



Australian Government
Department of Veterans' Affairs

Annual Reports 2016–17



REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Compensation and Support \$6.4 billion



176,232

income support clients



57,000

number of conditions determined

supported

169,727

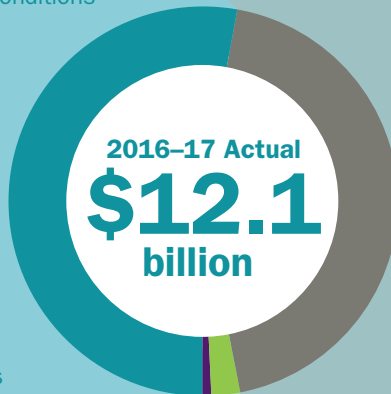
compensation clients



and assisted

8,029

clients



Health and Wellbeing \$5.3 billion



We conducted

94,726

VVCS counselling sessions

had



168,694

At Ease website visits



provided over

1.8 million

instances of travel to treatment

provided

135,263

Gold Health Cards



and

58,705

White Health Cards



160,054

health service providers

Commemorations \$47.2 million



22,397

war graves maintained in Australia & PNG



319,434

post-war commemorations



273,904

educational resources

Enabling Services \$383.4 million



56,713

clients have a MyAccount



1,938

employees



website page views

5,691,910

Our Purpose

To support those who serve or have served in the defence of our nation and commemorate their service and sacrifice.

DVA supported:

165,071 veterans

127,220 dependants

DVA fast facts

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P03382

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Front cover photo: Veterans of the Battle of El Alamein share wartime stories with a member of the ADF Federation Guard at the El Alamein War Cemetery in Egypt. (Dept of Defence 20121020adf8144078_456)

Back cover photo: A nursing veteran of Australia's North Africa campaign shares memories of wartime service with a member of the ADF Federation Guard at the El Alamein War Cemetery in Egypt. (Dept of Defence 20121020adf8144078_505)

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Australian Government
The Repatriation Commission

PRESIDENT
DEPUTY PRESIDENT
COMMISSIONER

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7 September 2017

The Hon. Dan Tehan MP
Minister for Veterans' Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

The Repatriation Commission submits its report for the year ended 30 June 2017, as required under section 215 of the *Veterans' Entitlements Act 1986*.

Simon Lewis PSM
President

Craig Orme DSC AM CSC
Deputy President

MA Kelly AO DSC
Major General
Commissioner

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
 DEPARTMENT OF VETERANS' AFFAIRS



Australian Government

**Military Rehabilitation and
 Compensation Commission**

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7 September 2017

The Hon. Dan Tehan MP
 Minister for Veterans' Affairs
 Parliament House
 CANBERRA ACT 2600

Dear Minister

The Military Rehabilitation and Compensation Commission submits its report for the year ended 30 June 2017, as required under section 385 of the *Military Rehabilitation and Compensation Act 2004* and section 161 of the *Safety, Rehabilitation and Compensation Act 1988*.

Craig Orme DSC AM CSC
 Member

Simon Lewis PSM
 Chair

MA Kelly AO DSC
 Major General
 Member

Brett Wolski AM, RAN
 Rear Admiral
 Member

Tracy Smart AM
 Air Vice-Marshal
 Member

Jennifer Taylor
 Member

GPO BOX 9998 CANBERRA ACT 2601



Australian Government
Department of Veterans' Affairs
OFFICE OF THE SECRETARY

13 October 2017

The Hon. Dan Tehan MP
Minister for Veterans' Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the 2016-17 annual report of the Department of Veterans' Affairs, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

I certify that the report has been prepared in accordance with the Public Governance, Performance and Accountability Amendment (Non-corporate Commonwealth Entity Annual Reporting) Rule 2016 as approved by the Joint Committee of Public Accounts and Audit on 6 May 2016.

I also certify, in accordance with section 10 of the Public Governance, Performance and Accountability Rule 2014, that:

- fraud risk assessments and fraud control plans have been prepared for the Department
- appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and reporting and recording fraud are in place for the Department
- all reasonable measures have been taken to appropriately deal with fraud relating to the Department.

The report also contains material on the operations of the Defence Service Homes Insurance Scheme, submitted under section 50B of the *Defence Service Homes Act 1918*, and the Office of Australian War Graves, submitted under section 13(1) of the *War Graves Act 1980*.

In addition, a report on the operations of the Data Matching Program in the Department is submitted in accordance with section 12 of the *Data-matching Program (Assistance and Tax) Act 1990*. The Department works closely with the Office of the Australian Information Commissioner to ensure that the program strictly adheres to privacy safeguards and principles.

S. Lewis PSM
Secretary

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Saluting Their Service

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Contact details

Telephone

Members of the veteran community and the general public can contact DVA on:

- 133 254 for general enquiries
- 1800 555 254 from non-metropolitan areas
- 1800 011 046 for the Veterans and Veterans Families Counselling Service (24 hours a day, seven days a week).

Providers can contact DVA on
1300 550 457 (metropolitan areas) or
1800 550 457 (non-metropolitan areas).

Mail

Department of Veterans' Affairs
GPO Box 9998
Brisbane QLD 4001

Email

The Department can be contacted by email at generalenquiries@dva.gov.au. This email facility may not be secure; please do not use it to send personal information to DVA.

Internet

The DVA website is www.dva.gov.au.

Information on ways to contact the Department and the different services it provides, including details of DVA and Veterans' Access Network offices, is available at www.dva.gov.au/contact.

Contact information for the Veterans and Veterans Families Counselling Service is available at www.vvcs.gov.au.

DVA welcomes social media interaction through:

- Facebook:
 - Department—facebook.com/DVAAus
 - Anzac Centenary—facebook.com/AnzacCentenary
- Flickr: flickr.com/DVAAus
- Twitter: twitter.com/DVAAus
- YouTube: youtube.com/DVAAus.

Reader's guide

This annual report includes separate reports for the Repatriation Commission, the Military Rehabilitation and Compensation Commission (MRCC) and the Department of Veterans' Affairs (DVA). It comprises three main elements, as set out below.

Overview

The Overview includes reports by the Secretary and Chief Operating Officer on the past year's major achievements and the year ahead, descriptions of the structure of and relationships within the Veterans' Affairs portfolio, and a statistical snapshot of the veteran community.

Annual reports of the two Commissions

The annual report for each Commission describes its functions and powers, structure, membership, relationship with DVA, and key results for 2016-17.

Department of Veterans' Affairs annual report

The DVA annual report has been prepared in accordance with the *Resource Management Guide No. 135 Annual reports for non-corporate Commonwealth entities* as released in May 2017.

It comprises a report on performance against planned outcomes, a report on management and accountability, financial statements, appendixes, and reference material to assist the reader.

Performance reporting covers the 2016-17 financial year unless specified otherwise. Where accurate data will not become available until after the report is tabled, the data provided in this report are identified as estimates, and accurate figures will be provided in the next annual report.

Two sets of audited financial statements are included, one for DVA and the other for the Defence Service Homes Insurance Scheme.

The appendixes include data to supplement the main report; reports against legislation such as the *Data-matching Program (Assistance and Tax) Act 1990*, *Carer Recognition Act 2010*, *Work Health and Safety Act 2011* and *Environment Protection and Biodiversity Conservation Act 1999*; and lists of figures and tables that appear in the main report.

The final section includes definitions of terms and abbreviations used in the report, and details of the report's compliance with annual reporting requirements.

The terms 'DVA' and 'the Department' are used interchangeably and do not specifically refer to the Department as a unique entity within the Veterans' Affairs portfolio.

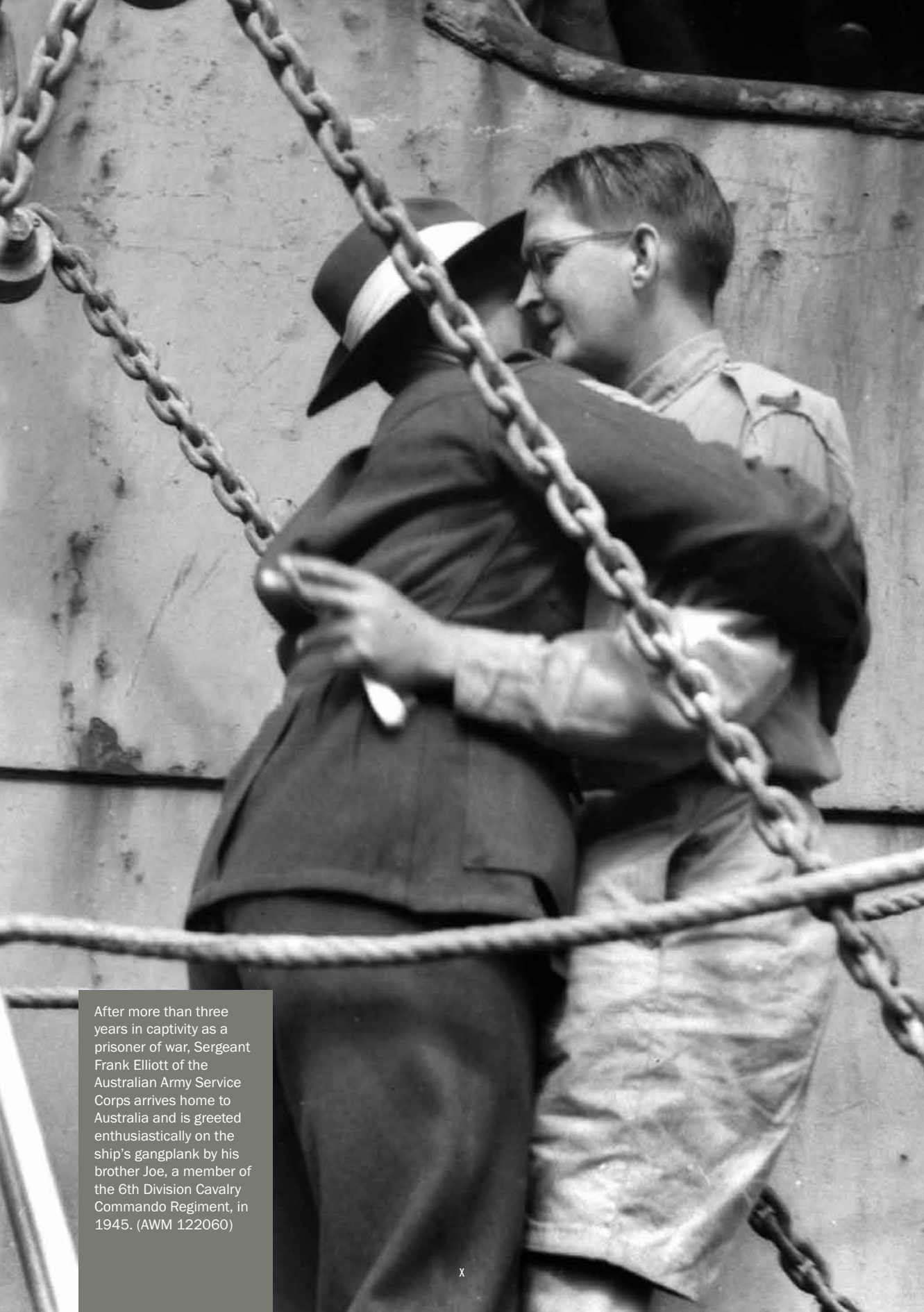
Enquiries about the annual report

Enquiries and comments about this report should be directed to:

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DVA annual reports dating back to 2012-13 are available at www.dva.gov.au/about-dva/accountability-and-reporting/annual-reports. Previous reports can be obtained by emailing CMBART@dva.gov.au.



After more than three years in captivity as a prisoner of war, Sergeant Frank Elliott of the Australian Army Service Corps arrives home to Australia and is greeted enthusiastically on the ship's gangplank by his brother Joe, a member of the 6th Division Cavalry Commando Regiment, in 1945. (AWM 122060)

A full-page photograph showing a soldier in a green and grey camouflage uniform hugging a woman with long brown hair. The woman is wearing a pink top and dark shorts. They are on the deck of a ship, with the ship's structure and railings visible in the background. The word 'Overview' is written in large white letters in the top right corner.

Overview

Over a century of wars, conflicts and peace operations, the moment of repatriation is one that many veterans have treasured. (DVA_Welcome_HMAS Waterhen_0406)



Secretary's year in review

Throughout 2016-17, the Department of Veterans' Affairs (DVA), the Repatriation Commission and the Military Rehabilitation and Compensation Commission worked to deliver positive outcomes for veterans and their families. This work was underpinned by the principles in DVA's strategic plan, *DVA Towards 2020*, of being client focused, responsive and connected. I am therefore pleased to present their annual reports, which outline the achievements and challenges of 2016-17.

Putting veterans at the centre of everything we do

2016-17 marked the start of a significant period of transformation for DVA. The Transformation Taskforce, which was established in May 2016, developed a successful proposal for the Australian Government to fund the first year of a significant reform program, Veteran Centric Reform (VCR). Through VCR, and the first year of funding provided in the 2017-18 Budget, DVA will modernise its

outdated ICT systems and redesign business processes to better support the needs of veterans and their families.

The need for this transformation was highlighted in the results of the 2016 Client Satisfaction Survey. More than 3,000 DVA clients were surveyed in late 2016 about their interactions with DVA over the previous 12 months. The results showed that clients over 65 years were much more satisfied (92 per cent) than their younger counterparts, with only around half of those under the age of 45 (49 per cent) indicating a positive result. The overall satisfaction rating was 83 per cent.

The results also showed that clients were generally happy with the service they received, with 73 per cent of clients agreeing that DVA is client focused and thinks about clients' individual circumstances. Importantly, 83 per cent agreed that DVA is honest and ethical in its interactions and 60 per cent of claimants rated the time taken for DVA to process their claim or application as having met or exceeded their expectations.

The results emphasise what we already know: DVA needs to continue adapting and working to address the specific needs and concerns of members of the less satisfied younger veteran cohort, especially during their transition from the Australian Defence Force (ADF) to civilian life.

Improving the claims process

Improving the time taken to process rehabilitation and compensation (R&C) claims has been a key priority for DVA. One of the reasons for the extended processing times is that DVA staff use multiple systems, most of which are outdated and very manual in nature. A 2013 ICT risk report identified the age and instability of a number of DVA systems as being at a critical risk level.

The Government provided \$23.9 million in the 2016-17 Budget to enable DVA to build a single, modern system over two years, designed to provide a more robust, supported and automated approach for R&C claims processing.

In July 2016, DVA launched the Improving Processing Systems Program to redesign and rebuild DVA's R&C processing systems, based upon improved business processes. The program delivered two major releases in 2016-17 and will deliver two more before completion. We have already seen processing times for the delivery of non-liability health care reduced from around 20 days to a few days and we expect to achieve further improvements to both claims processing times and the consistency of decision-making through the remaining releases.

DVA also undertook a joint project with the Department of Human Services to develop MyService, an online tool that greatly streamlines the claims application process for eligible clients. Through MyService, the initial liability processing time for some claims has reduced from the key performance indicator of 120 days to only four days.

Other initiatives within DVA, such as the implementation of digitised mail and an increase in the rate of digitised client files, are also contributing to simpler processes for staff and improved outcomes for clients.

Health and wellbeing

Improving the health and wellbeing of veterans and their families is DVA's primary function.

Tragically, suicide is an issue that affects all Australians. It is the leading cause of death for Australians aged 15 to 44, with around 3,000 people dying by suicide every year. Current and former members of the ADF, and their families, are not immune.

For this reason, DVA worked with the Australian Institute of Health and Welfare and the Department of Defence (Defence) on the study *Estimation of incidence of suicide in ex-serving Australian Defence Force personnel*. The purpose of the study was to achieve a more definitive understanding of the incidence of suicide among former serving members of the ADF and to investigate whether suicide mortality in that group is different from that in the general Australian population.

DVA also participated in the Senate Foreign Affairs, Defence and Trade References Committee inquiry into suicide by veterans and ex-service personnel. The committee held five public hearings and, to date, has received more than 420 written submissions. DVA appeared before the committee on 6 February.

The inquiry is an important opportunity for us to identify areas where our services can be improved and gain further insight into the experiences of our clients, to inform us as we undertake our transformation program. It is expected that the committee will report its findings in mid to late 2017.

In August 2016, the Government tasked the National Mental Health Commission (NMHC) to specifically look at the issue of suicide in relation to current and former members of the ADF, and produce the report *Review into the suicide and self-harm prevention services available to current and former serving ADF members and their families*. DVA, together with Defence and the Department of Health, worked closely with the NMHC to provide the necessary information about our programs and services and to maximise opportunities for interested ADF members and their families, health providers and organisations to participate in the review.

