaison visits by department officers, including the professional advisors employed by the department, with providers and professional bodies;
- counselling of individuals by the professional advisors employed by the department when needed; and
- in some States, the conduct of formal training and seminars.

3.26 DVA staff indicated that, while every effort is made to keep service providers advised of the department's requirements, it was acknowledged that providers such as LMOs, had many other demands on their time. As well, DVA customers were not necessarily the primary client-base for all LMOs and in many cases, actions were actually taken by the LMOs' support staff. The ANAO acknowledges the inherent difficulties in maintaining provider awareness given the extent of the services and the demands placed on LMOs by the numbers involved and accepts that the measures in place are appropriate.

ANAO conclusion

3.27 DVA is committed to enhancing the standard of conduct of its officers and developing an ethical workplace culture. In order to do this, DVA has:

- made the department's overall fraud policy and Fraud Control Plan available to staff on its Intranet information system;
- implemented appropriate arrangements to manage conflict of interest issues; and
- conducted induction training that includes information on APS values and ethical conduct, for all new staff.

3.28 Some continuing fraud awareness-raising is conducted across the department. The staff attitude survey that was conducted by DVA addressed in part, ethics and fraud control issues. Evaluations that would assist in determining the effectiveness of training that is conducted to determine its currency to the needs of staff had not occurred for all courses. However, in the case of the fraud investigation training conducted by the NFCU, the ANAO sighted evidence of course assessment sheets.

3.29 The results of the ANAO survey of staff knowledge suggest that the department could do more to raise staff awareness of their responsibilities in relation to fraud control policy, the FCP and the code of conduct and ethics. The survey results reinforce the need for the department to review its induction and fraud awareness training including the on-going evaluation and validation of the training that is occurring.

3.30 DVA delivers many of its services through contracts with third party service providers and is examining the scope for the further outsourcing of support functions. While considerable guidance has been provided to staff on contract management processes and procedures the department should continue to emphasise and monitor the application of the advice that has been provided.

3.31 A wide range of measures are used to raise fraud awareness in 'customers' and service providers. Feedback on the measures used to keep 'customers' advised of departmental requirements indicates that they are effective.

4. Performance Information, Monitoring and Reporting

This chapter examines DVA's performance assessment and monitoring framework in relation to its fraud control function with a view to determining whether it adequately promotes accountability by key stakeholders.

Introduction

4.1 Performance assessment of fraud control activities is an essential element of an agency's accountability to key stakeholders, such as the Minister for Justice and Customs, 'customers', the Parliament and the general public. Legislative responsibilities imposed by the *Financial Management and Accountability Act 1997* (FMA Act) on Chief Executive Officers (CEOs) further increase the importance of monitoring performance.

4.2 The ANAO examined whether DVA had:

- established appropriate performance indicators with related targets to monitor its fraud prevention and control activities;
- undertaken monitoring to assess the effectiveness of its fraud control activities and to provide feedback;
- implemented and monitored the progress of action items listed in the Fraud Control Action Plan (FCAP) on an ongoing basis;
- implemented and monitored the progress of recommendations from investigations and reviews undertaken by the National Fraud Control Unit (NFCU) and Strategic Review Services (SRS) on an ongoing basis; and
- reported as required in the *Fraud Control Policy of the Commonwealth* (the Policy) to its executive and Minister.

Indicators and Targets

4.3 The DVA Fraud Control Plan (FCP) identifies fraud risks for the various areas of the department's activities and outlines the key controls used to mitigate these risks. The action items arising out of the implementation of the key controls are prioritised and have broad timeframes. However, the ANAO found that DVA had not established specific performance indicators that would indicate that the action items had been carried out and had operated effectively in practice.

4.4 While performance indicators are not a specific requirement in the Policy, the ANAO considers them to be an essential management tool for effective monitoring and reporting. For example, the FCP identifies key controls for each of the department's outcomes. However, the fraud reporting and monitoring processes that are in place do not provide performance information at National Office (NO) and State Office levels regarding the operation of these controls that would allow an assessment to be made of their effectiveness. For instance, a performance indicator that would allow effective performance monitoring in the Hospital Services area where identified risks include over-servicing by providers and duplicate billing could be the reduction in the number of identified cases of over-servicing and duplicate billing.

4.5 In the Income Support area, identified fraud threats included the following:

- falsifying or intentionally withholding information;
- unauthorised inputting or amending of data (for example, change of payment delivery details); and
- collusion between staff members to accept inappropriate claims.

4.6 To address these threats, DVA has implemented a number of key controls, which include data matching, staff training, and security controls. A specific performance indicator for data matching would be a significant decrease in the number of cases identified for invalid tax file numbers and discrepancies in identity, payment and income matching. Formal evaluation of staff training would give an indication of the effectiveness of course delivery and its content, and the resultant reduction in the number of errors related to data input and an increase in inappropriate claims being rejected would be a positive performance indicator.²³

4.7 In relation to the Fraud Case Management Information System, a performance indicator could be its ability to provide such information and generate reports from which trends, common elements and systemic issues in fraud investigation and reporting could be identified. It would also allow comparison of the level and nature of recoveries between States, and support an intelligence capability in the review of fraud.

4.8 If available, such information should provide an indication of the effectiveness of controls and influence the development of policy or the need for other controls related to the department's fraud control priorities.

²³ See information on Performance Indicators in ANAO Report No.5, 2000–2001 *Fraud Control in the Department of Industry, Science and Resources*.

4.9 The ANAO acknowledges that the development of targets is not always easy. However, DVA should identify targets that are most appropriate to its fraud action plans and indicate specific timeframes in appropriate cases, thereby enabling it to assess and analyse the effectiveness of its controls.

Recommendation No.2

4.10 To improve DVA's performance assessment framework for fraud control, the ANAO recommends that DVA incorporate performance indicators for fraud control, where possible, into performance reports to the DVA executive in National and State Offices.

DVA response

4.11 Agree.

Monitoring and feedback

4.12 Systematic, regular monitoring of programs and the obtaining of feedback enables judgement to be made on effectiveness and progress, and is complementary to program management and accountability. Monitoring is a key feature of effective fraud control plans as outlined in the Commonwealth Fraud Control Guidelines. The follow-up of recommendations resulting from fraud investigations and internal audits is important in ensuring that appropriate action is taken when needed to reduce the risk of a re-occurrence and in fraud awareness-raising generally.

Monitoring and reporting framework

4.13 DVA has established a specific monitoring and reporting framework for activities related to fraud control. This structure includes:

- a National Audit and Fraud Committee (NAFCOM);
- State Audit and Fraud Committees (SAFCOM);
- State Case Management Committees (SCMC);
- the National Fraud Control Unit (NFCU); and
- a Strategic Review Services Section (SRS) that includes the internal audit function.

4.14 In addition, internal and external assessments are conducted periodically that provide information on the effectiveness of various activities that are relevant to the department's fraud control function. For example, the functions and responsibilities of the NFCU were reviewed in 2001. Such reviews have resulted in:

- a greater involvement of the NFCU in fraud policy matters;
- the implementation of a project in the Income Support area directed at changing the balance of review and monitoring activities so that areas of higher risk will be targeted by reviews; and
- the initiation of a project in Health that is directed at reducing the incidence of inappropriate servicing by providers and improving debt recoveries by focusing on areas of high risk.