The NMHC found that suicide prevention is a complex issue that requires a multifaceted service response to ensure that current and ex-serving members have access to the support they need, at the right time. In its response, the Government committed to action in four key areas to ensure that efforts are effective in preventing suicide among Australia's current and former serving personnel and their families.

The areas are:

- improving suicide prevention and mental health support for current serving ADF members and veterans and their families
- improving the transition process for ADF members moving from military life into post-service civilian life, and providing targeted support to families

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

- improving family support through engagement of families and family-sensitive practice
- transforming DVA's systems, processes and organisational culture to better respond to the needs of Australia's veterans and their families.

DVA will focus on these areas for future programs and initiatives designed to prevent suicide.

Additionally, the Australian Kookaburra Kids Foundation launched a pilot program for the children of current and former ADF members who have been affected by mental illness. Kookaburra Kids has been running programs for the general community in New South Wales since 2002. The new, tailored program is using \$2.1 million of government funding to support the families of our clients by helping children to develop coping skills and resilience, and allowing them to bond with peers who are facing similar challenges.

Transition from the ADF

Improving the transition to civilian life for ADF personnel is a high priority for DVA.

In order to progress the Government's 2016 election commitment to create a better veterans' transition process, DVA, Defence and the Commonwealth Superannuation Corporation established the Transition Taskforce.

The taskforce will report back to portfolio ministers on the barriers to effective transition and will provide suggested actions to address those barriers.

The work of the taskforce is in addition to the Discharge (Separation) with Documentation policy being implemented by Defence, which has mandated individual transition plans and separation checklists for all separating ADF members.

Ensuring that ADF members are aware of the available services and support will help to reduce the time between an event occurring and a claim being made. Defence and DVA are also working on technical solutions to further improve the way information is shared between the departments to assist in reducing the time taken to make a determination.

DVA and Defence are also implementing the early engagement model, which registers ADF members as DVA clients on enlistment, even if they have not made a claim. When fully developed, the model will allow us to establish a relationship with ADF members from the day they join, to ensure that they are aware of the services and support available through DVA. It also aims to reduce the time between an incident and when a member seeks support, and to reduce the time taken to process claims.

The Minister for Veterans' Affairs joined the Prime Minister for a high-profile event at Kirribilli House on 17 November 2016, to announce the Prime Minister's Veterans' Employment Program. The program includes a range of initiatives aimed at raising awareness among employers of the enormous value and unique experience that our ex-service personnel have to offer the civilian workforce. The Minister outlined how DVA, in partnership with Defence and ex-service organisations, will work to provide support for separating ADF members to transition from military service to civilian life.

Broader engagement

Understanding the unique circumstances of veterans and their families will be crucial to DVA as it undertakes its transformation. Engaging with a broader range of veterans was therefore a key focus for us in 2016-17.

The inaugural Female Veterans and Families Forums were both held in Canberra on 5-6 December 2016, and attended by female veterans and representatives from veteran and family groups respectively. The forums were established to provide a platform through which female veterans and veteran family members could raise issues directly with the Government and DVA, and to create new channels of communication between DVA and the veteran community. The forum gave participants the opportunity to discuss the unique experience of female veterans and the impact of service on them and their families.

The inaugural Indigenous Veterans Forum was held in Canberra on 24 March 2017. Fifteen representatives of the Indigenous community, from all parts of Australia, attended the forum. The forum provided an opportunity to recognise

the important contribution that Indigenous Australians have made, and continue to make, as former and current serving members of the ADF, ex-service organisation representatives, husbands, wives, parents, community members and mates.

This forum was a key deliverable of DVA's Indigenous Veterans' Strategy 2015–2020. It provided an opportunity for DVA to hear from Indigenous men and women on how we can improve what we do, so that DVA can engage and support Indigenous veterans effectively; and provided attendees with opportunities to discuss issues particular to Indigenous serving and ex-serving ADF members and co-design solutions with DVA.

On 25 May, during Reconciliation Week, DVA launched its Reconciliation Action Plan. The plan is named *Galumbany*, which is a Ngunnawal word for 'me, you, we, together'. At the launch, Auntie Caroline Hughes, a Ngunnawal elder, welcomed DVA staff to country and explained the role that reconciliation action plans have in supporting increased opportunities for Aboriginal and Torres Strait Islander peoples and communities. The plans lay the foundations for building unity and respect between Indigenous and non-Indigenous Australians.

Commemorations

As the Anzac Centenary commemorative period entered its penultimate year, DVA delivered a number of services in Australia and overseas to commemorate a century of service. They included services in France and Turkey on Anzac Day and services at Fromelles and Pozieres marking the 100th anniversaries of battles in those locations.

I attended the veterans' commemorative mission to South Korea to commemorate the 65th anniversaries of the battles of Kapyong and Maryang San and the service and sacrifice of Australians in the Korean War. A small number of DVA staff, the Minister for Veterans' Affairs and eight veterans attended the commemorations. It was a privilege to be able to hear the stories of the veterans and share the experience of this special event with them.

The increasing age of the Second World War and Korean War veterans means that the risk of adverse events while travelling increases significantly. Due to these concerns, the then Minister for Veterans' Affairs agreed in 2013 that the commemorative mission to Korea in 2016 would be the final commemorative mission of its kind.

On 15 February, the national service to commemorate the 75th anniversary of the Fall of Singapore was held in Ballarat. The service was an opportunity to honour a group of Australian veterans of the Fall of Singapore, who attended the ceremony along with veterans of the Second World War and former prisoners of war. It was an honour to meet this extraordinary group of men aged in their nineties—and a personal reminder of the importance of keeping veteran wellbeing at the centre of all that we do at DVA.

The *Spirit of Anzac Centenary Experience* travelling exhibition, the flagship community event of the Anzac Centenary national program, concluded its 23-location tour in Sydney in April 2017. Since its launch in Wodonga in September 2015, more than 368,000 people, including nearly 50,000 school students, have visited the exhibition.

Acknowledgements

I would like to thank Jennifer Collins, former Deputy Commissioner NSW/ACT, and Jan Hyde, former Deputy Commissioner Tasmania, who retired after many years—12 and eight respectively—of service to DVA and the veteran community. Their contributions were invaluable and I wish them both well in their retirement.

As always, my sincere thanks go to the staff of DVA for their dedication to supporting veterans and their families. I am especially grateful for their resilience and positivity during a period of significant change for the Department.

Simon Lewis

Secretary, Department of Veterans' Affairs
President, Repatriation Commission
Chair, Military Rehabilitation and Compensation Commission



Chief Operating Officer's report— The year ahead

2017–18 will be a very important year for DVA. The 2017–18 Budget provided a significant investment of \$350 million to support veterans, with a focus on transforming DVA's service offering and improving access to mental health support. This investment will allow DVA to begin implementing the VCR program—the most comprehensive upgrade of the Department's ICT systems, processes and technology ever undertaken. I feel particularly privileged and fortunate to have returned to the Department during this time and to be in a position to help drive this large-scale transformation of DVA's services.

DVA's transformation

DVA's client demographics are changing, and our younger clients have different needs and expectations. DVA's outdated ICT systems and business processes are not suited to the needs of these younger clients and need to be replaced to provide the best possible service to veterans and their families.

The Australian Government has invested \$166.6 million in the 2017–18 Budget towards the first year of the VCR program, which will support DVA's efforts to transform the way it does business.

Through VCR, DVA will reform business processes and culture, identify and implement government-endorsed best practice service options and continue a targeted ICT redevelopment. The goal of this work is to provide:

- simpler, better, digitally enhanced experiences for clients when they interact with DVA
- an easy and successful process of transitioning from the ADF
- early intervention and preventive health care, enabling veterans to live healthy and more productive lives
- access to early treatment for physical and mental health issues, to prevent these problems becoming more acute later in life
- an ICT platform that mitigates risk and improves DVA's service delivery.

This transformation gives DVA the opportunity to put veterans at the centre of everything we do, empowering veterans and their families by making it simpler to access the services they require, with multiple options to meet their changing needs over time, enabling them to achieve their best in all stages of life.

At the heart of this program is DVA's continued commitment to the veteran community, which is about relationships, not transactions. Veterans will enjoy improved health and wellbeing outcomes under a system that focuses on getting the veteran healthy first—moving away from a claims-based rehabilitation and healthcare system.

We are working in partnership with other agencies across government—including Defence, the Department of Human Services (DHS), the Commonwealth Superannuation Corporation, and others—to leverage their skills, experience, systems and business processes. Through these relationships, DVA is learning what works well for similar clients and how it can change to provide better, more modern services to veterans and their families.

Modernising the claims process

A key project in our transformation is the joint DVA and DHS project MyService, an online web application that allows clients who enlisted in the ADF after 30 June 2004 to submit a claim under the *Military Rehabilitation and Compensation Act 2004* (MRCA) online.

MyService is a simple, intuitive and innovative digital solution that redesigns a previously complex, predominantly paper-based claim process to greatly improve the veteran's experience, allowing them to obtain the assistance they require more quickly with increased trust in the outcomes.

MyService is currently in its public beta phase. Serving and former members of the ADF and members of the broader veteran community have been, and continue to be, engaged in the co-design of the application to ensure the views of veterans are considered.

While only serving and former ADF members who enlisted after 30 June 2004 can currently use the service, DVA will open up the web application to more veterans and serving members in the near future. This includes exploring ways to use MyService for claims under the *Veterans' Entitlements Act 1986* and the *Safety, Rehabilitation and Compensation Act 1988*, as well as looking into the automatic acceptance of certain physical conditions based on the expected impacts of meeting the ADF's rigorous physical training requirements.

MyService represents a significant improvement in DVA's ability to engage members and veterans online, and provides an accessible, quick and technologically supported option for clients.

Support for ADF members transitioning to civilian life

The Departments of DVA and Defence continue to work closely together to ensure the transition from the ADF is as seamless as possible. The Government has committed to improving the transition process for all veterans, establishing a joint taskforce to examine the experience of those who leave the ADF and to identify barriers to a successful transition and options to address these.

The taskforce is made up of current and former serving ADF members, and representatives from DVA, Defence and the Commonwealth Superannuation Corporation.

The taskforce has completed its initial examination of the experiences of former members of the ADF and their families and is currently analysing the material and developing its findings.

Mental health and suicide prevention

Suicide prevention and support for those families who have been affected by the tragedy of suicide are very high priorities for the Australian Government. As already noted by the Secretary, the *NMHC Review into the suicide and self-harm prevention services available to current and former serving ADF members and their families* outlined a number of areas of focus to reduce the incidence of suicide among Australia's current and former serving personnel.

As an immediate commitment to addressing veteran suicide, the 2017-18 Budget delivers more than \$58 million in additional mental health support for serving and ex-serving ADF members and their families. Included in this funding is \$9.8 million to pilot two important suicide prevention initiatives, providing new approaches to supporting vulnerable veterans experiencing mental health concerns. These pilots will target two different cohorts of former ADF members: those with severe and complex mental health needs discharging from hospital, and those with chronic, but stable, mental and physical health issues.

Upcoming commemorative activities

2017-18 will also be an important year for DVA commemorative events and initiatives, and \$19.6 million was provided in the 2017-18 Budget for this purpose. Overseas memorials will be a key focus for us, with work continuing on the Sir John Monash Centre in France, which will open in April 2018, as well as the refurbishment of the Hellfire Pass Museum in Thailand and work to restore the Australian War Memorial in London.

In addition to these key initiatives, 2017-18 will see the 100th anniversaries of the battles of Polygon Wood, Beersheba and Villers-Bretonneux, as well as the 75th anniversaries of the battles of Milne Bay, El Alamein and Kokoda.

Other key 2017-18 Budget measures

In addition to the measures relating to VCR, mental health and commemorations that I have already mentioned, \$133.1 million has been committed to provide a Gold Card to cover the healthcare costs of the surviving participants of the British nuclear test program in Australia in the 1950s and 1960s and veterans who served as part of the British Commonwealth Occupation Force.

Additionally, \$33.5 million has been provided to extend DVA's non-liability healthcare program to all current and former permanent members of the ADF for treatment of all mental health conditions. Through non-liability health care, DVA can pay for treatment of physical and mental health conditions without the need for the conditions to be accepted as related to service. This year's expansion of the program means that anyone who has served at least one day in the full-time ADF can access free treatment for any mental health condition.

Finally, \$9 million has been provided for a package of initiatives to improve rehabilitation outcomes.

Through these important initiatives, DVA is better placed than ever to support veterans and their families.

Improving DVA culture

Last year DVA undertook a detailed review of our internal culture—to find out what works and what does not. Overwhelmingly, this showed that DVA staff care strongly about veterans and their families, but are too process focused and risk-averse and do not communicate well internally.

From this work we have identified the cultural values that DVA needs to enhance in order to better serve our clients, and work is underway to empower our staff and leadership to achieve this cultural vision. This includes an organisational restructure to realign our working arrangements with our goals for the future.

I would like to stress my gratitude and appreciation for the work that has been done so far by our staff, and I look forward to the coming year when we can make innovative changes to the way we work, in order to provide the best possible service to veterans and their families.

Liz Cosson

Chief Operating Officer
Department of Veterans' Affairs

Portfolio

The Veterans' Affairs portfolio is responsible for providing a range of programs of care, compensation, income support and commemoration for the veteran and defence force communities and their families. The portfolio is administered by the Minister for Veterans' Affairs.

Department and statutory commissions

This annual report covers the work of three entities in the Veterans' Affairs portfolio:

- Department of Veterans' Affairs—the primary agency responsible for developing and delivering programs and services that assist the veteran and defence force communities, in accordance with the *Veterans' Entitlements Act 1986* (VEA), the *Military Rehabilitation and Compensation Act 2004* (MRCA), the *Safety, Rehabilitation and Compensation Act 1988* (SRCA), the *Defence Service Homes Act 1918* and the *War Graves Act 1980*
- Repatriation Commission—the policy body responsible for the administration of the VEA and its range of compensation and income support pensions, allowances, rehabilitation and other healthcare services
- Military Rehabilitation and Compensation Commission—the policy body responsible for the administration of the MRCA and the SRCA (as it relates to current and future ADF members and their families). The assistance provided under these Acts includes permanent impairment payments, incapacity payments, and healthcare and rehabilitation programs.

Other portfolio entities

Several independent entities provide specialist oversight to assist in administering veterans' entitlements, while the Australian War Memorial plays a unique role in commemorations. More information on these separate entities, including annual reports on performance, is available from their websites.

Repatriation Medical Authority

The Repatriation Medical Authority (RMA) is an independent statutory authority. Its role is to determine Statements of Principles (SOPs) for any disease, injury or death that could be related to military service, based on sound medical-scientific evidence. SOPs are binding on decision-makers or review bodies determining liability for compensation under the VEA or MRCA.

The RMA reports on its activities in its own annual report, tabled separately. The report and the SOPs are available on the RMA website at www.rma.gov.au.

Specialist Medical Review Council

The Specialist Medical Review Council (SMRC) reviews the RMA's decisions on SOPs and directs or recommends that the RMA amend the SOPs. The SMRC consists of eminent medical practitioners and medical scientists appointed as councillors by the Minister for Veterans' Affairs and selected by the Convenor of the SMRC on the basis of their expertise in the injury or disease relevant to the SOPs being reviewed. More information about current and past reviews can be found at www.smrc.gov.au.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Veterans' Review Board

The Veterans' Review Board reviews certain decisions made under the VEA and the MRCA. More information on the board is available from its website at www.vrb.gov.au.

Australian War Memorial

The Australian War Memorial maintains and develops the national memorial to Australians who have died in wars or warlike operations. It also develops, maintains and exhibits a national collection of historical material, and conducts and fosters research into Australian military history.

More information on the Australian War Memorial is available from its website at www.awm.gov.au.

Department

DVA administers payments and services for eligible veterans and their families, and provides advice and administrative support to the Repatriation Commission and Military Rehabilitation and Compensation Commission.