National Audit and Fraud Control Committee

4.15 The NAFCOM has primary responsibility for the coordination of issues related to fraud in DVA. The overall objective of this committee is to ensure that the department's internal audit and fraud control functions are effective. This includes oversight of the implementation of the FCP and its associated action plans. In regard to fraud-related matters the NFCU supports the NAFCOM.

4.16 The ANAO found that the minutes of the NAFCOM were comprehensive and suggested that a systematic monitoring regime existed and that follow-up action occurred as needed. For example, at each NAFCOM meeting progress in implementing the FCAP is reviewed.

State Office committees

4.17 The SAFCOM exercise primary responsibility for the coordination of fraud issues identified within State Offices.²⁴ SCMC support the SAFCOM. State Offices include a range of investigative activities within functional areas. These activities may result in the referral of matters to the NFCU for further investigation or the progression of cases to prosecution or the recovery of funds through administrative procedures at State level.

4.18 Unlike the NAFCOM, in some cases the SAFCOM and SCMC received information on the reasons for and results of administrative recoveries from the functional areas within the Health and Income Support areas with responsibilities for administrative reviews and formal fraud investigations. The level of detail in these reports varied between State Offices.

4.19 The ANAO found that while the NAFCOM was an active body whose activities were well documented, the levels of activity and understanding of the role of SAFCOM and SCMC varied considerably between State Offices. In some cases the functions were not well understood and the records that were maintained provided only limited information on the operation of the committees and the matters that had been considered. The ANAO noted that

²⁴ In NSW the committee is known as SAFER, the *State Audit, Fraud, Ethics and Risk Committee*.

the NAFCOM had found it necessary during 2001 to confirm that the SAFCOM and SCMC were functioning in all States and had taken action to remind State Offices of this requirement. The ANAO suggests that DVA could include information on the activities of SAFCOM as one of its fraud control performance indicators.

National Fraud Control Unit

4.20 The NFCU has a shared responsibility with State Offices for the detection, investigation and prosecution of cases of fraud and for staff fraud awareness-raising. The NFCU is solely responsible for the investigation of fraud that is internal to the department, irrespective of its location and for training staff in prevention, detection and investigation techniques.²⁵ The NFCU also provides the Secretariat function for NAFCOM. Details of NFCU operational activities are addressed in Chapter 5.

Strategic Review Services

4.21 The internal audit activities of SRS are an integral part of the fraud control monitoring function in the department and complement other monitoring activities. The SRS monitors and coordinates actions arising from NAFCOM meetings regarding internal audit reports and action arising from those reports.

4.22 The DVA Internal Audit work program had addressed issues that were consistent with the areas of corporate risk that are specifically identified in the *Fraud Control Policy of the Commonwealth* as requiring review, as well as risks identified in the DVA FCP. For example, since the June 2001 Fraud Control Plan was implemented DVA Internal Audit has examined official travel, the use of credit cards and fuel cards and portable and attractive assets. Recommendations of internal audit reviews had been translated into policy and communicated to the department in the form of revised and new CEIs.

Feed-back on fraud-related reports

4.23 On behalf of NAFCOM, the SRS monitors progress in implementing recommendations arising from its reports and the NFCU monitors the FCAP. These matters are brought forward at the three-monthly NAFCOM committee meetings until such time as the NAFCOM is satisfied with the action taken.

4.24 The NFCU also submits reports to NAFCOM on the progress of investigations and other matters for which the unit holds responsibility. The information contained in NFCU case-load reports includes:

²⁵ An exception is that allegations of fraud by NFCU staff are required to be investigated by the AFP.

- the number of reports received and investigations being conducted and completed over the period;
- the number of matters being investigated by the Australian Federal Police (AFP) and other Commonwealth and State agencies when appropriate;
- the outcomes of finalised investigations, including the results of court cases and restitutions; and
- confidential summaries of investigations being conducted.

4.25 However, the fraud related reports considered by NAFCOM do not include the results of NO data matching (which can indicate potential fraud) unless matters have been referred to the NFCU, some investigations that are completed by State Offices or the number and results of administrative reviews conducted by State Offices. Providing this information would allow the Secretary to be informed of the full extent of fraud and potential fraud against the department.

4.26 Other examples of follow up include the use of the *Vetaffairs* newsletter to promulgate information generally and to address specific examples of the results of action taken against veteran's for fraud against the department. Staff advisory notices have been placed on the DVA Intranet on matters affecting Code of Conduct and Internet use and revised procedures have been introduced for staff and veterans' travel.

Internal reporting

4.27 The *FMA Act 1997* requires that agencies advise their Portfolio Minister of fraud-related matters, including the development of the agency FCP. DVA had met this obligation. NAFCOM periodically generates reports relating to sensitive and pertinent fraud related matters which are sent to the Minister.

4.28 A Deputy President of the Repatriation Commission chairs the NAFCOM on behalf of the Secretary and reports to him. Also, the Secretary is advised directly by the NFCU when sensitive issues arise and depending on their importance or sensitivity, the Secretary may then be briefed separately by an assistant director of the NFCU.²⁶

External reporting

4.29 The Policy requires agencies to provide comment on fraud-related matters in their annual reports to Parliament. DVA met this requirement.

²⁶ While the NFCU is located in Melbourne and the NAFCOM is supported by staff in that location, an assistant director of the NFCU is located in Canberra.

4.30 Agencies are also required to submit fraud control information annually to the Attorney General's Department (AGD). These annual reports include information on whether particular fraud control activities had or had not been undertaken and the extent of fraud and losses against the department.²⁷ DVA provided reports to the AGD, as required, in a timely manner.

ANAO conclusion

4.31 DVA has an appropriate system for submitting reports on fraud related matters to the DVA executive and fulfilling its external reporting obligations. However, it does not have specific performance indicators to assist it in monitoring the progress of its fraud control activities.

4.32 There are sound arrangements for monitoring and feedback of progress in implementing fraud control strategies and for following-up recommendations made in internal reports. However, fraud related reports considered by NAFCOM do not include the results of NO data matching unless matters have been referred to the NFCU, some investigations that are completed by State Offices or the number and results of administrative investigations conducted by State Offices. Providing this information would allow the Secretary to be informed of the full extent of fraud and potential fraud against the department.

4.33 DVA has met its internal reporting requirements. Its obligations in relation to external reporting have also been met through the provision of annual reports to Parliament, which included the required fraud-related information and by submitting relevant fraud control information annually to the AGD.

²⁷ The *Fraud Control Policy of the Commonwealth* includes theft as one of the specific types of matters that should be recorded as part of an agency's overall fraud reporting requirements.

5. Operational Procedures for Reporting and Investigating Allegations of Fraud

This chapter examines the operational arrangements in National Office and State Offices for reporting and investigating fraud against the department, and the remedies that are applied.

Introduction

5.1 As outlined in the Commonwealth Fraud Investigations Standards Package²⁸, procedures should be developed to provide guidance on how to report and investigate allegations of fraud. Agencies should have, or have access to, an adequate fraud investigation capacity to assist in the management of fraud control, including appropriate records of the activities that have occurred. As well, appropriate training and support mechanisms should be in place to assist with achieving a high standard of investigation.

5.2 The ANAO examined whether:

- procedures for reporting alleged instances of fraud had been established;
- an appropriate system to record all allegations of fraud was in place;
- an investigations manual that met legislative and policy requirements and contained procedures and guidelines to deal with all fraud-related issues had been developed;
- fraud investigations complied with operational procedures and included appropriate processes for quality control and referral to the Commonwealth Director of Public Prosecutions (DPP), Australian Federal Police (AFP) and State authorities when needed;
- appropriate Quality Assurance Reviews (QAR) of investigative processes had been undertaken;
- appropriate training had been provided to officers responsible for conducting fraud investigations;
- procedures for the referral of matters to the DPP for prosecution had been developed; and
- alternative remedies had been developed and promulgated to address issues related to staff conduct.

²⁸ <<http://www.law.gov.au/aghome/commprot/crjd/standards/packint.html>>.

Reporting fraud allegations

5.3 Agencies should establish clear reporting arrangements for fraud including alternative reporting channels for staff and the public in case the person to whom the allegation would normally be reported is suspected of being involved in the fraud.

5.4 DVA fraud reporting procedures are set out in Chief Executive Officer Instructions (CEIs).²⁹ All cases of suspected fraud in or against any group within DVA, unless explicitly excluded through the provisions of other Management Protocols, should be reported to the Division Head–Corporate Development. The confidentiality of reports of breaches of the APS Code of Conduct (including fraud) is emphasised. Reports may be made through line supervisors, to the chairperson of the State Audit and Fraud Committee (SAFCOM) or State Case Management Committee (SCMC) in State Offices or directly to the National Fraud Control Unit (NFCU). When a report of fraud is received it is the responsibility of the Division Head–Corporate Development or Chairperson of a SAFCOM, as applicable, to determine what further action should be taken. When required, the Director NFCU may act as the delegate of the Division Head–Corporate Development.

Recording and information system

5.5 A system that records all allegations reported to the area responsible for managing fraud is required to assist in the prevention and detection of fraud by providing summary information on the nature, extent and location of possible fraud impacting on an agency. The availability of comprehensive fraud information also supports the development and maintenance of a fraud intelligence capability, thereby ensuring that any systemic issues can be identified in a timely manner, as well as providing base data for performance information.

5.6 The NFCU had implemented an electronic case management recording system, the Fraud Control Management Information System (FCMIS), to assist in maintaining a central record of all fraud-related allegations and investigations. The FCMIS is intended to record all allegations of fraud and all cases of fraud investigation at both NO and State Office levels and to have the capability for case data to be cross-referenced and analysed. The DVA Annual Report 2000–2001 also states that the FCMIS provides an intelligence capability. The DVA Fraud Control Plan (FCP) indicated that the system was to be operational by late 2001.

²⁹ CEI 8.1, *Fraud Control and Reporting*.

5.7 The ANAO found that the FCMIS had yet to meet a requirement to produce some reports, the recording of required details is not complete in many cases and the system had not gained acceptance throughout the department. Other recording systems related to fraud control activities were still being maintained in some areas with the result that information on the central system was incomplete. It was also evident that the system relied upon the presence of a particular officer for its development and performance. This situation, combined with the lack of a specific user requirement, means that the system is vulnerable if the staff member is unavailable and that a focus for the direction of its development is lacking.

5.8 The FCMIS has the capability, but is not being used to record all of the fraud-related activities of the department. To provide an intelligence capability and to provide appropriate reports to support the NAFCOM and the Secretary in their fraud related responsibilities, the ANAO considers that the system should include appropriate details on fraud control activities including fraud investigations conducted by State-based fraud investigation officers and information on steps taken (for example, referral to NFCU for further investigation, referral to AFP or DPP etc) and fraud related recoveries. Such information provides valuable performance information for ongoing management purposes as well as the ability to analyse trends.

Recommendation No.3

5.9 The ANAO recommends that DVA assess whether the Fraud Control Management Information System (FCMIS) is meeting user requirements and consider ways of making it more user friendly to:

- encourage its use across the department so that up-to-date information on fraud-related activities is maintained; and
- produce appropriate reports to support the DVA executive in their fraud related responsibilities.

DVA response

5.10 Agree. The department had previously recognised the need to review this system and an internal review report is currently being finalised. The current Commonwealth Fraud Control Guidelines issued in May 2002 change the reporting requirements to the Attorney-General's department in 2002/03. The need to meet these changes will also impact on the overall viability of the system.

Investigation manual

5.11 The NFCU has developed a Compliance Investigation Manual (the Manual) to assist fraud investigators throughout DVA in undertaking their duties in accordance with legislation and policy requirements.³⁰ Within State Offices complementary investigation manuals had been developed to meet the specific needs of those offices.

5.12 The manuals provide detailed guidance for all aspects of the investigation function such as interview and investigation techniques, evidence handling requirements and liaison with the AFP and DPP. Guidelines are also included for dealing with staff found to have breached the public service Code of Conduct. The Manual is available to all staff on the DVA Intranet.

Investigation procedures

5.13 Investigations may be conducted by the NFCU or by investigation units in State Offices.³¹ While DVA was able to provide details of the fraud investigations conducted by the NFCU, similar information was not available for fraud investigations conducted by State Office investigation units.

5.14 Reported instances of fraud investigated by the NFCU from 1998–1999 to 2001–2002, are shown in Table 5.1.

Table 5.1

Fraud investigations by DVA 1998–2002

Number of fraud investigations⁽¹⁾	1998–1999	1999–2000	2000–2001	2001–2002
Current cases at 30 June	212	120	96	99
Referred to DPP and/or AFP	11	15	21	16
Convictions	20	19	14	19
Value of fraud recoveries (\$)	250 050	506 424	650 000	891 000

Source: Department of Veterans' Affairs Fraud Control Plan 2001–2003 and Department of Veterans' Affairs Annual Report 2000–2001, p. 207.

5.15 Functional areas within State Offices include investigative staff sections. Depending on their level of training and investigative arrangements within the State, these staff may conduct investigations up to, and including, referral to the

³⁰ There are a range of legislative and policy directions that Commonwealth investigators adhere to in the conduct of investigations such as the *Commonwealth Fraud Investigation Standards Package*, the *Fraud Control Policy of the Commonwealth* and the *Prosecution Policy of the Commonwealth* as well as the *Evidence Act 1995* and the *Privacy Act 1988*.

³¹ An exception exists if an allegation of fraud involves the NFCU. In such an event the investigation would be conducted by the Australian Federal Police.

AFP and DPP, or may refer matters to the NFCU. Contracted medical and allied health professionals support State Office staff in these activities.