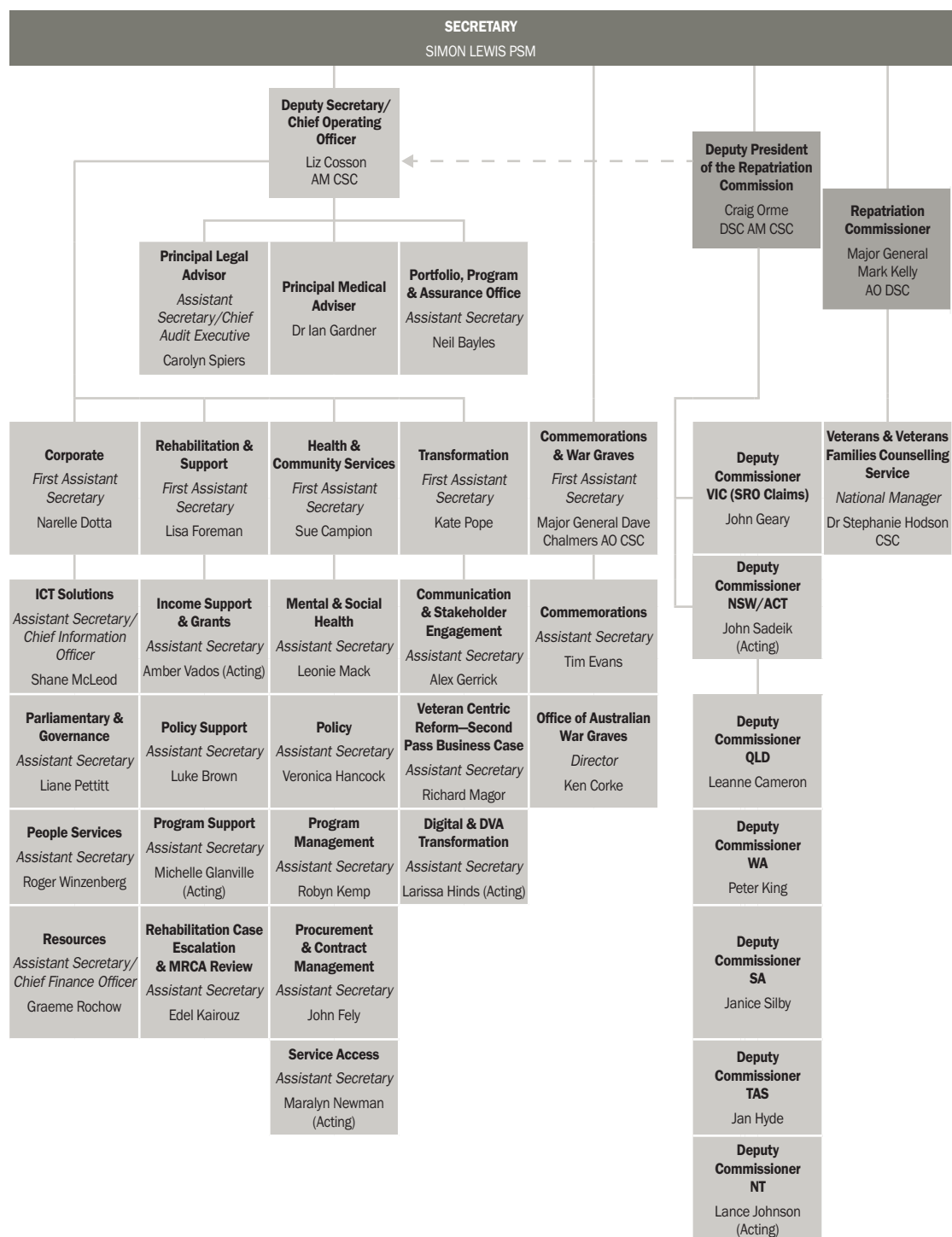
DVA's purpose is to support those who serve or have served in the defence of our nation and commemorate their service and sacrifice, through:

1. Maintaining and enhancing the quality of life of clients by improving their financial wellbeing and self-sufficiency.
2. Maintaining and enhancing the quality of life of clients by improving their physical and mental wellbeing.
3. Acknowledging and commemorating veterans' service and sacrifice, and promoting an increased understanding of Australia's wartime history.

Organisation

Figure 1 outlines the organisational structure of the Department.

Figure 1 DVA organisational structure at 30 June 2017



Outcome and program structure

Figure 2 DVA outcome and program structure in 2016-17

| | | | | | |
|---------------------------------|--|--|---|--|--|
| DEPARTMENT OF VETERANS' AFFAIRS | OUTCOME 1: COMPENSATION AND SUPPORT | | | | |
| | Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements. | | | | |
| | PROGRAMS | 1.1: Veterans' Income Support and Allowances | 1.2: Veterans' Disability Support | 1.3: Assistance to Defence Widow(er)s and Dependants | 1.4: Assistance and Other Compensation for Veterans and Dependants |
| | | 1.5: Veterans' Children Education Scheme | 1.6: Military Rehabilitation and Compensation Acts Payments—Income Support and Compensation | 1.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Income Support and Compensation | |
| | OUTCOME 2: HEALTH | | | | |
| | Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements. | | | | |
| | PROGRAMS | 2.1: General Medical Consultations and Services | 2.2: Veterans' Hospital Services | 2.3: Veterans' Pharmaceuticals Benefits | 2.4: Veterans' Community Care and Support |
| | | 2.5: Veterans' Counselling and Other Health Services | 2.6: Military Rehabilitation and Compensation Acts—Health and Other Care Services | 2.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Health and Other Care Services | |
| | OUTCOME 3: COMMEMORATIONS | | | | |
| | Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations. | | | | |
| | PROGRAMS | 3.1: War Graves and Commemorations | | 3.2: Gallipoli-related Activities | |

Relationship between DVA and the Commissions

The Repatriation Commission and the Military Rehabilitation and Compensation Commission (MRCC) are vested with broad powers to enable them to carry out their functions and duties. The Commissions also have specific powers to enter into contracts, deal with real or personal property, undertake building works and engage persons to perform services. The Commissions have no staff of their own; DVA staff are provided by the Secretary of the Department in order for the Commissions to perform their roles.

The granting of pensions, allowances and other benefits is an activity carried out by DVA and overseen directly by the Commissions. The Commissions are involved in determining policy, identifying anomalies, considering whether matters should be appealed, advising the Minister for Veterans' Affairs and the Parliament, liaising with the veteran community, and cooperating with Defence, Comcare and other government agencies.

Under the VEA, the portfolio secretary (i.e. the Secretary of DVA) may be appointed as the President of the Repatriation Commission. By convention, the Secretary of the Department is appointed to this statutory role, to ensure alignment of the functions and objectives of the Commissions and the Department. By virtue of the appointment as the President of the Repatriation Commission, the Secretary is also the Chair of the MRCC.

The Secretary remains accountable under the *Public Service Act 1999* and the sanctions specified in that Act are applicable in that capacity. While statutory office holders such as the President of the Repatriation Commission are bound to act in accordance with the Public Service Act, accountabilities and ultimately sanctions applicable to the role of President or Chair are not the responsibility of the Australian Public Service Commissioner but are specified in the relevant Acts.

As a full-time member of the Repatriation Commission, the Deputy President participates in and contributes to all Repatriation Commission meetings. By virtue of being the Deputy President of the Repatriation Commission, the Deputy President is also a member of the MRCC. The Deputy President is a member of the executive management team of DVA and has a key role in managing the department's claim operations.

The Services member, also known as the Repatriation Commissioner, is appointed by the Governor-General (on advice from the Minister for Veterans' Affairs) from a list of names provided by the ex-service community. The role has special responsibility for representing the views of that community in the Commission's considerations. The Commissioner is also appointed as a member of the MRCC. The Commissioner is a member of the executive management team of DVA and has a key role in managing the Veterans and Veterans Families Counselling Service, the Applied Research Program, the National Consultative Forums, commemorative grants and commemorative activities.

Relationship between DVA and Defence

DVA and Defence are working together to deliver the best possible outcomes to current and former members of the ADF and their families.

Two committees, jointly chaired by DVA and Defence, support the strong relationship: the Defence DVA Executive Committee is the principal governing body, and the Defence Links Steering Committee implements the strategic direction set by the executive committee.

Cooperation

A memorandum of understanding (MOU) for the cooperative delivery of care and support, first signed on 5 February 2013, was reviewed and re-signed by DVA and Defence on 30 June 2016.

The MOU defines the respective roles of the two departments in the provision of care and support at all stages of a member's career. Defence has the lead in caring for and supporting current members. DVA has the lead in caring for and supporting widows, widowers, dependants and wounded, injured or ill former members. DVA is also responsible for providing compensation and other support to eligible current and former members.

The MOU sets out governing principles to improve cross-agency processes, clarify funding arrangements, share information effectively and communicate jointly with current and former members and their families. It includes provisions for monitoring the performance of the Support Continuum—a coordinated and integrated support system that extends across Defence and DVA to deliver the required level of care and support to wounded, injured or ill current and former members.

Early engagement

Information sharing and cooperation between the two departments improved significantly in 2016-17. This enabled DVA to better connect with members who might benefit from DVA services and support, including transitioning members.

The departments are working together to improve service delivery and claims processing through the early engagement model. The first phase of the model allows DVA to communicate with members when they join the ADF, using basic personal information shared by Defence. DVA will then make contact at appropriate times during the member's career to ensure that they are fully aware of the care, support and services available to them. Early engagement will promote early intervention. It will also assist members if they need to lodge claims with DVA in the future.

The first phase of the early engagement model is also expanding and streamlining existing sharing of information with DVA about members who have separated from the ADF.

On-base advice

A key initiative in the DVA-Defence relationship is the On Base Advisory Service, which has been operational since 1 October 2011. It is a national service provided by specially trained DVA staff who regularly visit more than 40 bases around Australia. The On Base Advisers can help current members and those who have recently separated to find out about DVA services, including compensation, health services, rehabilitation and support.

Snapshot of the veteran community

At 30 June 2017, DVA supported more than 291,000 clients, some through health treatment card entitlements (Gold Card or White Card) and some through other benefits and services.

Overall, VEA client numbers have continued to decline, seeing a 27 per cent reduction in service pensioners over the past four years, and a 16 per cent reduction in disability pensioners. This will continue: service pensioner numbers are forecast to decline by 44 per cent and disability pensioner numbers by 20 per cent over the next decade.

In contrast, the number of veterans with an accepted initial liability under the SRCA and MRCA continues to rise. Over the past four years, the number of SRCA veterans with an accepted initial liability has increased by 5 per cent and the number of MRCA veterans has increased by 89 per cent. This overall increase is also shown in the increasing numbers of SRCA and MRCA payments and benefits being accessed, with an increase of 194 per cent in the number of MRCA veterans who have received a permanent impairment payment.

Despite the significant growth in numbers of MRCA clients, the number of new clients from the VEA, MRCA or SRCA has not significantly impacted the overall downward trend in DVA client numbers.

Detailed statistics about the DVA client population are published on the DVA website each quarter at www.dva.gov.au/statistics.htm.

Tables 1 to 4 provide additional details of DVA clients, including clients receiving certain payments over time.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Table 1 Clients by age group and location at 30 June 2017

| Age | NSW | VIC | QLD | SA | WA | TAS | NT | ACT | O/S | Total |
|--------------------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|----------------|
| Under 25 | 931 | 502 | 1,707 | 231 | 369 | 111 | 102 | 133 | 20 | 4,106 |
| 25-29 | 1,209 | 634 | 1,791 | 324 | 368 | 93 | 214 | 172 | 24 | 4,829 |
| 30-34 | 1,628 | 866 | 2,316 | 381 | 685 | 164 | 254 | 248 | 46 | 6,588 |
| 35-39 | 1,894 | 1,082 | 2,653 | 432 | 806 | 241 | 269 | 305 | 65 | 7,747 |
| 40-44 | 2,270 | 1,206 | 3,378 | 551 | 989 | 266 | 284 | 369 | 93 | 9,406 |
| 45-49 | 3,024 | 1,732 | 4,291 | 774 | 1,439 | 367 | 351 | 570 | 122 | 12,670 |
| 50-54 | 2,999 | 1,761 | 3,937 | 837 | 1,331 | 372 | 285 | 562 | 142 | 12,226 |
| 55-59 | 3,294 | 2,019 | 4,416 | 981 | 1,400 | 418 | 208 | 627 | 142 | 13,505 |
| 60-64 | 5,021 | 3,203 | 5,838 | 1,487 | 1,891 | 607 | 156 | 547 | 131 | 18,881 |
| 65-69 | 10,997 | 7,373 | 12,059 | 3,674 | 4,217 | 1,288 | 245 | 839 | 273 | 40,965 |
| 70-74 | 10,023 | 6,609 | 10,954 | 2,965 | 3,837 | 1,136 | 181 | 872 | 255 | 36,832 |
| 75-79 | 5,420 | 3,016 | 5,685 | 1,230 | 2,126 | 575 | 100 | 572 | 158 | 18,882 |
| 80-84 | 5,923 | 3,476 | 4,658 | 1,344 | 2,033 | 583 | 52 | 497 | 120 | 18,686 |
| 85-89 | 10,214 | 6,943 | 6,395 | 2,521 | 2,774 | 946 | 48 | 474 | 140 | 30,455 |
| 90 or over | 18,636 | 13,687 | 10,439 | 5,230 | 4,761 | 1,534 | 54 | 769 | 294 | 55,404 |
| Total¹ | 83,508 | 54,134 | 80,533 | 22,974 | 29,039 | 8,706 | 2,804 | 7,562 | 2,025 | 291,285 |

O/S = Overseas

¹ Clients of unknown age are included in the totals only; therefore, these totals are not the sums of the columns.

Note: Includes any person who is in receipt of a pension/allowance from DVA or who is eligible for treatment or pharmaceuticals paid for by DVA.

Table 2 Numbers of benefit recipients by type of benefit 2012-13 to 2016-17

| | 30 June 2013 | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Treatment population | 223,181 | 217,562 | 208,181 | 200,245 | 193,968 |
| Gold Card | 174,168 | 163,578 | 153,033 | 143,635 | 135,263 |
| White Card | 49,013 | 53,984 | 55,148 | 56,610 | 58,705 |
| VEA pension and allowances | | | | | |
| Service pension includes | 145,697 | 136,138 | 126,647 | 118,174 | 106,970 |
| ◊veterans | 76,523 | 71,266 | 66,016 | 61,504 | 55,641 |
| ◊partners | 69,174 | 64,902 | 60,631 | 56,670 | 51,329 |
| Income support supplement | 65,730 | 61,463 | 56,725 | 52,292 | 47,036 |
| SSA age pension | 4,121 | 3,833 | 3,658 | 3,538 | 3,380 |
| Commonwealth Seniors Health Card | 6,069 | 5,150 | 4,698 | 4,321 | 7,222 |
| Disability pension | 105,705 | 101,059 | 96,493 | 92,374 | 88,974 |
| War widow(er)'s pension | 86,865 | 81,531 | 75,536 | 69,960 | 64,500 |
| POW Recognition Supplement ¹ | 642 | 513 | 387 | 299 | 217 |
| Orphan's pension | 171 | 177 | 173 | 150 | 157 |
| Attendant allowance | 528 | 457 | 403 | 353 | 304 |
| Rent assistance | 17,639 | 16,804 | 15,639 | 14,694 | 13,580 |
| Remote area allowance | 860 | 803 | 741 | 697 | 648 |
| Decoration allowance | 472 | 414 | 378 | 328 | 289 |
| Recreation transport allowance | 1,502 | 1,262 | 1,087 | 936 | 802 |
| Vehicle Assistance Scheme | 59 | 53 | 43 | 48 | 52 |
| Funeral benefit | 6,561 | 5,720 | 5,211 | 4,709 | 4,175 |
| Veterans' Children Education Scheme | 2,652 | 2,443 | 2,331 | 2,288 | 2,243 |
| Clothing allowance | 567 | 511 | 449 | 398 | 348 |
| Military compensation payments | | | | | |
| Permanent impairment (SRCA) ² | 11,796 | 12,091 | 12,516 | 12,852 | 13,400 |
| Permanent impairment (MRCA) ² | 3,245 | 4,467 | 6,021 | 7,659 | 9,544 |
| Incapacity payments (SRCA) | 1,962 | 1,867 | 1,807 | 1,777 | 1,792 |
| Incapacity payments (MRCA) | 1,547 | 2,062 | 2,484 | 2,689 | 3,218 |
| Wholly dependent partner (MRCA) ² | 67 | 73 | 86 | 91 | 105 |
| Eligible young person (MRCA) ² | 75 | 85 | 91 | 97 | 114 |
| MRCA Education and Training Scheme | 74 | 100 | 153 | 203 | 246 |
| Defence Service Homes | | | | | |
| Homes insured | 68,491 | 65,292 | 62,127 | 58,825 | 55,838 |
| Housing loan subsidies | 15,237 | 12,799 | 10,296 | 8,322 | 6,669 |

MRCA = Military Rehabilitation and Compensation Act 2004, POW = prisoner of war, SRCA = Safety, Rehabilitation and Compensation Act 1988, SSA = Social Security Act 1991, VEA = Veterans' Entitlements Act 1985

¹ POW Recognition Supplement is a payment that provides special recognition of surviving former Australian prisoners of war, both veteran and civilian. The payment commenced in September 2011.