5.16 Examples of fraud investigations undertaken by the NFCU (six) and State Office investigation sections (one in each section of States visited, three in total) were reviewed during the audit. The ANAO found that the conduct of these investigations was:

- consistent with the requirements of the Policy;
- complied with the department's FCP and the Manual; and
- generally met professional standards and requirements for fraud investigations. For example, cases referred to the DPP for determination had a supporting brief of evidence that met the requirements set by the DPP.

5.17 However, the standard of record maintenance varied considerably and detracted from the standard of the investigations.

5.18 Sound record keeping practices are important, particularly when information is sensitive and required to be complete in order to substantiate a case and support good decision-making.³² Examples of record keeping deficiencies identified by the ANAO included that *Protected* file covers for investigations were not used consistently despite the sensitive nature of information, many files did not have file numbers and were held loose leaf in plain manila folders and in some cases the investigation log was incomplete.

5.19 The ANAO suggests that DVA advise investigative staff of the need for the proper maintenance of records and take action to ensure that the requirements of standards on record management applicable to Commonwealth agencies are complied with.³³

Quality assurance reviews

5.20 The Policy requires that the Australian Federal Police (AFP) conduct Quality Assurance Reviews (QAR) of a department's fraud investigations. The most recent QAR of the NFCU was conducted in May 2001.³⁴ At that time, based on the review of one investigation, the AFP commended the DVA investigation process and noted that practices adopted by senior staff in the unit were reflected in the very good standard of investigation practice and methodology. However,

³² See also ANAO Audit Report No.45, 2001–2002, *Recordkeeping*, dated 1 May 2002.

³³ See International Organization for Standardisation ISO 15489:2001 *Records Management*, Australian Standard AS 1549:2002 *Records Management* and the *Archives Act 1983*.

³⁴ Under the *Fraud Control Policy of the Commonwealth* the AFP has a responsibility to periodically conduct QAR on selected completed fraud investigations undertaken by Commonwealth agencies.

the QAR also identified areas where improvements to the investigation process could be made. DVA had taken appropriate action to address each of the issues that were raised.

5.21 QAR by the AFP had not been conducted at State Office level since 1998.

5.22 Internal Quality Assurance (QA) of the NFCU and State Office investigation sections had not been conducted. The ANAO was advised variously that this is because of the high standard and experience of the investigators and a lack of resources. The ANAO suggests that a revised approach to internal QA in these areas would be beneficial. The benefits of a QA program include the maintenance of investigation standards and contribute to early resolution of problems when they occur. For example, properly conducted QA would have identified the variable standards that exist in record keeping, that entries in the FCMIS are incomplete and that in some cases the FCMIS is not being used to record investigations. The implementation of such an internal QA process to complement the role of the AFP is an example of better practice, assists in ensuring a continued high standard of investigation and allows management to take appropriate action.

Recommendation No.4

5.23 To assist in establishing and maintaining a high standard of investigations and record keeping, the ANAO recommends that DVA implement an internal QA process for the fraud investigation functions within the department.

DVA response

5.24 Agree.

Investigator training

5.25 The Policy prescribes the competency level of training to be achieved by officers involved in fraud investigations.³⁵

5.26 Investigation officers in the NFCU had been trained to the prescribed competency level. However, in State Offices varied levels of training and qualification existed. Although some senior personnel had been trained to the prescribed competency level and other officers had received part accreditation, most had not been trained to the level prescribed in the Policy. Some of these officers had considerable experience in their jobs as investigators. Reliance has been placed on other qualifications such as on-the-job experience and tertiary qualifications such as accountancy or law studies.

³⁵ The May 2002 Guidelines prescribe an even higher competency standard.

5.27 DVA has the capacity to conduct some fraud investigator training to the prescribed level. The NFCU is an accredited training agency for six of the 24 competencies that the Policy requires for fraud investigators. Since 2000 the unit has qualified 71 officers in the department in these competencies. This training is accredited towards achieving the Certificate Level IV (Investigations) qualification required by the Policy.

Recommendation No.5

5.28 The ANAO recommends that DVA review the qualifications of all officers involved in investigative activities and initiate a training program as necessary so that standards prescribed for investigators are met.

DVA response

5.29 Agree. The Commonwealth Fraud Control Guidelines issued in May 2002 set a mandatory level of qualification for officers whose duties primarily involve investigations.

Remedies for recovery of monies

5.30 Proving criminal intent in relation to fraudulent behaviour is often difficult. Consequently, the availability and use of remedies, other than prosecution, is in many cases appropriate and can be more cost-effective than undertaking criminal proceedings for minor offences. When deciding on the action that is to be taken, a balance needs to be maintained between the costs of the action and the deterrent effects that prosecution can achieve. It is also important, where external providers deliver services, that alternative avenues are available other than prosecution to deal expeditiously with breaches and to recover losses cost-effectively.

5.31 DVA is responsible for conducting initial investigations into fraud allegations. Where, following preliminary investigation, a *prima facie* case of fraud is found to exist, the most appropriate course of action is determined by using guidance provided in the Manual. This may involve referral of the matter to the Commonwealth Director of Public Prosecutions (DPP) to obtain reparation orders or use of civil litigation conducted by the Australian Government Solicitor. Recoveries had also been achieved under statutory provisions and by negotiated settlements.

5.32 The *Veterans' Entitlement Act 1986* (VEA) includes a range of provisions that allow DVA to recover funds using administrative processes, including 'without prejudice' conferences, when events such as overpayments for services, pensions and compensation have occurred.³⁶ The department has the power to

³⁶ S90 of the VEA provides for the preparation of *Treatment Principles* that are to be adhered to by those providing services on behalf of the department.

impose administrative penalties in the form of reduced pensions where administrative error on the part of the department or the provision of misinformation has led to overpayments. Money can also be recovered as a lump sum, for example where a veteran has received payments from DVA and an insurance company for a compensation claim and the department can suspend payments where veterans have failed to respond to requests for information. These matters are addressed further in Chapter 6.

5.33 In line with the *Fraud Control Policy of the Commonwealth*, both the NFCU and State Office investigation sections had referred cases to the DPP for prosecution. The ANAO was advised by the NFCU and State Office investigation sections that good lines of communication existed with the DPP, the AFP and State police forces that assisted the investigation and referral process. Examples of the frequency and nature of these meetings were provided. Such liaison is consistent with the requirements of the Policy.

Alternative remedies related to staff conduct

5.34 The *Public Service Act 1999* (PS Act) provides the authority for agency heads to impose various sanctions on APS employees who are found to have breached the APS Code of Conduct.³⁷ DVA advised the ANAO that sanctions available under the PS Act in accordance with established procedures had been infrequent since the introduction of the Act.

5.35 The ANAO found that the Secretary had endorsed DVA's formal set of procedures and delegations for determining breaches of the Code of Conduct and determining appropriate remedial action. Additionally, the department has developed a whistleblower policy as well as publishing this policy and the procedures needed to comply with the policy. Where appropriate action had been taken using these procedures. For example, instances existed of employees who had been dismissed for breaches of the Act related to use of the Internet. The department had used these events to reinforce code of conduct requirements to staff through a minute from the Secretary and the promulgation of information on the Intranet.

ANAO conclusion

5.36 The ANAO concluded that DVA had:

- established appropriate reporting and recording processes to record allegations of fraud;

³⁷ *Public Service Act 1999*, Section 15 (1).

- developed CEIs and an investigations manual that provided appropriate guidance on all aspects of the fraud investigation process;
- undertaken fraud investigations in a timely and professional manner in accordance with the DVA Fraud Investigations Manual and the *Fraud Control Policy of the Commonwealth*;
- developed and circulated procedures to all investigation staff, on the referral of matters to the DPP for prosecution; and
- implemented a formal set of procedures and delegations for determining staff breaches of the Code of Conduct and determining appropriate remedial action.

However, the formal qualifications of some staff in State Office investigation sections was less than that prescribed in the Policy;

5.37 The department has implemented a Fraud Control Management Information System. However, the system has yet to meet the requirements expected of it in aspects such as the production of reports. The system has not gained acceptance throughout the department and is not used to record all instances of fraud that are reported and investigated. As a result, the information that it holds does not identify the full extent of fraud related activities in the department.

5.38 An external Quality Assurance Review (QAR) of the NFCU by the AFP in May 2001 commended the unit on its investigation process. However, QAR by the AFP had not been conducted at State Office level since 1998. Additionally, internal QA of the NFCU and State Office investigation sections does not occur.

6. Administrative Recoveries

This chapter examines the operational arrangements in the department that are used to identify discrepancies in payments that result in the administrative recovery of funds.

Introduction

6.1 DVA recovers significant amounts of Commonwealth funds in any year as a result of its various review processes such as data matching, reviews initiated by the department, Quality Assurance (QA) Programs and automatic processing runs where pensions are reassessed using updated customer information received from various organisations (for example the Australian Taxation Office, the Commonwealth Superannuation Administration (COMSUPER), Centrelink and the Department of Health and Ageing).

6.2 The need for administrative recoveries can result from the provision of incorrect information to DVA, oversights in relation to the provision of information on changes in the circumstances of ‘customers’ or errors in claims’ processing. As well, administrative recoveries can be used to recover money where there may have been some fraudulent intent and it is inappropriate or not cost effective to undertake prosecution action. It is important to recognise that where an administrative recovery has been undertaken, it does not necessarily mean that fraud had occurred.

6.3 DVA includes controls and procedures in relation to these administrative recoveries in its Fraud Control Plan (FCP).

Scope and extent of administrative recoveries

6.4 DVA provided the ANAO with details of the value of the administrative recoveries from data matching conducted by National Office (NO) and the Income Support and Compensation areas of State Offices. However, it was not able to provide similar information for recoveries by State Offices in the Health Services’ area. The value of data matching and other income support administrative recoveries in 2000–2001 was \$13 million. The department indicates in its FCP that administrative recoveries may contain an element of fraud and so the provision of all such data within its fraud reporting processes would be appropriate. However, information on these occurrences is not aggregated into the department’s reporting processes to enable DVA Executives to identify broader issues.³⁸ Its

³⁸ This occurs, for example, in cases where restitution is ordered by a court. The responsibility for administering the restitution is passed to State Offices and becomes an administrative recovery. Information for the annual report is collated manually as it is recognised that the FCMIS does not contain the required information. As well, an element of administrative recoveries is attributable to the NFCU but the level cannot be determined from the existing data.

inclusion would assist the executive in identifying these broader and other systemic issues in both fraud control and administrative recoveries.

6.5 The ANAO examined:

- whether the operation of the procedures and controls contained in DVA's FCP were consistently applied in the Income Support and Health areas; and
- whether action had been taken in the Health area to improve the level of recoveries in relation to the potential fraud identified by the department in its risk assessment plan for this area.

Procedures for administrative recoveries

6.6 DVA has a range of review and control processes in place to assist it in identifying possible over/under payments. Of these, the processes that are applied to income support are relatively more extensive to those used in other areas, reflecting the greater reliance placed on information provided by the veteran as a basis for their initial claim for a pension and subsequent updating of their information. Many of the payments in the income support area are subject to the means test, whereas compensation and some disability payments are exempt from this test. This reinforces the importance of the need for regular reviews to ensure that pensioners are maintained on the correct rate of pension.

6.7 The ANAO examined the effectiveness of procedures DVA had in place for administrative recoveries in the following areas:

- Compensation;
- Income Support; and
- Health Care and Services.

Compensation

6.8 Most payments made by DVA to veterans are by way of compensation, either as lump sum or as on-going payments. The approval process includes procedures that involve medical reviews and appeal processes, as well as reference to a claimant's service records and medical history. While not their primary purpose, these procedures in themselves act as a form of fraud prevention and control. Quality assurance processes are in place to examine the accuracy of information that is recorded and the consistency of decision-making within the department.

Income Support

6.9 A key objective of the department is to make sure that pensioners are maintained on the correct rate of pension and the FCP lists a number of checks and balances that act as controls. The ANAO examined the department's processes to confirm that these controls were in place and operational.

6.10 The controls and ANAO comments are summarised in Table 6.1.

Table 6.1

Controls in Income Support

Control	ANAO Comments
Pensioner obligations. Under the <i>Veterans' Entitlement Act 1986</i> (VEA), recipients of income support pensions are required to advise DVA of changes that may affect the amount of pension received. Known as Pensioner Initiated Reviews (PIR).	<ul style="list-style-type: none">• The department receives a good response to this requirement.• Around 80 per cent of the review activity in the Income Support area results from PIR. However, processing of the volume of PIR received, around 130 000 annually, reduces the attention given by the department to other areas of review.• At the time of the audit, the department was undertaking a project aimed at reducing the volume of PIR so that a greater emphasis could be given to targeting reviews on areas of high risk.

Continued on next page

Control	ANAO Comments
<p>Departmental obligations. DVA has a responsibility to ensure that pensioners understand their obligations.</p>	<ul style="list-style-type: none"> • When initially granted income support, pensioners are notified of their obligation to advise DVA of changes in circumstances that could affect their rate of pension. • Reminders are provided to pensioners receiving maximum rate pension every 5 years and every 2 years where income and assets reduce an entitlement below the maximum rate. • Information is also available to pensioners through various publications and fact sheets available from DVA offices and the DVA Website on the Internet. A comprehensive guidance booklet, <i>You and Your Pension</i> is provided to all pensioners.
<p>Departmental initiated reviews (DIR). Targeted DIR are generated from time to time. These are known as <i>Selective Reviews</i>, <i>Compliance Reviews</i> and <i>Departmentally Initiated Actions</i>.</p>	<ul style="list-style-type: none"> • Selective Reviews. Full reviews of the personal and financial circumstances of selected groups of pensioners identified as at high risk of being paid the incorrect rate of pension occur. • Compliance Reviews. Information provided by a pensioner is verified with an independent third party. • Departmentally Initiated Actions. Aspects of a pensioner's financial circumstances that are subject to change are reviewed. For example, earnings and involvement in trusts and companies.
<p>Quality Assurance (QA) program. QA officers in each State Office income support business unit perform QA assessments.</p>	<ul style="list-style-type: none"> • A risk based sampling regime of five percent of the cases that have been determined each month, determined by NO, is used. Emphasis is placed on continually improving the quality of decision making by providing performance feedback to individual decision makers, identifying training needs and identifying improved work practices.