² Clients who have received a commuted or periodic (MRCA only) payment.

Note: As veterans can have disabilities accepted under multiple Acts, these numbers cannot be summed.

Table 3 Number of veterans with accepted disability by Act 2012-13 to 2016-17

| | 30 June 2013 | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Veterans' Entitlements Act 1986</i> | 111,778 | 104,874 | 100,135 | 95,983 | 92,328 |
| <i>Safety, Rehabilitation and Compensation Act 1988</i> | 49,436 | 50,153 | 50,689 | 51,320 | 51,956 |
| <i>Military Rehabilitation and Compensation Act 2004</i> | 13,547 | 16,710 | 19,538 | 22,305 | 25,551 |

Table 4 Estimated numbers of living veterans 2012-13 to 2016-17

| | 30 June 2013 | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Second World War ¹ | 58,200 | 48,300 | 39,400 | 31,900 | 25,200 |
| Korean War, Malayan Emergency and FESR ² | 13,600 | 12,900 | 12,200 | 11,700 | 11,000 |
| Vietnam War ³ | 46,000 | 45,100 | 44,200 | 43,400 | 42,500 |
| Other pre-1972 conflicts | 6,400 | 6,000 | 5,700 | 5,400 | 5,000 |
| Cambodia, Gulf War, Namibia, Somalia, Yugoslavia, Rwanda, Bougainville | 10,500 | 10,500 | 10,400 | 10,400 | 10,300 |
| Post-1999 conflicts ⁴ | 56,000 | 56,500 | 56,400 | 58,400 | 58,300 |
| Peacetime Defence Force ⁵ | 153,000 | 151,700 | 150,200 | 149,000 | 147,400 |
| British Commonwealth and Allied | 26,700 | 24,400 | 22,200 | 20,300 | 18,400 |
| Total⁶ | 368,800 | 353,900 | 339,400 | 329,000 | 316,900 |

FESR = Far East Strategic Reserve

1 Based on nominal roll data.

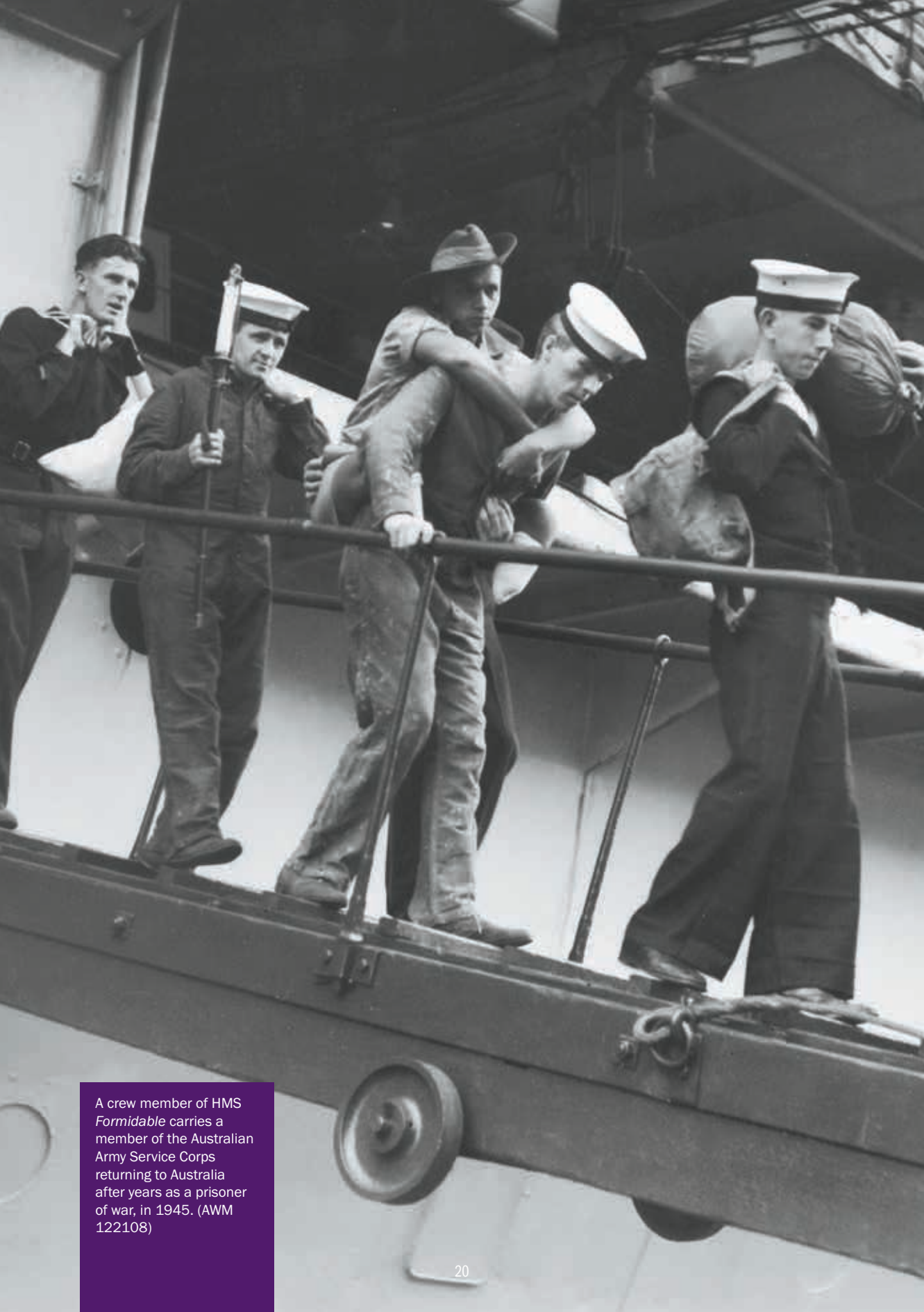
2 Where the veteran has service in more than one conflict, they are recorded by most recent conflict.

3 Based on nominal roll data.

4 Includes East Timor, Solomon Islands, Afghanistan and Iraq. Figures are based on June 2014 Department of Defence data. Forecasting method has been revised since the 2014-15 annual report.

5 Based on Australian Defence Force data: those with three or more years of service from 1972 to 1994. Those with peacetime service after 1994 are not included.

6 Total includes those potentially eligible for a service pension and/or disability pension. Components will not add exactly to total due to rounding and overlaps. Based on 2016 version of survivor model. This model does not include any service personnel with post-1994 service who have not seen operational service. Therefore, this is not a complete record of all service personnel who have served and who are estimated to be living.



A crew member of HMS *Formidable* carries a member of the Australian Army Service Corps returning to Australia after years as a prisoner of war, in 1945. (AWM 122108)

Repatriation Commission Annual Report 2016–17

Members of the Australian Medical Task Force arrive home on a C-17 from deployment to Pakistan, in 2010. (Dept of Defence 20101108 raaf8210285_0027)

REPATRIATION COMMISSION

MILITARY REHABILITATION AND COMPENSATION COMMISSION

DEPARTMENT OF VETERANS' AFFAIRS

Functions and powers

The Repatriation Commission was established on 1 July 1920 by proclamation of the *Australian Soldiers' Repatriation Act 1920*. When this Act and several other related Acts were replaced in 1986 by the *Veterans' Entitlements Act 1986* (VEA), the Repatriation Commission was retained.

Under section 180 of the VEA, the functions of the Repatriation Commission are to:

- grant pensions and other benefits and provide treatment for veterans, their dependants and other eligible persons
- advise the Minister for Veterans' Affairs on the operation of the VEA
- administer the VEA, subject to the control of the Minister.

Section 181 of the VEA gives the Repatriation Commission the power to take necessary actions in connection with the performance of its functions, duties and powers.

The responsible minister under the VEA is the Minister for Veterans' Affairs. The Repatriation Commission provides advice to the Minister, who has the power to approve various actions of the Repatriation Commission.

The Repatriation Commission provides services under the VEA to veterans and members of the Australian Defence Force (ADF) and their partners, widows, widowers and children.



Major General Mark Kelly,
Mr Simon Lewis and
Mr Craig Orme.

Structure

The Repatriation Commission has three full-time members appointed by the Governor-General: the President, Deputy President and Services member. The President is also Secretary of the Department of Veterans' Affairs and, in that capacity, is responsible to the Minister for Veterans' Affairs. Both the Deputy President and the Services member also assist the Secretary in the management of the Department. The Services member is known as the Repatriation Commissioner and is selected from nominations submitted to the Minister by ex-service organisations.

The President of the Repatriation Commission also serves as Chair of the Military Rehabilitation and Compensation Commission (MRCC), ensuring consistency between the two Commissions and the Department. The remaining two Repatriation Commission members are also part-time members of the MRCC.

Membership

Simon Lewis PSM, President

Mr Lewis was appointed Secretary of DVA, President of the Repatriation Commission and Chair of the MRCC on 11 July 2013.

Mr Lewis's career in the Australian Public Service began when he joined the Australian Bureau of Statistics in 1976. He has held positions in the Department of Defence's logistics organisation, the Department of Finance and the Department of Finance and Deregulation. Before moving to DVA, Mr Lewis served as Associate Secretary in the Department of Defence.

Mr Lewis has tertiary qualifications in economics, public administration and computing studies. He completed Harvard Business School's Advanced Management Program in 2007.

Craig Orme DSC AM CSC, Deputy President

Mr Orme commenced a five-year term as Deputy President of the Repatriation Commission on 2 February 2015 and is a member of the MRCC. Prior to joining the Repatriation Commission, Mr Orme served in the ADF for 37 years, most recently as the Commander Joint Task Force 633 (CJTF 633) in the Middle East and Afghanistan.

Previously, he was a Commissioner on the MRCC, a Deputy Commissioner on the Safety, Rehabilitation and Compensation Commission, and the Defence representative on the Military Rehabilitation and Compensation Act Review.

Other senior appointments in Defence have included Head of People Capability, Commander of the Australian Defence College, Director General of Personnel—Army, and Commander of the 1st Brigade. He has masters degrees from the University of New South Wales and Deakin University.

REPATRIATION COMMISSION

MILITARY REHABILITATION AND COMPENSATION COMMISSION

DEPARTMENT OF VETERANS' AFFAIRS

Major General Mark Kelly AO DSC, Commissioner

Major General Kelly began his initial five-year appointment to the Repatriation Commission and the MRCC on 1 July 2010. He was reappointed for a further two years on 1 July 2015, and was reappointed for a further two years on 1 July 2017.

In an Army career spanning more than 35 years, he served in a number of senior command appointments, including as Commanding Officer of the 1st Battalion, The Royal Australian Regiment; Commander 3rd Brigade; Commander 1st Division; Land Commander Australia; and CJTF 633.

Major General Kelly's operational experience includes service with the Commonwealth Monitoring Force in Zimbabwe/Rhodesia (1979–80), service as Chief of Staff of the International Force in East Timor (1999–2000), service with US CENTCOM in the Middle East, Afghanistan, the Horn of Africa and Iraq (2003–04) and service as CJTF 633, commanding all ADF elements in the Middle East Area of Operations, Iraq and Afghanistan (2009–10).

Relationship with DVA

The Repatriation Commission is responsible for the general administration of the VEA, with administrative support provided by DVA. The Repatriation Commission has no staff of its own but delegates its powers under section 213(1) of the VEA to DVA staff. The responsibilities of the two bodies are therefore inextricably linked and the Repatriation Commission has a vital interest in DVA activities and in the assessment of the appropriateness, effectiveness and efficiency of departmental programs.

DVA reports to the Repatriation Commission on the administration of major programs and the progress and outcome of all major reviews, including Australian National Audit Office performance audits.

Administration of the VEA

The Repatriation Commission has broad powers to enable it to carry out its functions and duties under the VEA. It also has specific powers to enter into contracts, deal with real or personal property, undertake building works and engage individuals and organisations to perform services.

Delegates, on behalf of the Repatriation Commission, are responsible for deciding and reviewing an individual's entitlements to pensions, benefits and treatment under the VEA.

Repatriation Commission activity

The Repatriation Commission held 16 formal meetings to consider 84 submissions in 2016–17, compared with 15 formal meetings and 70 submissions in 2015–16. DVA is embracing significant change and the Commission considered a range of policy improvements and well as individual cases.

Matters considered by the Repatriation Commission in 2016–17 included:

- delegation of Commission powers
- amendments to the Treatment Principles
- day-to-day service delivery and business management issues bearing on the performance of the Department in administration of the VEA
- high-level policy and procedures relating to the VEA
- contracting and tendering for the supply of a range of health and support services
- possible amendments to the VEA that may be particularly sensitive for government or key stakeholders, in particular the service and ex-service communities
- assistance for contemporary widows, widowers and dependants.

The Repatriation Commission's activities under the VEA are focused on meeting the needs of all clients. Activity under the VEA is reported in Part 1 of the DVA annual report under programs 1.1–1.5, programs 2.1–2.5, and Outcome 3.



Members of the Royal Australian Air Force (RAAF) No. 1 Medical Air Evacuation Transport Unit tend to injured RAAF and Australian Imperial Force patients being flown home from New Guinea to Australia for treatment, in 1944. (AWM OG3345)



Military Rehabilitation and Compensation Commission Annual Report 2016–17

Members of an RAAF Aeromedical Evacuation and Critical Care Team tend to injured Australian soldiers being flown home from Afghanistan to Australia, in 2011. (Dept of Defence 20111106 adf8115142_526)

Functions and powers

The Military Rehabilitation and Compensation Commission (MRCC) was established under section 361 of the *Military Rehabilitation and Compensation Act 2004* (MRCA) in June 2004.

The MRCC provides rehabilitation, compensation and other benefits for current and former members of the Australian Defence Force (ADF), including reservists and cadets, who have an injury or disease due to service on or after 1 July 2004. It also includes dependants of members whose deaths were the result of an injury or disease due to service on or after 1 July 2004.

The MRCC's functions are to:

- make determinations relating to the acceptance of liability for service-related conditions, the payment of compensation and the provision of treatment and rehabilitation
- minimise the duration and severity of service-related conditions and promote the return to suitable civilian work
- promote research into the health of members and former members, the prevention of injury and disease, and rehabilitation
- provide advice and information to the ministers and departmental secretaries of Veterans' Affairs and Defence, the Chief of the Defence Force, and the Services chiefs, either on request or on its own initiative
- undertake other functions that may be conferred on it.

Schedule 2 to the *Military Rehabilitation and Compensation (Consequential and Transitional Provisions) Act 2004* (Transitional Act) gives the MRCC functions and powers to determine and manage claims under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) that relate to defence service.



Ms Jennifer Taylor, Major General Mark Kelly,
 Rear Admiral Brett Wolski, Mr Craig Orme,
 Mr Simon Lewis and Air Vice-Marshal Tracy Smart.

Structure

The MRCC has six members:

- the President of the Repatriation Commission
- the Deputy President of the Repatriation Commission
- the Services member of the Repatriation Commission
- a person nominated by the Minister for Employment (the Minister responsible for the SRCA) who is either a member of the Safety, Rehabilitation and Compensation Commission or a public servant working in the Department of Employment
- two persons nominated by the Minister for Defence who are either permanent members of the ADF or public servants working in the Department of Defence

The MRCC subcommittee, comprising the three members of the Repatriation Commission, considers routine administrative matters, but its decisions have no legal effect until ratified by the full MRCC.

Membership

Simon Lewis PSM, Chair

Mr Lewis is President of the Repatriation Commission; his biographical information is provided in that Commission's annual report.

Craig Orme DSC AM CSC

Mr Orme is Deputy President of the Repatriation Commission; his biographical information is provided in that Commission's annual report.

Major General Mark Kelly AO DSC

Major General Kelly is a member of the Repatriation Commission; his biographical information is provided in that Commission's annual report.

Air Vice-Marshal Tracy Smart AM

Air Vice-Marshal Smart was appointed to the MRCC on 5 May 2016. As Commander Joint Health, she is responsible for the provision of health care to ADF members and the health preparedness of the ADF for operations. As Surgeon General Australian Defence Force, she is responsible for providing strategic health advice to the ADF and technical oversight of the Defence Health System.

Rear Admiral Brett Wolski AM RAN

Rear Admiral Wolski was appointed to the MRCC on 5 May 2016. He is Head of People Capability, Department of Defence. He has served as the Commanding Officer of HMAS *Tobruk* and HMAS *Stirling* and filled a range of command and personnel-related appointments in Defence and Navy Headquarters.