Control	ANAO Comments
<p>Data-matching. The <i>Data-matching Program (Assistance and Tax) Act 1990</i> applies.</p> <p>The objectives of the data-matching program are to detect fictitious or assumed identities, detect instances of incorrect or dual payments, compare income declared to the Australian Taxation Office (ATO) and that which is declared to DVA, and detect instances of fraud. DVA considers the data-matching program one of the most cost effective and efficient methods of comparing and verifying data held against pensioner records.</p>	<ul style="list-style-type: none"> • Data matching occurs with Centrelink, the ATO, the Department of Health and Ageing and the Commonwealth Superannuation Administration (COMSUPER). Company and Trust reviews with the ATO also occur. Fact of Death file matching is being developed using information provided by State agencies. • Mainly, action arising from these reviews is resolved administratively. However, referrals are made to the National Fraud Control Unit (NFCU) when difficulties in administrative recoveries are encountered or clear indications of fraudulent acts are evident.
<p>Annual property valuation exercise.</p>	<ul style="list-style-type: none"> • Action is being taken to obtain annual property valuation updates from the Australian Valuation Office for pensioners who are at, or near, asset tested levels.
<p>Automatic processing runs. Pensions are reassessed using updated information received from various organisations.</p>	<ul style="list-style-type: none"> • Includes 6 monthly updates of unit prices for shares and managed investments. Commonwealth and State superannuation increases, British pension indexations and exchange rate variations are automatically updated.

Source: Compiled by the ANAO from information obtained from the DVA FCP and other DVA documents.

Health Care and Services

6.11 From a control perspective DVA reviews of health service activities are subject to varying organisational arrangements and procedures between the various State Offices. However, each State Office has an investigative capacity, which may be made up of one or more staff areas devoted to reviews and investigations. To assist both the line area and investigative staff, State Offices employ contracted advisers such as dentists, physiotherapists and other health professionals. Specialist staff provide professional advice and assessment and, when needed, perform a liaison, counselling and education function to members of their professions. Detailed reviews occur of data related to hospitals such as admission and treatment details.

6.12 In regard to many of the services that are provided, the department relies on information from the Health Insurance Commission (HIC) and the procedures used by the commission. These procedures are, essentially, those that are used for Medicare and result in corrective action for matters such as duplicate billing being taken before they reach DVA. However, the HIC is not responsible for DVA's fraud control, investigation, prosecution and administrative recovery activities. DVA should follow-up on health related matters such as over-servicing and the submission of incorrect claims for treatment that have been identified from HIC information.

6.13 The FCP lists a number of checks and balances that act as controls for the Health Care and Services area. The main procedure used in the health area to monitor activities and to effect recoveries is that of Post Payment Reviews (PPR). The ANAO examined the department's processes to confirm that these controls were in place and operational. The controls and the ANAO comments are summarised in Table 6.2.

Table 6.2
Controls in Health Care and Services

Service	ANAO Comments
Hospital services. Contracts are negotiated jointly by National Office (NO) and State Offices. State Offices oversee the day-to-day performance of contracts.	Data on hospital admissions, including that provided by the HIC is reviewed by the department for anomalies in areas such as duplicate billing, inappropriate treatment or treatment where a veteran has no entitlement to services.
Medical Provider Services. The department, through its MOU with the HIC, reimburses the HIC for costs billed by medical providers (doctors and specialists) for treatment provided to veterans.	Essentially, the DVA system is tied to the HIC system and thus carries the same risks as exist for bulk billing under Medicare. That is, over-charging, over servicing, duplicate billing and charging for services not provided. Doctors who provide treatment on behalf of DVA enter into contracts.
Pharmaceutical services. The scheme is administered through a central approval process, using a call centre located in the Queensland State Office. A team of trained pharmacists man the call centre.	The centralisation of the approvals process and the use of pharmacists contribute to the control of fraud by ensuring uniformity in approvals and the avoidance of duplication in decision-making.

Service	ANAO Comments
Community nursing. The scheme is administered through individual contracts with providers; around 400 contracts are in place.	All organisations are subject to clinical and compliance audits at least once in every three years, or as required should concerns on performance be raised. In each of the States visited as part of the audit fieldwork departmental reviews were occurring as a result of audit findings.
Nursing home services. DVA works with the Department of Health and Ageing (Health) to meet veterans' residential health care needs.	Daily data matching by DVA with Health to ensure eligibility is conducted. Proof of identity procedures and data matching between DVA, Centrelink and Health occur to identify veterans and others who may have misrepresented their financial status.
Repatriation Transport Scheme. Veterans are assisted with the cost of travelling for medical treatment.	The scheme has been the subject of several NFCU investigations and internal reviews.

Source: Compiled by the ANAO from information obtained from the DVA FCP, other DVA documents and through interviews with DVA stakeholders.

Repatriation Transport Scheme

6.14 During the ANAO fieldwork, DVA staff regularly advised the ANAO of their concerns over, and the scope for, fraud in the Repatriation Transport Scheme (RTS). In particular, comments were directed at that part of the scheme that applies to reimbursement for the cost of travel arrangements made by a veteran and, where applicable, an accompanying attendant using private and public transport.

6.15 The operation of the RTS is governed by Section 110 of the *Veterans' Entitlements Act 1986* (VEA) and Regulation 9 of the *Veterans' Entitlements Regulations 1986* (the Regulations).³⁹ The ANAO examined the procedures used for the payment of travel allowances to veterans when attending medical treatment to determine whether they were consistent with the Act and the Regulations.

6.16 In the area of the RTS that was examined the ANAO found that the department's procedures were not consistent with the applicable sections of the VEA and the Regulations. For example:

³⁹ *Veterans' Entitlements Act 1986 and Veterans' Entitlements Regulations 1986 Statutory Rules 1986 No. 97* as amended under the *Veterans' Entitlements Act 1986*.

- when public transport is used allowances for the use of that transport are paid irrespective of whether any expenditure or costs have been incurred.⁴⁰ Claimants are not required to provide evidence of the journey or the costs incurred;⁴¹
- where an approved attendant accompanied a veteran inappropriate payment practices that could contribute to fraudulent behaviour existed. In this circumstance an attendant is entitled to payments in their own right, but the department's practice is to make payments to the veteran and not the attendant;⁴² and
- the claim form used by veterans did not provide essential information, such as the actual costs incurred by a veteran for the use of public transport or the address of any accompanying attendant. This information is needed if the department is to meet its obligations to protect the public revenue.

6.17 The ANAO also found that at the time of the audit fieldwork there was no systematic approach in place, or a QA process, that would assist in identifying claims anomalies and identifying potential fraud.