Jennifer Taylor

Ms Taylor was appointed as a member on 11 December 2014. She is Chief Executive Officer of Comcare. Ms Taylor has held senior positions in Australian Government and South Australian Government portfolios, and has extensive experience in employment and workforce issues, industrial affairs, workers compensation, and work health and safety.

Relationship with the Department

The MRCC is vested with broad powers to enable it to carry out its functions. It has no staff of its own and relies on employees allocated to it by the Secretary of the Department of Veterans' Affairs under the *Public Service Act 1999*, and on other specified persons, including consultants.

The Chair of the MRCC is also President of the Repatriation Commission and Secretary of the Department of Veterans' Affairs. Two other members of the MRCC are also full-time members of the Repatriation Commission. The Secretary has delegated some departmental functions to those two members. This close working relationship enables the two Commissions to work collaboratively and play an active role in the effective and accountable management of the Department.

Administration of the MRCA and SRCA

The MRCA provides a comprehensive range of compensation and rehabilitation for injured and ill ADF members and former members, including:

- payments for medical treatment
- income replacement for periods of incapacity for work
- compensation for permanent impairment
- payment for rehabilitation programs
- compensation and support following the death of a member or former member.

Section 384 of the MRCA allows the MRCC to delegate its functions or powers under that Act to individual members of the MRCC, staff assisting the MRCC, certain employees under the Public Service Act, members of the ADF, and a consultant to the MRCC or an employee of that consultant.

Section 152 of the Transitional Act allows the MRCC to delegate its powers and functions under the SRCA to the group of persons specified in section 384 of the MRCA.

Activity in 2016–17

In 2016–17, the full Commission held 11 formal meetings and considered 61 submissions. The subcommittee of the Commission held four meetings and considered nine submissions.

Matters considered during 2016–17 included:

- high-level policy and procedures relating to the MRCA

- delegation of Commission powers and amendments to the Treatment Principles
- contracting and tendering for the supply of a range of health and support services
- possible amendments to the MRCA that may be particularly sensitive for government or key stakeholders, in particular the service and ex-service communities
- assistance for contemporary widows, widowers and dependants.

Over the past five years, the number of matters considered by the MRCC has declined substantially, from 211 submissions in 2012-13 to 70 in 2016-17. Much of the decline has been a consequence of delegated decision-making by the MRCC and the development of full MRCC policies and guidelines to support decision-making by the MRCC delegates.

The Commission's overall level of activity under the MRCA increased significantly from 2004 (when the Act commenced) until 2012, and has been slowly declining since then.

Reviews

The Department has a role in Veterans' Review Board (VRB) and Administrative Appeals Tribunal (AAT) applications in relation to decisions of the MRCC. The Department prepares reports of the decisions under review and provides staff to advocate on behalf of the MRCC before the AAT. The MRCC is not represented at VRB hearings.

The Commission will occasionally apply for a review by the AAT of a VRB decision under the MRCA.

During 2016-17, the Department analysed the primary level decisions set aside at reconsideration stage by the VRB and the AAT on administrative reviews in 2015-16. The analysis showed that:

- Of 19,323 MRCA primary decisions, 538 (2.8 per cent) were set aside at the section 349 reconsideration, VRB or AAT stages. Of all Commission decisions at the primary level and section 349 reconsideration stage, only 2.0 per cent were set aside or varied at the VRB or AAT level.
- Of 9,444 SRCA primary decisions, 187 (2.0 per cent) were set aside at the section 62 reconsideration or AAT stage (the VRB is not involved in SRCA matters). Of all Commission decisions at the primary level and section 62 reconsideration stage, only 0.2 per cent were set aside or varied at the AAT level.

The analysis showed that a low proportion of primary level decisions and determinations under both Acts are being set aside.

Single Access Mechanism

The Single Access Mechanism facilitates the transfer of information and relevant service and medical records between the Department of Defence and DVA for current and former members of the ADF.

DVA uses these records to assist in the determination of claims under the *Veterans' Entitlements Act 1986*, MRCA and SRCA. They include records of service, overseas postings, leave confirmations, workplace health and safety incident reports, medical and psychological reports, and financial statements.

The DVA Single Access Mechanism team receives, actions and monitors all requests for Defence records. Approximately 25 per cent of compensation determinations require the team to request records from Defence as part of the determination process. In 2016-17, 14,623 Single Access Mechanism document requests were completed, compared with 16,032 in 2015-16. This continues a gradual decrease since 2013-14 when there were 24,350 requests completed.



A physiotherapist of the Royal Australian Army Nursing Corps administers electronic massage on a patient's leg at Nui Dat, Vietnam, in 1971. (AWM EKN/71/0632/VN)



Department of Veterans' Affairs Annual Report 2016–17

The Department of Veterans' Affairs provides health care to all veterans for service-related injuries and illness. (DVA Prince_of_Wales_Hospital_0609)



A member of the Australian Army Nursing Service oversees a patient at the No. 1 Australian Auxiliary Hospital at Harefield, England, in 1916. (AWM P02402.013)

Part 1 Performance

A photograph of two male athletes in blue and yellow Australian Army (I AM) and RAAF jerseys, sitting in racing wheelchairs on an indoor sports court. The athlete on the left is reaching up with his right arm to catch a white volleyball. The athlete on the right is looking towards the left. Both are wearing black gloves and have visible tattoos. The background shows a blurred indoor arena with spectators and other people.

Australian Army and RAAF athletes take part in an international wheelchair rugby match in the United States, in 2016. (Dept of Defence 20160511 adf8209508_0833)

Compensation and Support

DVA maintains and enhances the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation and other support services, including advice and information about entitlements. Improved business practices and the focus on meeting quality performance measures will enable DVA to deliver compensation, support and services more efficiently and effectively.

In 2016–17:

**\$6.4
billion**

was spent on compensation and income support services.



30,950

disability claims were received.

176,232

clients received income support.



126

ex-service organisations received funding for pensions and welfare officers.



an additional **67,000** veterans became eligible to receive treatment for the following mental health conditions:

- post traumatic stress disorder
- depressive disorder
- anxiety disorder
- alcohol use disorder
- substance use disorder.

**PRIME MINISTER'S
VETERANS'
EMPLOYMENT
PROGRAM**

was launched

Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation and other support services, including advice and information about entitlements.

Outcome 1

Compensation claims processing

As part of its commitment to providing services to veterans and their families in a more strategic, sustainable and efficient manner, DVA is determined to simplify and improve the timeliness of claims processing.

In 2016-17, DVA met the majority of the timeliness targets for compensation claims processing under the *Veterans' Entitlements Act 1986* (VEA), the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) and the *Military Rehabilitation and Compensation Act 2004* (MRCA).

DVA is undertaking a transformation of its ICT and business processes. As part of the 2016-17 Budget, \$23.9 million was provided over two years to undertake urgent technical work to ensure that critical rehabilitation and compensation (R&C) processing systems operate effectively. Under the Improving Processing Systems Program, DVA is progressively building a single R&C processing system over two years. The first two system releases occurred in November 2016 and May 2017; the final two releases will be in November 2017 and May 2018. The new system will enable liability, needs assessments, incapacity payments, permanent impairment claims and rehabilitation assistance to be processed through the one system.

The R&C business model continued to assist in improving claims processing time frames, consistency, and the overall client experience. There will be further refinements with the introduction of the new Claims and Operations Division from 1 July 2017.

Rehabilitation

In 2016-17, DVA's ongoing Rehabilitation Review Project continued to improve the effectiveness and consistency of the delivery of rehabilitation services for veterans. The project's positive outcomes have been:

- the promotion and expansion of psychosocial rehabilitation
- improved sharing of information between all stakeholders
- collaborative undertakings by DVA, the Department of Defence (Defence) and service providers
- improved support for veterans where service providers need to meet additional requirements above those needed for Comcare accreditation
- the revision of education policy, including tertiary study policy and guidelines, to ensure that support is available to all members.

Service improvements

DVA undertook a number of activities in 2016-17 to improve the delivery of rehabilitation services and to continue to respond to the Australian National Audit Office's audit of the administration of rehabilitation services under the MRCA.

To ensure that the specific needs of veterans can be effectively met and value for money is obtained, from 1 July 2016 rehabilitation providers who wish to work with our clients must meet Comcare accreditation requirements and a number of DVA-specific requirements. Those requirements include experience in working with people from similar work environments and people with complex medical conditions; experience in transitioning workers into new work areas; and mandatory training for rehabilitation provider staff on military culture and DVA services.

Improvements have been made to DVA's rehabilitation communication and training materials. They include the launch of a suite of rehabilitation e-learning modules for providers, and training for staff about the revised tertiary and psychosocial guidelines. DVA continues to provide a bi-monthly e-newsletter for providers, hold biannual information sessions for providers and promote DVA's rehabilitation program through social media and rehabilitation success stories published on DVA's website.

La Trobe University has been engaged to undertake a review of how well goal attainment scaling (GAS) is working in practice to ensure the ongoing effectiveness of DVA's rehabilitation program. GAS, which was introduced in August 2015, is a method of developing tailored rehabilitation plans for clients and measuring outcomes of rehabilitation activities.

MRCA Rehabilitation Long-Term Study

The MRCA Rehabilitation Long-Term Study is a joint research project with the Department of Defence. Its aim is to examine the long-term effectiveness of DVA and Australian Defence Force (ADF) rehabilitation programs delivered under the MRCA.

DVA contracted the Sax Institute to lead a consortium for Phase 1: Development of a study design framework. The proposed draft and final study design framework were reviewed by an independent scientific advisory committee and a project board and the final framework was delivered on 15 December 2016. The study is expected to commence in 2017–18.

Development of the Prime Minister's Veterans' Employment Program

The Prime Minister launched the Veterans' Employment Program on 17 November 2016. The aim of the program is to raise awareness of the unique skills and experience that veterans can bring to the civilian workplace and promote greater employment opportunities for veterans in the private sector.

The program includes:

- establishment of the Veterans' Employment Industry Advisory Committee
- implementation of the Prime Minister's Veterans' Employment Awards
- creation of the Ex-Service Organisation Industry Partnership Register
- various employment initiatives of Defence, DVA, the Department of Employment, and the Australian Public Service Commission.

The Government provided \$2.7 million in the 2017–18 Budget to implement the program.

The Veterans' Employment Industry Advisory Committee comprises representatives of small, medium and large businesses across a range of industries. The committee has met on two occasions and established priority areas on which to focus. The Government's jobactive website has been improved to include information for veterans and an optional 'Defence Force experience desirable' flag on job advertisements. DVA and Defence continue to improve their transition and rehabilitation processes to assist former ADF members to transition into civilian jobs.

Work to develop a website for the program is underway.

Non-liability health care

From 1 July 2016 and as part of the 2016–17 Budget, DVA implemented changes to non-liability healthcare arrangements, extending eligibility for mental health treatment to those with one day of permanent service in the ADF.

As a result of this change an additional 67,000 veterans became eligible to receive treatment for the following mental health conditions:

- posttraumatic stress disorder
- depressive disorder
- anxiety disorder
- alcohol use disorder
- substance use disorder.

In addition, changes were made to enable claims to be lodged via phone and email and to allow claims to be granted on a provisional basis for six months prior to a diagnosis being received.

In the 2017–18 Budget, the Government committed to extending the conditions covered to all mental health conditions from 1 July 2017.

Advocacy Training and Development Program

From 1 July 2016, the new Advocacy Training and Development Program (ATDP) commenced managing advocacy training previously provided through the Training and Information Program.

In April 2017, the National Course in Military Advocacy was accredited by the Australian Skills Quality Authority. It is now a recognised course within the vocational education and training sector.

New advocates have commenced training under the ATDP and are working toward obtaining their competencies for accreditation.

Single pathway for appeals and alternative dispute resolution

The introduction of a single appeal pathway was a recommendation of the 2011 Review of Military Compensation Arrangements. It simplifies and streamlines the appeal process under the MRCA by reducing the previous dual pathway to a single pathway and ensures that the appeal process under the MRCA is consistent with the appeal process under the VEA. It applies to all primary claim determinations made on or after 1 January 2017. The changes will be of benefit to current, former and future members of the ADF covered by the MRCA.

Alternative dispute resolution (ADR) is an integral part of the single appeal pathway as it will allow the Veterans' Review Board (VRB) to resolve a large number of cases without the need for a full VRB hearing. Following the successful 2015 trial of ADR for all appeals in New South Wales and the Australian Capital Territory, a national rollout of ADR at the VRB commenced in 2016–17. ADR is now available in all states other than Queensland, where it will be rolled out following implementation of the VRB case management system.

Additional support for victims of physical and sexual abuse

In June 2016, the Royal Commission into Institutional Responses to Child Sexual Abuse held a public hearing to inquire into the experiences of men and women who were sexually abused as children in the ADF. In response to the issues raised, the Repatriation Commission and the Military Rehabilitation and Compensation Commission have changed DVA's policies and procedures for handling claims relating to sexual and physical abuse.

As a result of those changes, DVA has broadened the use of statutory declarations as evidence to establish that an incident of sexual and/or physical abuse occurred. In assessing claims, DVA will consider all the available evidence and, depending on the particular circumstances, can determine that an incident of abuse occurred based on a statutory declaration alone.

DVA is applying the new policy to all current claims and new claims. Claims that were previously rejected for evidentiary reasons and are known to DVA are being revisited and assessed under the new policy.

Priorities for 2017-18

The provision of rehabilitation services will remain a priority for DVA in the coming year. The focus will include:

- further consolidation of activities to better measure the effectiveness of rehabilitation services
- consideration of options for the future engagement of rehabilitation providers
- the MRCA Rehabilitation Long-Term Study
- consideration of how to meet timeliness targets for claims processing
- implementation of straight-through processing
- implementation of the Prime Minister's Veterans' Employment Program.

Straight-through processing

The Department will progress the implementation of straight-through processing arrangements for certain liability claims. Under this arrangement, training and service data provided by Defence are used to satisfy specified Statements of Principles (SOPs) factors for certain medical conditions. Where straight-through processing is applicable, claimants will no longer be required to fill out questionnaires detailing their specific service activities, potentially reducing the time taken to assess liability.

Implementation of the Prime Minister's Veterans' Employment Program

The Department will progress implementation of the various initiatives of the Prime Minister's Veterans' Employment Program, including assisting the Veterans' Employment Industry Advisory Committee to finalise its report to the Minister in late 2017. The Department will deliver the inaugural Prime Minister's Veterans' Employment Annual Awards and work with the ex-service community to establish the industry partnership register.

Program 1.1: Veterans' Income Support and Allowances

Description

To deliver means-tested income support pensions and other allowances to eligible veterans and dependants under the *Veterans' Entitlements Act 1986* and related legislation. As an agent of the Department of Social Services, pay other forms of income support to eligible veterans, members and former members of the Defence Force and Peacekeeping Force. Income support payments provide a regular source of income for eligible veterans, partners, widow/ers, and other eligible people with limited means.

Delivery

Deliver means tested income support pensions and other allowances to veterans under the *Veterans' Entitlements Act 1986* and related legislation, by:

- processing new claims for income support pensions to eligible veterans and dependants
- processing claims for Commonwealth Seniors Health Card and the DVA Health Card—For Pharmaceutical Only (Orange Card)
- processing claims to determine qualifying service
- processing aged care means test assessments
- processing departmental and pensioner initiated reviews.

New claims processed

Claims intake increased from 10,068 in 2015-16 to 10,998 in 2016-17 (up by 9.2 per cent). A total of 10,926 claims were processed in 2016-17 compared to 10,137 in 2015-16 (an increase of 7.8 per cent). The number of cases on hand rose from 701 at 30 June 2016 to 773 at 30 June 2017 (up by 10.2 per cent).

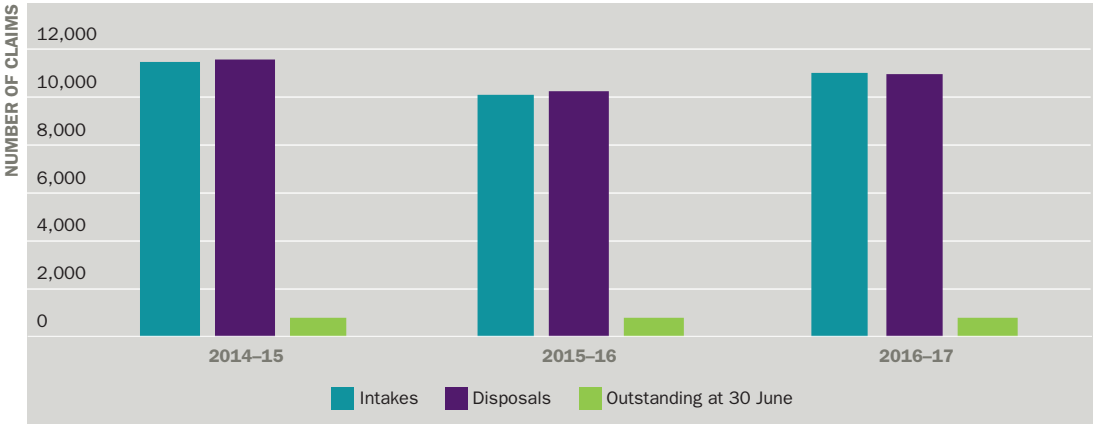
In recent years new claim intakes have increased due to the number of younger veterans with warlike service returning from overseas deployments. This, combined with enhanced online claims lodgement, saw an increase particularly in the number of claims from veterans seeking clarification of their qualifying service status.