6.18 The ANAO advised the department of these findings during the audit. Subsequent to the audit fieldwork, DVA advised the ANAO that the department was in the process of developing an appropriate QA system in relation to travel costs in order to identify anomalies and potential fraud.

Recommendation No.6

6.19 The ANAO recommends that DVA take action to standardise travel allowance claim procedures and documentation under the Repatriation Transport Scheme to be consistent with the *Veterans' Entitlements Act 1986* (VEA) and its Regulations.

DVA response

6.20 Agree. DVA agrees there is a need to introduce a national QA system for travel costs. The Department will also standardise travel allowance payment processes to ensure they are consistent with the VEA.

⁴⁰ In some cases veterans, for example those classified as Totally and Permanently Incapacitated, may be provided with free public transport.

⁴¹ The Regulations provide for reimbursement only when *expenditure* has occurred and *costs* have been incurred. (italics added) See Regulations 9 (2), (3) and (4).

⁴² Section 110 (2) of the VEA.

Recoveries by Health Care and Services

6.21 Greater scope exists for administrative recoveries in the health area than presently occurs. This was evident to the ANAO from the available statistics, and recognised by DVA. For example, the ANAO was advised that during Financial Year 2001–2002 (to end March 2002) overpayments raised against allied health and transport providers in New South Wales as a basis for administrative recoveries totalled \$668 000 and s.93⁴³ recoveries amounted to a further \$1.01 million. However, in States other than NSW there had been minimal recovery action and in some States no recovery action had occurred. In this regard, DVA is in the process of implementing a national Post-Payment Review (PPR) program aimed at reducing overpayments and improving debt recovery by focusing on area of high risk.⁴⁴

6.22 As the nature of the customer base does not vary between States the ANAO considers that greater scope for recoveries are likely to exist in some States than is presently being achieved. The difference in the value of recoveries between States should also be considered against estimates of fraud in the treatment accounts processing area. Both the DVA FCP and the *Health Insurance Commission/ Commonwealth Department of Veterans' Affairs Treatment Accounts Processing Fraud Control Plan 2000–2002* state that fraud against DVA may be occurring, in this area alone, valued at between \$6.7 million and \$15.3 million. (That is, between 0.7 per cent and 1.7 per cent of total expenditure for medical treatment provided.)

6.23 State Offices were making some use of information extracted from HIC information systems that variously provide ad hoc reports, detailed reports on provider services and broad trend reports. While there are some exceptions, the analysis of data is relatively unsophisticated, with cases generally selected for review based upon *Top 10* lists. More complex analyses, for example, the frequency of services per veteran per provider are not done, either because skills do not exist locally, or because there is no knowledge of the availability of such data and the means of obtaining it. However, while one State, New South Wales, had developed models that helped in focussing areas for investigation other States were not applying this, or similar, systems.

6.24 DVA advised the ANAO that until the mid 1990s control of over payments had existed through a prior approval process for services being sought by veterans. However, this system had been changed such that prior approval was

⁴³ S 93 of the *Veterans' Entitlements Act 1986*. A S 93 recovery is possible, for example, when a claim against the department is duplicated by a civil claim for insurance compensation.

⁴⁴ A New Policy Proposal *Reduce Overpayments and Improve Debt Recovery* (the NPP) was approved in the 2001–2002 budget and is in the process of being implemented. Its broad aims are to reduce the incidence of inappropriate servicing by providers and improve Health Services' debt recovery outcomes by focusing on areas of high risk.

no longer required and subsequent actions within the department has seen a downgrading of the processes that led to fraud control.

6.25 The ANAO found that because of the devolved administrative structure of the department State Offices have been allowed to set their own priorities for post payment reviews. One result is that in some States emphasis is given to public and private hospital contract compliance, an area recognised in the DVA FCP as being heavily reliant on controls outside DVA, rather than those aspects of post payment monitoring, which DVA may be able to more directly influence and where greater opportunities for recoveries may exist.

6.26 The ANAO also found that in the context of fraud control and identification, overall, monitoring activities in State Offices emphasised education and counselling of providers. Monitoring and investigation, leading to detection and recovery of overpayments is widely seen as a non core activity and investigation staff are frequently redeployed, either temporarily or permanently, to perform other functions. The ANAO was advised by DVA that similar observations had been made within the department. Advice was also given that there is little exchange of information among States about PPR techniques, anomalous servicing patterns and provider behaviours that are likely to be appearing in more than one State.

6.27 At the time of the audit DVA was examining how to implement new measures that address the concerns that have arisen about the integrity of payments for allied healthcare services to achieve a more uniform approach by State Offices. The broad aims of the measures are to reduce the incidence of inappropriate servicing by providers and improve Health Services' debt recovery outcomes by focusing on areas of high risk.

6.28 A project officer has been appointed and advertising has commenced for additional staff, but a detailed timetable for the implementation of the measures had not been set. Given the DVA assessment of the level of fraud in the Health Services' area, the low level of recoveries and the lack of uniformity in the actions of State Offices, the ANAO considers that the introduction of these measures is timely and it is important that the department implement them as soon as possible. DVA subsequently advised the ANAO that an implementation timetable had been approved.

ANAO conclusion

6.29 The ANAO concluded that:

- the extensive use of administrative procedures to recover expenditure is an important element of DVA's fraud control procedures. However, it is important to recognise that the use of administrative remedies does not necessarily mean that fraud has occurred; and
 - the levels of fraud investigation and administrative recoveries that have been achieved in the Health Services' area are not commensurate with the level of potential fraud identified in the DVA FCP. However, the department is in the process of implementing new measures that are directed at reducing the incidence of inappropriate servicing by providers and improving Health Services' debt recovery outcomes.
-

Canberra ACT
29 August 2002



P. J. Barrett
Auditor-General

Appendices

Appendix 1

Previous ANAO Performance Audits on Agency Fraud Control Arrangements

- Audit Report No.25, 1990–91, *Efficiency and Effectiveness of Fraud Investigations*, Australian Federal Police
- Audit Report No.15, 1991–92, *Procedures for Dealing with Fraud on the Commonwealth*, Department of Defence
- Audit Report No.40, 1991–92, *Systems for the Detection of Overpayments and the Investigation of Fraud*, Department of Social Security
- Audit Report No.11, 1992–93, *Procedures for Dealing with Fraud on the Commonwealth*, Department of Administrative Services
- Auditor General's Report No.4, 1999–2000, *Fraud Control Arrangements in the Department of Education, Training and Youth Affairs*
- Auditor General's Report No.47, 1999–2000, *Survey of Fraud Control Arrangements in APS Agencies*
- Auditor General's Report No.5, 2000–2001, *Fraud Control Arrangements in the Department of Industry, Science and Resources*
- Auditor General's Report No.6, 2000–2001, *Fraud Control Arrangements in the Department of Health and Aged Care*
- Auditor General's Report No.16, 2000–2001, *Fraud Control Arrangements in the Australian Taxation Office*
- Auditor General's Report No.22, 2000–2001, *Fraud Control Arrangements in the Department of Defence*
- Auditor General's Report No.45, 2000–2001, *Fraud Control Arrangements in the Department of Family and Community Services*
- Auditor General's Report No.20, 2001–2002, *Fraud Control Arrangements in the Department of Agriculture, Fisheries and Forestry – Australia*
- Auditor General's Report No.26, 2001–2002, *Management of Fraud and Incorrect Payments in Centrelink*