However, pension claim intakes are down by 15.1 percent from 2,975 in 2015-16 to 2,524 in 2016-17. This decline in pension claims corresponds with the acknowledged decrease in the veteran population reaching retirement age who have rendered qualifying service.

Figure 3 shows outcomes for new claims intake, disposals and cases outstanding for the past three years.

ANNUAL REPORT 2016-17

Figure 3 New claims activity 2014-15 to 2016-17



Time to process new claims

The mean time frame for processing new claims was 28 days in 2016-17. This performance is well within the 32-day target.

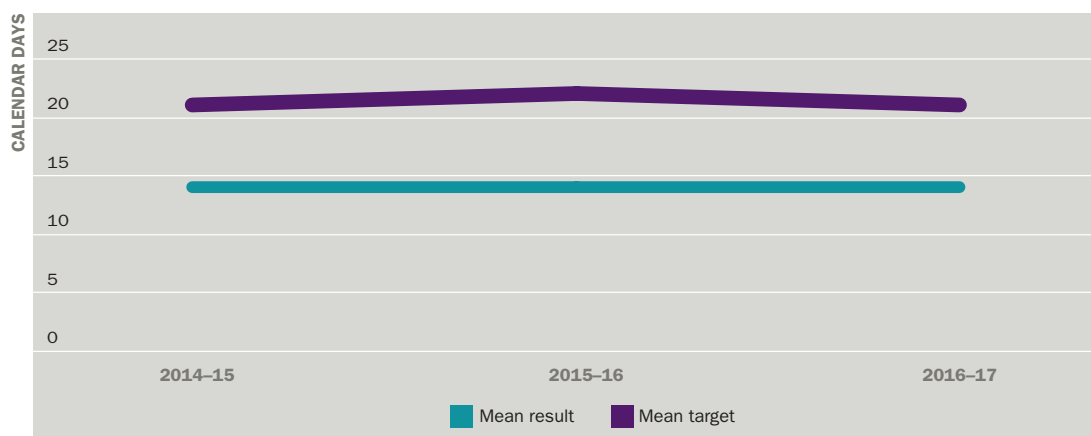
Processing continues to be supported by the electronic link between DVA and Defence allowing access to information for veterans with post-1997 ADF service in real time. This has greatly reduced the time taken to process qualifying service claims lodged by this veteran group and has positively affected the overall average time taken to process claims.

Claim disposals have continued to approximately match claim intakes; however, apart from the post-1997 ADF qualifying service claims, the time taken to investigate claims is continuing to increase. This is due to a number of factors. Most relate to ongoing delays in obtaining necessary documentation and information from third parties. The increasing complexity of clients' personal and financial circumstances, including the structure and/or range of their income and assets, requires thorough investigation to ensure that applicants receive their correct entitlements. This need for thorough investigation is reflected in the average age of outstanding cases, which has increased from 23 days at 30 June 2016 to 28 days at 30 June 2017.

A new measure introduced this financial year is the median time taken to process claims (the number of days within which 50 per cent of cases were processed). The target has been set at 30 days, based on a review of processing results over the past 20 years. The median time taken to process new claims in 2016-17 was nine days against a target of 30 days.

Figure 4 shows the mean processing times for new claims over the past three years.

Figure 4 Processing times for new claims 2014-15 to 2016-17

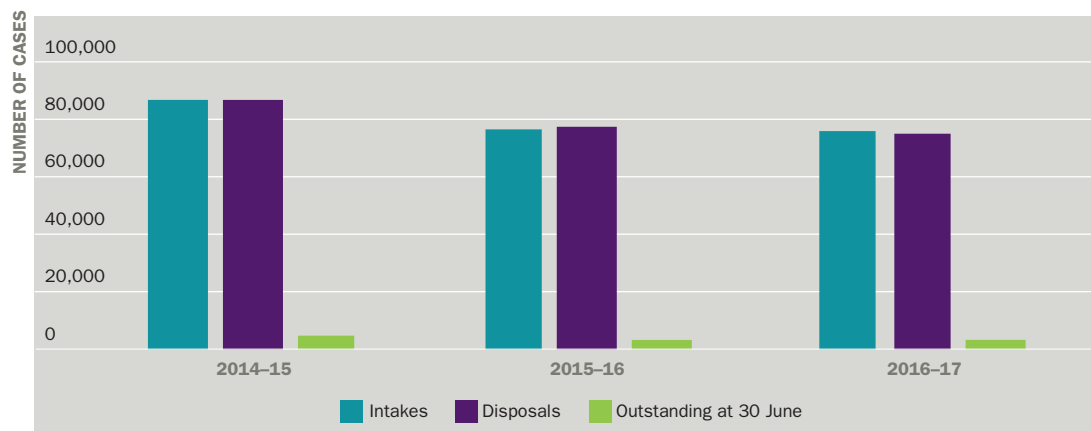


Pensioner initiated reviews processed

A total of 74,874 pensioner initiated reviews (PIRs) were processed in 2016-17 compared to 77,363 in 2015-16 (a decrease of 3.2 per cent). Intakes have decreased by 0.9 percent from 76,084 in 2015-16 to 75,432 in 2016-17. This decrease is attributable to the declining pensioner population. The amount of work on hand at 30 June 2017 was 20.6 per cent greater than at 30 June 2016 (3,267 cases compared to 2,709 cases).

Figure 5 shows outcomes for PIR intake, disposals and cases outstanding for the past three years.

Figure 5 Pensioner initiated review activity 2014-15 to 2016-17



Outcomes of pensioner initiated reviews

In the 2016-17, the processing of PIRs resulted in a pension increase for 28,109 clients (average fortnightly increase of \$51.57 per client) and a pension decrease for 22,655 clients (average fortnightly decrease of \$49.69 per client). A further 38,244 clients notified the Department of changes to their personal and financial circumstances which required updates to their records through the PIR process.

The processing of a PIR can impact on the pension payments of each member of a pensioner household. The client numbers are therefore always higher than the case numbers as a significant number of income support households contain two persons (i.e. the veteran and their partner).

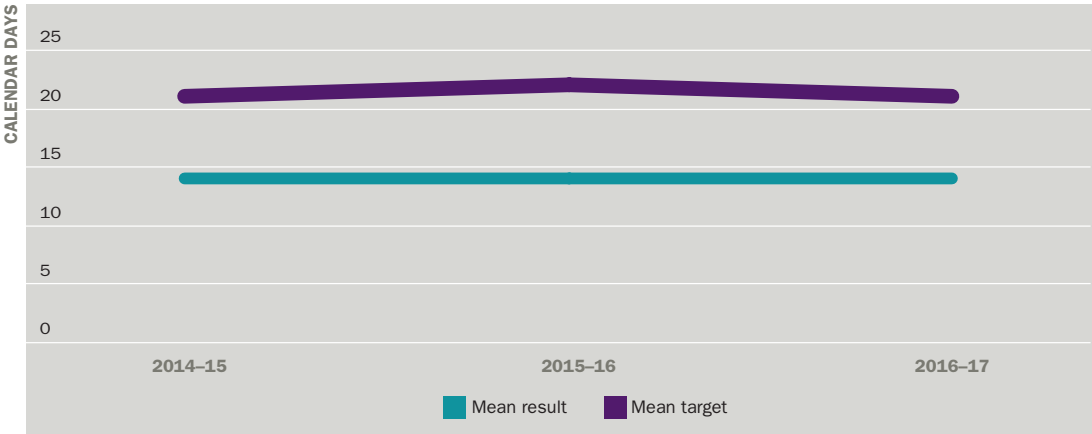
Time taken to process pensioner initiated reviews

The mean time frame for processing PIRs in 2016-17 was 21 days (compared to 22 days in 2015-16 and 21 days 2014-15). The focus on finalising older outstanding cases has impacted on the timeliness figure. The average age of outstanding cases was 43 days at 30 June 2017 (compared to 36 days at 30 June 2016).

As with the processing of new claims, the increasing complexity of clients' personal circumstances and sophistication of their financial affairs, as well as the fluctuating economic climate, contributed to a need for a greater level of investigation within PIRs. Additional time taken during the investigation process helps to ensure that clients continue to receive their correct entitlements.

Figure 6 shows the mean times to process PIRs over the past three years.

Figure 6 Processing times for pensioner initiated reviews 2014-15 to 2016-17



A new measure introduced this financial year is the median time taken to process PIRs (the number of days within which 50 per cent of cases were processed). The median time taken to process PIRs in 2016-17 was seven days against a target of 10 days.

Price

The cost per income support beneficiary in 2016-17 was \$313, compared to \$267 in 2015-16.

Quality

The correctness rate of 97.11 per cent, for income support processing in 2016-17 were well within the target.

Program 1.2: Veterans' Disability Support

Description

To deliver disability pensions, allowances and special purpose assistance to eligible veterans and members of the Defence Force or Peacekeeping Force under the *Veterans' Entitlements Act 1986* (VEA) and related legislation.

The program provides compensation to eligible veterans (including Australian merchant mariners) and members of the Defence Force or Peacekeeping Force for the tangible effects of war or defence service. Eligible persons receive disability pensions and ancillary benefits.

Delivery

Deliver disability pensions and related allowances to veterans under the VEA and related legislation by:

- processing new claims for the disability pension
- processing applications for assessments of disability pension rates
- processing applications for Loss of Earnings and Recreation Allowance
- processing repayments of medical transport and maintenance deductions
- processing applications for Vehicle Assistance.

Disability claims

There were 14,505 primary disability claims (applications for disability pensions, applications for increases in disability pension and assessment/reviews) received in 2016-17, compared to 13,615 claims in 2015-16.

In 2016-17, 15,713 compensation conditions were determined with an acceptance rate of 59.2 per cent, compared to 12,981 compensation conditions determined in 2015-16 with an acceptance rate of 62.2 per cent. In addition, 1,615 applications for increases in disability pension were determined with an acceptance rate of 58.9 per cent, compared to 1,467 applications in 2015-16 with an acceptance rate of 57.9 per cent. The number of cases on hand at 30 June 2017 was 2,447, compared to 3,323 at 30 June 2016.

The forecast reduction in the number of disability pensioners continued, with a drop of 3.7 per cent, from 92,374 at 30 June 2016 to 88,974 at 30 June 2017.

Most frequently claimed conditions and acceptance rates

In determining the majority of liability cases, the Department refers to the Repatriation Medical Authority SOPs for the relevant condition. Table 5 details the 15 most frequently claimed conditions under the VEA, based on SOPs usage, in 2016-17. The 15 most frequently used SOPs cover 59.5 per cent of the conditions determined under the VEA.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Table 5 Top 15 claimed conditions under the VEA (based on Statements of Principles) 2016-17

| Disability | Number accepted | Acceptance rate (%) | Number not accepted | Total |
|--|-----------------|---------------------|---------------------|--------------|
| Osteoarthritis | 1,428 | 70 | 617 | 2,045 |
| Sensorineural hearing loss | 1,278 | 98 | 27 | 1,305 |
| Tinnitus | 1,223 | 98 | 27 | 1,250 |
| Lumbar spondylosis | 774 | 79 | 211 | 985 |
| Posttraumatic stress disorder | 389 | 70 | 165 | 554 |
| Depressive disorder | 262 | 55 | 211 | 473 |
| Solar keratosis | 469 | 99 | 4 | 473 |
| Non-melanotic malignant neoplasm of the skin | 435 | 98 | 8 | 443 |
| Alcohol dependence | 185 | 54 | 157 | 342 |
| Cervical spondylosis | 79 | 25 | 233 | 312 |
| Rotator cuff syndrome | 67 | 26 | 189 | 256 |
| Sprain/strain | 163 | 68 | 77 | 240 |
| Fracture | 144 | 61 | 91 | 235 |
| Hypertension | 55 | 24 | 174 | 229 |
| Ischaemic heart disease | 117 | 55 | 95 | 212 |
| Totals | 7,068 | 76 | 2,286 | 9,354 |

VEA = Veterans' Entitlements Act 1986

Time taken to process

The mean time taken to process VEA compensation cases (including disability pension cases, applications for increases in disability pension and war widow(er)'s pension cases) in 2016-17 was 72 days, the same as in 2015-16, against a target of 75 days.

In addition, the median time taken to process VEA disability pension claims (including applications for increases in disability pension) in 2016-17 was 59 days, against a target of 100 days.

Price

The unit cost in 2016-17 is reported as the program staff and administrative expenses (departmental) per disability pensioner. The average cost per disability pensioner in 2016-17 was \$486, compared to \$427 in 2015-16.

Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of VEA disability pension claims and is expected to improve the quality of transactions.

Merit reviews

Three levels of merit review activity are open to clients under the VEA. These are:

- section 31—where a reviewable decision is reviewed by a delegate not involved in the original decision-making process
- section 135—where the VRB reviews a decision and a report is then prepared by DVA under section 137 of the VEA
- section 175—where a client who is still dissatisfied with the VRB decision can appeal to the Administrative Appeals Tribunal (AAT) on certain grounds. Following receipt of an appeal by the AAT, DVA prepares a report under section 37 of the *Administrative Appeals Tribunal Act 1975* (AAT Act).

Section 31 reviews

There were 999 section 31 reviews decided in 2016-17, compared to 1,116 in 2015-16. The mean time taken to process in 2016-17 was 31 days, against a target of 40 days, compared to 18 days in 2015-16.

VRB reports

In 2016-17, 72 per cent of reports for the VRB were prepared against a target of 42 days, compared to 93 per cent in 2015-16. The number of outstanding reports was 178 at 30 June 2017, compared to 165 at 30 June 2016.

AAT Act reports

In 2016-17, 78 per cent of reports for the AAT were prepared against a target of 28 days, compared to 83 per cent in 2015-16.

Finalised activity

Merit review finalised activity consists of cases completed by DVA review officers under section 31 of the VEA, and the preparation of documentation for the VRB in accordance with section 137 of the VEA and for the AAT in accordance with section 37 of the AAT Act. The total number of finalised review activities in 2016-17 was 2,861, compared to 3,247 in 2015-16.

Table 6 shows a breakdown of activity in the three levels of merit reviews under the VEA for the past three years.

Table 6 Merit review activity under the VEA 2014-15 to 2016-17

| Activity | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|
| Section 31 | | | |
| Applications received | 1,205 | 1,129 | 1,030 |
| Days taken to process | 15 | 18 | 31 |
| Decisions | 1,202 | 1,116 | 999 |
| Affirmed | 817 | 837 | 769 |
| Varied | 362 | 255 | 212 |
| Withdrawn | 23 | 24 | 18 |
| On hand | 62 | 75 | 106 |
| Section 137 (VRB) | | | |
| Applications received | 2,058 | 1,939 | 1,815 |
| Proportion of reports completed within target time frame (%) | 87 | 93 | 72 |
| Reports prepared ¹ | 2,044 | 2,016 | 1,802 |
| On hand | 242 | 165 | 178 |
| Section 37 (AAT) | | | |
| Applications received | 271 | 195 | 165 |
| Proportion of reports completed within target time frame (%) | 88 | 83 | 78 |
| Reports completed | 262 | 206 | 139 |
| On hand | 32 | 21 | 47 |

AAT = Administrative Appeals Tribunal, VEA = Veterans' Entitlements Act 1986, VRB = Veterans' Review Board

¹ Includes reports not progressed to the VRB because the applicants withdrew their appeals.

Note: Additional detail on decisions varied by the VRB is available in the Commissions' annual reports.

Program 1.3: Assistance to Defence Widow/ers and Dependants

Description

Deliver war widow/ers and Defence pensions, allowances and special purpose assistance to the dependants of veterans under the *Veterans' Entitlements Act 1986* (VEA) and related legislation including the payment of war widow/ers claims for compensation.