Appendix 2

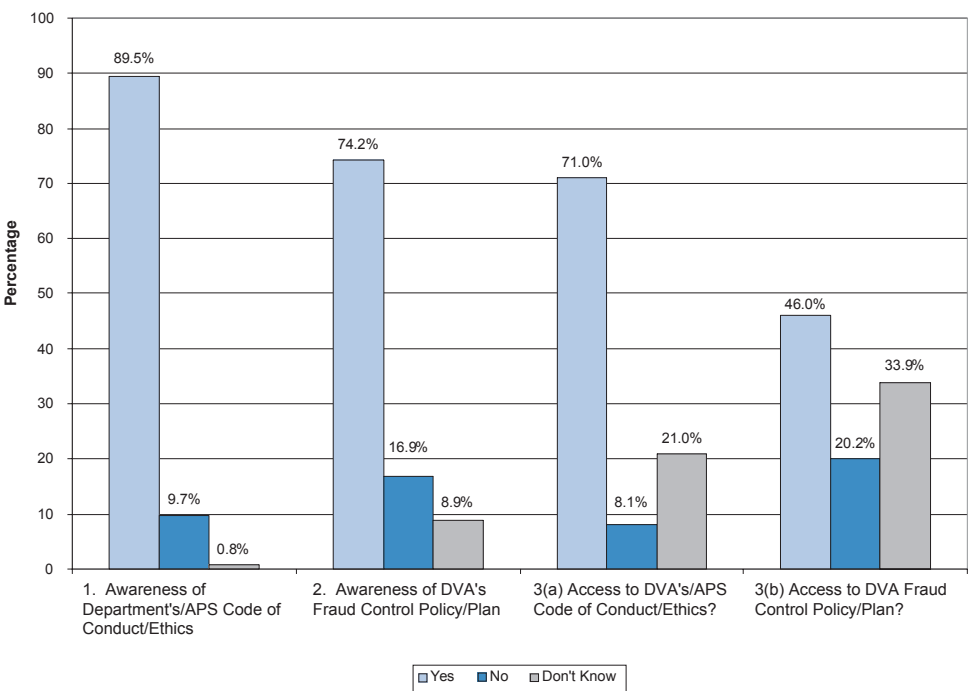
ANAO Survey of Fraud Awareness in DVA

DVA STAFF AWARENESS SURVEY

Number of staff surveyed = 200

Number of respondents = 124

Response rate = 62 per cent



Survey Question	Survey Responses and ANAO Comments
Question 1. Awareness of Department's/ APS Code of Conduct/Ethics.	<ul style="list-style-type: none"> 89.5 per cent (111) responded that they were aware of the Department's/APS Code of Conduct/Ethics; 9.7 per cent (12) were not aware of it; and 0.8 per cent (1) did not know or were not sure of it. <p>This is a positive response in favour of the Department.</p>
Question 2. Awareness of DVA's Fraud Control Policy/Plan.	<ul style="list-style-type: none"> 74.2 per cent (92) respondents indicated that they were aware of DVA's fraud control policy and plan; 16.9 per cent (21) were not aware of it; and 8.9 per cent (11) were not sure. <p>Despite there being a fairly large number of respondents who responded in the affirmative, during fieldwork the ANAO found that awareness was mainly in relation to the existence of the document. Knowledge as far as the contents of the document was concerned, was predominantly poor.</p>
Question 3(a). Access to DVA's/ APS Code of Conduct/ Ethics.	<ul style="list-style-type: none"> 71.0 per cent (88) responded that they had access to the Department's/APS Code of Conduct/Ethics; 8.1 per cent (10) thought they had no access to it; and 21.0 per cent (26) did not know if they had access or not.
Question 3(b). Access to DVA Fraud Control Policy/ Plan.	<ul style="list-style-type: none"> 46.0 per cent (57) respondents said that they could access DVA's fraud control policy and plan if necessary, as it would be located on the Intranet; 20.2 per cent (25) thought that they did not have access to it or did not need to access it; and 33.9 per cent (42) did not know if they had access to it or not.
Question 4. Induction training.	<ul style="list-style-type: none"> 25.6 per cent (30) were given induction training, but 17 of them indicated that they could not remember if the induction included sections on code of conduct and fraud awareness; 59.9 per cent did not receive any induction. A few comments were made about there being a lack of planning and targeting for induction training of new staff and that attendance at such training was not mandatory; and 14.5 per cent did not know if they received induction training or not.

Survey Question	Survey Responses and ANAO Comments
<p>Question 5. What does the Fraud Control Policy/ Plan outline as your responsibility in your area of work?</p>	<ul style="list-style-type: none"> • 51.6 per cent (64) of respondents were not sure, did not know or were not aware of their individual responsibilities as outlined in the Fraud Control Policy/ Plan. Some considered this question as not being applicable to them and that fraud control was the responsibility of the National Fraud Control Unit; • 20 per cent (26) saw their responsibility as being task specific in relation to their duties. For example, process claims correctly, check signature on documents, police Cabcharge usage, ensure contractual compliance etc; • 20.2 per cent (25) showed a general understanding of their responsibilities in terms of risk management, prevention, detection, reporting and investigation of fraud; and • 7.3 per cent (9) did not respond to the question.
<p>Question 6. What relevance to or impact on your daily work does the Department's/ APS Code of Conduct/ Ethics have? If no relevance or impact to you, explain why not.</p>	<ul style="list-style-type: none"> • 75.8 per cent (94) demonstrated a fair to good understanding of the relevance of the DVA/APS Code of Conduct. Responses ranged from 'highly relevant' to the Code having 'direct impact on day-to-day work'. Again, some of the responses were task specific (ensure confidentiality of customer information while processing claims, accountability for decision making etc). Although this does not reflect complete knowledge of DVA's/APS Code of Conduct and Ethics, it does show a level of understanding by staff of what is required of them; • 20.2 per cent (25) – did not know, were not sure, thought it was not applicable, had no relevance and little impact; and • 4 per cent (5) gave a nil response to the question.
<p>Question 7. What relevance to, or impact on your daily work, do fraud control arrangements have?</p>	<ul style="list-style-type: none"> • 43.5 per cent (54) of respondents thought this question was not applicable (to their area of work), had little/ minimal relevance, were not sure or did not know what relevance or impact fraud control arrangements had on their daily work; • 42.7 per cent (53) of the responses showed risk/fraud awareness and described relevance in relation to their duties. For example, check documents to ensure that they are genuine, post payment monitoring, IT security, ensure approval process has been adhered to, ensure no over-servicing occurs etc; • 9.6 per cent (12) provided vague responses such as very relevant, direct impact etc. Some of these respondents also expressed the view that it would be relevant only to the areas of purchasing, credit card use, petty cash and travel; and • 4 per cent (5) did not answer the question.

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