Delivery

Deliver pensions, allowances and other support to war and Defence widow/ers under the VEA and related legislation, by processing new claims for the war widow/ers and other dependants' pension.

War widow(er)'s claims

There were 1,489 claims for war widow(er)'s pension received in 2016-17, compared to 1,663 claims in 2015-16.

In 2016-17, 1,328 war widow(er)'s pension claims were determined, with an acceptance rate of 71.8 per cent, compared to 1,374 war widow(er)'s pension claims determined in 2015-16 with an acceptance rate of 60 per cent. The number of claims on hand at 30 June 2017 was 104, compared to 221 at 30 June 2016.

The number of war widow(er) pensioners continued to reduce, and has dropped by 25.7 per cent over four years, from 86,865 at 30 June 2013 to 64,500 at 30 June 2017.

Time taken to process

The mean time taken to process war widow(er)'s pension claims in 2016-17 was 47 days, compared to 49 days in 2015-16, against a target of 75 days.

The median time taken to process war widow(er)'s pension claims in 2016-17 was 24 days, against a target of 30 days.

The mean time taken to process section 31 reviews was 14 days in 2016-17, against a target of 40 days, compared to eight days in 2015-16. See Program 1.2 for further information on section 31 reviews.

Price

The unit cost in 2016-17 is reported as the program staff and administration expenses (departmental) per war widow or widower. The average cost was \$181 per war widow or widower in 2016-17, compared to the average cost of \$157 in 2015-16.

Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of war widow(er)'s pension claims and is expected to improve the quality of transactions.

| Program 1.4: Assistance and Other Compensation for Veterans and Dependants | |
|--|---|
| Description | To deliver other allowances and assistance to eligible veterans and dependants under the <i>Veterans' Entitlements Act 1986</i> and related legislation including home support loans, funeral benefits, prisoner of war ex gratia payments and payments on behalf of Commonwealth and allied countries. The Department also provides assistance to the Ex-Service Organisations (ESO) community through Building Excellence in Support and Training (BEST) grants and funding the Advocacy Training and Development Program (ATDP). |
| Delivery | <p>To deliver other allowances and assistance to eligible veterans and dependants under the <i>Veterans' Entitlements Act 1986</i> and related legislation, by:</p> <ul style="list-style-type: none">■ processing funeral benefit claims■ processing claims for and maintain housing loans■ providing grants funding to eligible ESOs for provision of services to support the veteran community■ providing ESO representatives with essential skills for pension and compensation claims and welfare work. |

Funeral benefits

Under the VEA, a funeral benefit is a one-off payment of up to \$2,000 to assist with the funeral costs of an eligible Australian veteran or dependant. Assistance may also be provided with transport costs from the place of death to the normal place of residence. Funeral assistance available under the MRCA and the SRCA is delivered under Program 1.6.

Funeral benefits paid

Table 7 shows the number of VEA funeral benefits by type paid to eligible people over the past five years.

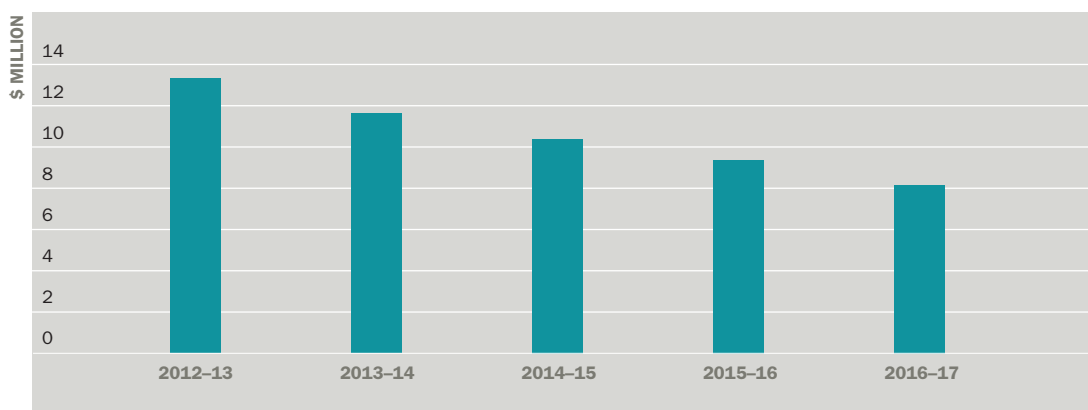
Table 7 Number of funeral benefits by type paid to eligible people 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Dependant | 193 | 180 | 138 | 152 | 125 |
| Extreme disablement adjustment | 1,605 | 1,445 | 1,426 | 1,347 | 1,399 |
| Former POW | 104 | 75 | 61 | 66 | 43 |
| Medical institution | 3,769 | 3,190 | 2,746 | 2,391 | 2,013 |
| Needy circumstances | 46 | 36 | 34 | 31 | 33 |
| Service related | 141 | 146 | 77 | 79 | 90 |
| Special rate/SDA | 736 | 673 | 761 | 659 | 478 |
| Transport | 34 | 33 | 21 | 29 | 22 |
| Total | 6,628 | 5,778 | 5,264 | 4,754 | 4,203 |

POW = prisoner of war, SDA = Special disability Allowance

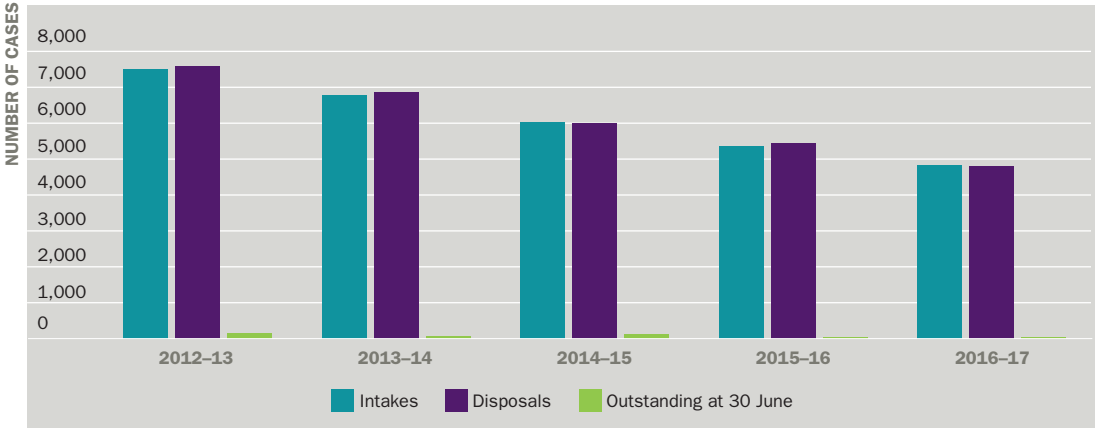
Over the past two years the amount paid has reduced from \$9.40 million in 2015-16 to \$8.18 million in 2016-17. This amount paid was below the budget estimate of \$9.08 million. Figure 7 shows the trend in cost of funeral benefits over the past five years.

Figure 7 Cost of funeral benefits 2012-13 to 2016-17



Over the 2015-16 and 2016-17 years the intake of funeral benefit claims decreased by 10.0 per cent, from 5,357 to 4,822. This figure is consistent with the decline in expenditure over recent years together with the decline in the veteran community population. There were 51 outstanding funeral benefit claims at 30 June 2017. Figure 8 shows the outcomes for funeral benefit intake, disposal and cases outstanding for the past five years.

Figure 8 Claims for funeral benefits processed 2012-13 to 2016-17

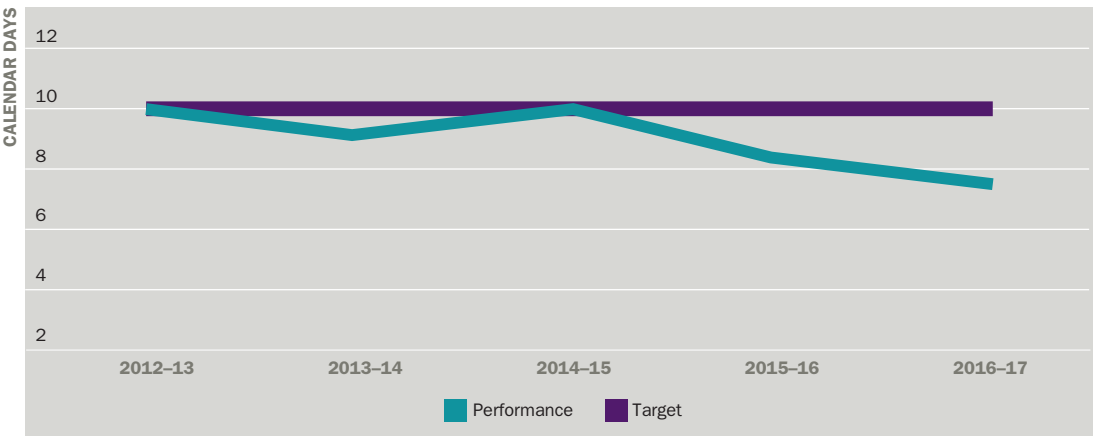


Time taken to process

The average time taken to process funeral benefit claims decreased by one day to seven days in 2016-17, which is below the target processing time.

Figure 9 shows the average processing time against target for this activity over the past five years.

Figure 9 Average processing time for funeral benefits claims 2012-13 to 2016-17



Quality

The 0.8 per cent critical error rate in 2016-17 is well within the benchmark of 5 per cent, as in each of the past five years.

Table 8 shows the critical error rate for this activity over the past five years.

Table 8 Critical error rate in processing funeral benefit claims 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-------------------------|---------|---------|---------|---------|---------|
| Critical error rate (%) | 2.4 | 3.3 | 0.0 | 1.5 | 0.8 |

Defence Service Homes loans

In 2016-17, the Defence Service Homes loan scheme continued to provide quality services to veterans and ADF personnel. Under the scheme, individuals may access subsidised housing loans of up to \$25,000 and/or home support loans of up to \$10,000, depending on their eligibility. Due to the ongoing decline in the client base, the number of housing loans has decreased. This decline is in line with projections, as the scheme membership is limited to those who first enlisted in the ADF before 15 May 1985.

Subsidy paid

Defence Service Homes loans are provided by Westpac Banking Corporation, which is subsidised each month under the *Defence Service Homes Act 1918* to offer discounted interest rates to Defence Service Homes clients. The rate is set at 1.5 per cent below the average standard variable home loan rate but is capped at 6.85 per cent a year.

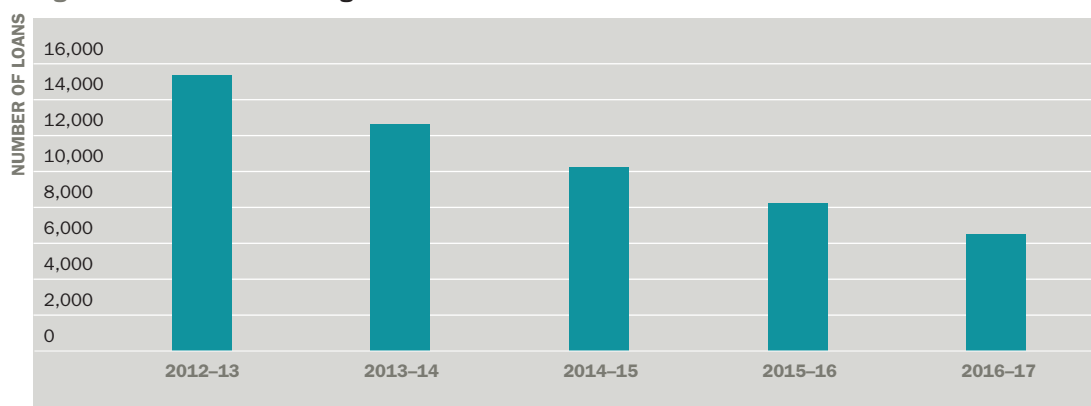
The Westpac interest subsidy totalled approximately \$0.837 million in 2016-17, which was less than the previous year's total of \$1.030 million. The benchmark interest rate on which the subsidy amount is based fell during the year, in line with general interest rate changes.

Number of housing loans

The number of housing loans on which the subsidy was paid fell to 6,669 in 2016-17, down 20 per cent on the previous year's total of 8,322.

Figure 10 shows the reduction over the past five years in the number of housing loans maintained.

Figure 10 Number of housing loans maintained 2012-13 to 2016-17



Certificates of entitlement issued

There were 230 applications for certificates of entitlement received in 2016-17, 102 less than the 332 received in 2015-16. A total of 197 certificates were issued, comprising seven for additional advances, 50 for housing support loans and 140 for other forms of assistance.

Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (DSHIS) offers home building insurance and, in partnership with QBE Australia, provides a range of other personal insurance products to eligible members of the veteran and ADF communities.

The total number of building policies in place at 30 June 2017 was 55,838, compared with 58,825 in 2015-16. There was a continued decline in the number of policies held by older veterans, partially offset by an increase in policies held by veterans from recent campaigns and ADF members who are eligible under the Defence Home Ownership Assistance Scheme.

In 2016-17, DSHIS reported a loss of \$0.780 million. This result was driven by costs associated with Tropical Cyclone Debbie (totalling \$5.803 million) and several large storms in New South Wales, Victoria and South Australia.

Claims

A total of 8,029 claims (\$31.5 million) were received from DSHIS clients during 2016-17, compared with 7,376 (\$27.63 million) during 2015-16. DSHIS has received 606 claims for Tropical Cyclone Debbie to date, and there was a 22 per cent increase in other storm-related claims compared to 2015-16.

Table 9 shows the percentage of DSHIS insurance claims settled within the settlement targets of three and six months.

Table 9 Proportion of DSHIS claims settled within targets 2012-13 to 2016-17 (%)

| | Three-month target | Result | Six-month target | Result |
|---------|--------------------|--------|------------------|--------|
| 2012-13 | 80 | 75 | 95 | 91 |
| 2013-14 | 80 | 76 | 95 | 91 |
| 2014-15 | 80 | 80 | 95 | 94 |
| 2015-16 | 80 | 72 | 95 | 89 |
| 2016-17 | 80 | 79 | 95 | 93 |

DSHIS = Defence Service Homes Insurance Scheme

Quality

DSHIS conducts regular surveys of settled claims for quality assurance purposes. During 2016-17, 1,200 claims were reviewed. Feedback indicated that 97 per cent of clients surveyed were satisfied with the way in which their claim had been handled.

During 2016-17, 10 matters were referred to the Financial Ombudsman Service for resolution. This represented less than 0.001 per cent of claims received.

Veterans' access through community agencies

DVA provides information services and community support through more than 150 contracted agents across regional Australia. Agencies include the Department of Human Services (DHS), Service Tasmania, the Queensland Government Agent Program, and Community Resource Centres in Western Australia.

Over the previous five-year reporting period, the number of clients using these services has decreased. As part of the Department's transformation, and through the work of the Veteran Centric Reform program, DVA will continue to examine service delivery options for clients in the community to ensure that they remain relevant and accessible.

Table 10 shows the number of contacts made through agencies and their costs from 2012-13 to 2016-17.

Table 10 Number and cost of contacts through agencies 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|------------------|---------|---------|---------|----------------------|---------|
| Contacts (no.) | 23,805 | 18,743 | 14,537 | 10,073 | 6,072 |
| Expenditure (\$) | 965,725 | 934,632 | 686,581 | 262,738 ¹ | 498,160 |

¹ This figure includes a reconciliation adjustment of \$209,331 against the 2014-15 financial year.

Client Satisfaction Survey

The 2016 Client Satisfaction Survey was conducted by ORIMA Research, an independent research company, through a computer assisted telephone interview process. A representative sample of 3,002 DVA clients from all Australian states and territories, age demographics and client types participated in the survey. The survey asked participants about their experience with DVA's services over the previous 12 months.

A number of questions in the 2016 survey were aligned with previous surveys to allow for the responses to be compared with past results. New, topical questions were included in 2016 to improve understanding of client satisfaction with DVA's digital offerings, clients' use of technology and the experience of clients transitioning from the ADF to civilian life.

The survey results show that 83 per cent of veterans are satisfied with DVA overall and that older veterans remain more positive about DVA's service delivery (92 per cent) compared to younger veterans (49 per cent for veterans under 45 years).

The 2016 Client Satisfaction Survey questions and results (presented in a two-page fact sheet and more detailed results summary) are available on the DVA website at www.dva.gov.au/consultation-and-grants/client-satisfaction-survey.

Building Excellence in Support and Training

Eligible people often receive advice on DVA entitlements from veterans' pensions and welfare officers who work, in many cases voluntarily, for ex-service organisations (ESOs). Those officers are generally themselves veterans or family members of veterans.

Building Excellence in Support and Training (BEST) is an annual grants program that supports pensions and welfare officers by assisting ESOs to cover a range of salary and administrative costs directly associated with the delivery of advocacy services.

In recent years, the Department has made changes to the program to better meet the needs of veterans and ESOs. The reforms were implemented following detailed discussions with the ex-service community, in particular with its peak body, the Ex-Service Organisation Round Table.

In the 2016-17 funding round, a total of \$3.848 million was provided to 144 ex-service organisations under BEST. This compares with \$3.778 million provided to a total of 126 organisations in 2015-16. The amount included \$1 million restored to the program in 2014-15.

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The workload funding formula continued to be refined. The formula takes into account the complexity and time involved in the claims and welfare work undertaken by ex-service organisations and recognises an organisation's entire contribution by including the work done by both paid and volunteer officers.

Table 11 shows the total allocation and numbers of grants made under BEST in the past four financial years, along with allocations for future years.

Table 11 Building Excellence in Support and Training allocations and grants 2013–14 to 2018–19

| | 2013–14 | 2014–15 | 2015–16 | 2016–17 | 2017–18 | 2018–19 |
|------------------------|---------|---------|---------|---------|---------|---------|
| Total allocation (\$m) | 2.788 | 3.772 | 3.778 | 3.848 | 3.830 | 3.824 |
| No. of grants approved | 135 | 141 | 126 | 144 | – | – |

Advocacy Training and Development Program

The ATDP supports ESOs to improve advocacy services to the veteran community by providing a nationally accredited training program to ensure that advocates meet competency standards before providing advice to clients on entitlements. The blueprint for the ATDP, as a more contemporary approach to advocacy training and the next evolution of the Training and Information Program (TIP), was developed in conjunction with the Ex-Service Organisation Round Table.

A key focus of the ATDP approach is for advocates to learn on the job, under the guidance and support of a mentor. Additional online and face-to-face training is provided to assist advocates to consolidate their learning.

Under the legislation relating to the vocational education and training sector, accreditation is achieved by completing the required competencies through the training program or by undertaking a recognition of prior learning (RPL) process. The Department has engaged a registered training organisation to assist with the RPL process. That organisation has developed a process that is simple and poses the least impact on ESOs and advocates, while meeting the Australian Skills Quality Authority standards.

In 2016–17 there were 303 new trainees enrolled for ATDP level 1 training.

Advocates that began training under TIP are being encouraged to continue in their roles through obtaining RPL. The RPL process has initially focused on level 2 advocates, as these advocates play a central role in the work of most ESOs. After two initial trials the RPL process was rolled out in the major capital cities and some regional centres commencing late in 2016. In association with the RPL course the ATDP is providing two additional courses, for mentors and assessors, that were not available under TIP.

By 30 June 2017, some 209 compensation advocates and 143 welfare advocates had been accredited under the ATDP through the RPL process, through 23 RPL courses held in 19 cities and three regional centres.

In 2016–17, a select number of specialised TIP courses were also provided between June 2016 and December 2017 to support advocates that commenced their training under TIP during the transition to the new program.

Program 1.5: Veterans' Children Education Scheme

Description

To deliver financial assistance to eligible students under the *Veterans' Entitlements Act 1986* Veterans' Children Education Scheme (VCES) and the *Military Rehabilitation and Compensation Act 2004* Education and Training Scheme (MRCAETS) to assist with their education needs.

Delivery

Deliver financial assistance and allowances to eligible students, by processing new claims under VCES and MRCAETS.

Veterans' Children Education Scheme

As at 30 June 2017 2,590 eligible students were receiving the education allowance.

The Department conducted a formal survey in 2016-17 to assess the quality of its education schemes. Feedback from respondents in relation to service delivery was very positive, with a high satisfaction rate and an indication that awareness of the benefits under schemes could be improved. A project has commenced to investigate and recommend effective channels to communicate the full range of benefits under the schemes and support available to students, parents and guardians.

The key performance indicator of a critical error rate of less than 5 per cent was met. A sample of 53 cases was examined, with only one error during the period having any financial impact. The case-sampling criterion continues to be reviewed to ensure that more aspects of the scheme are quality assured.

Long Tan Bursary Scheme

The Long Tan Bursary scheme provides funding to help children of Australian Vietnam veterans meet the cost of post-secondary education, so that they can obtain the formal qualifications and skills they need to pursue their chosen careers.

The scheme is administered by the Australian Veterans' Children Assistance Trust on behalf of DVA.

In 2017, the Repatriation Commission approved an increase to the bursary amount from \$9,000 to \$12,000, to assist recipients to meet increasing educational costs. As a result of the increase, DVA now offers 37 bursaries each year, instead of 50.

In 2016-17, all 37 bursaries were awarded to eligible children of Vietnam veterans, for courses as diverse as commerce, law, criminal justice and education.

Further information about the scheme is available on the DVA website at www.dva.gov.au/consultation-and-grants/grants.

Program 1.6: Military Rehabilitation and Compensation Acts Payments—Income Support and Compensation

Description

To provide compensation to current and former members of the Australian Defence Force and their dependants under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) and the *Military Rehabilitation and Compensation Act 2004* (MRCA) and related legislation.

Delivery

Deliver income support and compensation to veterans eligible under the SRCA and the MRCA and related legislation, by:

- processing new claims to determine liability
- processing incapacity payments for injuries resulting in permanent disability
- processing non-economic loss lump sums or pensions for injuries resulting in permanent disability
- processing payments to the dependants of deceased veterans under the MRCA and SRCA.

Safety, Rehabilitation and Compensation Act 1988

Liability

There were 7,139 SRCA liability claims received in 2016–17, compared to 7,343 in 2015–16.

In 2016–17, 6,462 compensation conditions were determined, with an acceptance rate of 55.0 per cent, compared to 5,920 in 2015–16, with an acceptance rate of 60.9 per cent.

The number of cases on hand at 30 June 2017 was 1,822, compared to 2,133 at 30 June 2016.

Permanent impairment

There were 5,934 SRCA permanent impairment claims received in 2016–17, compared to 4,385 claims in 2015–16.

In 2016–17, 5,265 permanent impairment conditions were determined, with an acceptance rate of 30.0 per cent, compared to 3,159 in 2015–16, with an acceptance rate of 31.6 per cent.

A total of 1,630 SRCA one-off lump-sum payments for compensation for permanent impairment were made to clients in 2016–17, compared to 1,055 in 2015–16.

The number of cases on hand at 30 June 2017 was 1,370, compared to 1,938 at 30 June 2016.

Incapacity

In 2016-17, a total of \$75.9 million in SRCA incapacity compensation was paid to 2,126 payees, compared to \$72.8 million and 2,160 payees in 2015-16. This represents a 4.1 per cent increase in expenditure and a 1.6 per cent reduction in the number of payees.

Incapacity payees receive benefits during the year for differing periods according to the length of time they are unfit for service or work and whether or not they are on a current rehabilitation program.

Compensation for dependants

In 2016-17, 78 dependants of seriously injured or deceased former or serving ADF members received lump-sum compensation payments totalling \$17.2 million, compared to 79 dependants and \$20.5 million in 2015-16.

Timeliness

Against a target of 120 days, the mean processing time for SRCA liability cases was 110 days in 2016-17, a 6.8 per cent decrease when compared to 118 days in 2015-16. The improvement reflects the success of ongoing DVA initiatives to improve case management practices, business processes and communication with clients.

In addition, the median time taken to process SRCA liability claims in 2016-17 was 88 days, against a target of 100 days.

The median time taken to process SRCA permanent impairment claims in 2016-17 was 137 days, against a target of 100 days.

The median time taken to process SRCA claims for incapacity compensation in 2016-17 was 57 days, against a target of 50 days.

Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of SRCA liability, permanent impairment, and incapacity compensation claims and is expected to improve the quality of transactions.

Most frequently claimed conditions and acceptance rates

The top 15 conditions most frequently claimed under the SRCA during 2016-17 are shown in Table 12. The top 15 categories represent 89.5 per cent of the conditions claimed under the SRCA.

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Table 12 Top 15 most frequently claimed conditions under the SRCA in 2016–17

| Condition | Accepted | Acceptance rate (%) | Not accepted | Total claims |
|--|--------------|---------------------|--------------|--------------|
| Mental disorders | 344 | 42 | 472 | 816 |
| Arthropathies and related disorders—disorders of the joints | 566 | 73 | 205 | 771 |
| Sprains and strains of joints and adjacent muscles | 518 | 73 | 190 | 708 |
| Deafness | 252 | 42 | 355 | 607 |
| Osteopathies, chondropathies and acquired musculoskeletal deformities | 294 | 57 | 220 | 514 |
| Disorders of muscle, tendons and other soft tissues | 223 | 45 | 272 | 495 |
| Dorsopathies—disorders of the spinal vertebrae and intervertebral discs | 299 | 66 | 155 | 454 |
| Other diseases | 116 | 29 | 286 | 402 |
| Other diseases of skin and subcutaneous tissue | 105 | 48 | 115 | 220 |
| Fractures | 129 | 65 | 70 | 199 |
| Other diseases of the ear and mastoid process | 55 | 35 | 101 | 156 |
| Other diseases of the digestive system including associated glands (liver, pancreas) | 49 | 33 | 99 | 148 |
| Other and unspecified injuries | 44 | 35 | 83 | 127 |
| Malignant melanoma of skin | 43 | 52 | 40 | 83 |
| Other disorders of the eye | 37 | 46 | 44 | 81 |
| Total | 3,074 | 53 | 2,707 | 5,781 |

SRCA = *Safety, Rehabilitation and Compensation Act 1988*

Military Rehabilitation and Compensation Act 2004

Liability

There were 9,316 MRCA liability claims received in 2016–17, compared to 8,472 claims in 2015–16.

In 2016–17, 19,683 compensation conditions were determined, with an acceptance rate of 73.3 per cent, compared to 14,526 in 2015–16, with an acceptance rate of 71.4 per cent.

The number of cases on hand at 30 June 2017 was 2,314, compared to 2,584 at 30 June 2016.

Permanent impairment

There were 6,155 MRCA permanent impairment claims received in 2016–17, compared to 4,231 claims in 2015–16.

In 2016–17, 4,895 conditions were determined, with an acceptance rate of 59.7 per cent, compared to 3,629 in 2015–16, with an acceptance rate of 58.9 per cent.

A total of 2,157 MRCA one-off lump-sum payments for compensation for permanent impairment were made to clients in 2016-17, compared to 1,846 payments in 2015-16.

The number of cases on hand at 30 June 2017 was 1,998, compared to 2,008 at 30 June 2016.

Incapacity

In 2016-17, a total of \$132.9 million was paid to 4,180 payees for MRCA incapacity compensation, compared to \$112.5 million to 3,629 payees in 2015-16. This represents a 18.1 per cent increase in expenditure and a 15.2 per cent increase in payees. It continues the forecasted steady growth of the MRCA as potential MRCA payee numbers increase.

Compensation for dependants

In 2016-17, 68 dependants of seriously injured or deceased former or serving ADF members received lump-sum compensation payments totalling \$13.7 million, compared to 54 dependants and \$9.3 million in 2015-16.

Timeliness

Against a target of 120 days, the mean processing time for MRCA liability cases was 107 days in 2016-17, an 8.5 per cent decrease when compared to 117 days in 2015-16. The improvement reflects the success of ongoing DVA initiatives to improve case management practices, business processes and communication with clients.

In addition, the median time taken to process MRCA liability claims in 2016-17 was 93 days, against a target of 100 days.

The median time taken to process MRCA permanent impairment claims in 2016-17 was 152 days, against a target of 100 days.

The median time taken to process MRCA claims for incapacity compensation in 2016-17 was 49 days, against a target of 50 days.

Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of MRCA liability, permanent impairment, and incapacity compensation claims and is expected to improve the quality of transactions.

Most frequently claimed conditions and acceptance rates

In determining the majority of liability cases, the Department refers to the Repatriation Medical Authority SOPs for the relevant condition. Table 13 details the 15 most frequently claimed conditions under the MRCA, based on SOPs usage, in 2016-17. The 15 most frequently used SOPs cover 57.5 per cent of the conditions determined under the MRCA.

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Table 13 Top 15 most frequently claimed conditions under the MRCA (based on Statements of Principles) 2016–17

| Condition | Accepted | Acceptance rate (%) | Not accepted | Total |
|-------------------------------|--------------|---------------------|--------------|---------------|
| Sprain and strain | 1,810 | 88 | 237 | 2,047 |
| Osteoarthritis | 1,160 | 89 | 148 | 1,308 |
| Tinnitus | 1,174 | 98 | 19 | 1,193 |
| Sensorineural hearing loss | 851 | 88 | 111 | 962 |
| Lumbar spondylosis | 757 | 90 | 82 | 839 |
| Depressive disorder | 601 | 75 | 204 | 805 |
| Rotator cuff syndrome | 714 | 95 | 38 | 752 |
| Fracture | 627 | 86 | 106 | 733 |
| Posttraumatic stress disorder | 490 | 83 | 98 | 588 |
| Joint instability | 353 | 85 | 62 | 415 |
| Alcohol use disorder | 274 | 78 | 76 | 350 |
| Adjustment disorder | 232 | 67 | 115 | 347 |
| Chondromalacia patella | 325 | 95 | 16 | 341 |
| Shin splints | 319 | 97 | 11 | 330 |
| Labral tear | 278 | 88 | 37 | 315 |
| Total | 9,965 | 88 | 1,360 | 11,325 |

MRCA = *Military Rehabilitation and Compensation Act 2004*

Merit reviews

Two levels of merit review activity are available to clients under the SRCA and the MRCA: reconsiderations and appeals. When an SRCA or MRCA client requests a reconsideration of a decision, a merit review is conducted by a delegate not involved in the original decision-making process.

For primary claim determinations made under the MRCA on or after 1 January 2017, the original determination would be reviewed by the VRB. (further information about merit reviews through the VRB is also contained in the VRB's annual report.)

Clients who are dissatisfied with the outcomes of reviews by the Department (SRCA) or the VRB (MRCA) may appeal to the AAT.

Table 14 summarises SRCA and MRCA merit review activity over the past three years. More information on decisions of the AAT is provided in the 'External scrutiny' section in Part 2 of the annual report.

Table 14 SRCA and MRCA merit reviews and outcomes 2014-15 to 2016-17

| Activity | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------------|---------|---------|---------|
| SRCA | | | |
| Requests for reconsideration received | 913 | 845 | 1,378 |
| Requests for reconsideration decided | 850 | 976 | 1,507 |
| Decisions affirmed at reconsideration | 520 | 682 | 898 |
| Applications to the AAT | 118 | 155 | 161 |
| MRCA | | | |
| Requests for reconsideration received | 485 | 554 | 351 |
| Requests for reconsideration decided | 518 | 569 | 499 |
| Decisions affirmed at reconsideration | 178 | 222 | 283 |
| Applications to the VRB (s.137) | 582 | 601 | 965 |
| Applications to the AAT | 71 | 97 | 106 |

AAT = Administrative Appeals Tribunal, MRCA = *Military Rehabilitation and Compensation Act 2004*, SRCA = *Safety, Rehabilitation and Compensation Act 1988*, VRB = Veterans' Review Board

Program 1.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Income Support and Compensation

Description

Program 1.7 provides an updated actuarial assessment of the movement in the liability for income support and compensation under the SRCA and the MRCA.

Delivery

This program represents the movement in the long-term liability based on the advice of the Australian Government Actuary. The movement is recognised as an expense in DVA's financial statements. Due to the nature of the provision, significant adjustments can occur between years. Movement for the liability for the past two years is shown in Table 15.

Table 15 Movement in SRCA and MRCA liability under Outcome 1 for 2015–16 and 2016–17

| | 2015–16 | | | 2016–17 | | |
|----------------------------------|--------------|----------------|----------------|---------------|--------------|---------------|
| | SRCA (\$m) | MRCA (\$m) | Total (\$m) | SRCA (\$m) | MRCA (\$m) | Total (\$m) |
| Actuarial changes in provisions | –12.8 | 125.2 | 112.4 | 24.1 | 532.7 | 556.8 |
| Permanent impairment | –33.5 | 275.3 | 241.8 | –42.0 | 76.8 | 34.8 |
| Benefits for eligible dependants | –14.4 | 3.2 | –11.2 | –14.7 | 3.9 | –10.8 |
| Income maintenance payments | –50.7 | 237.3 | 186.6 | 0.0 | 306.4 | 306.4 |
| Incapacity payments | –3.2 | 0.0 | –3.2 | –54.1 | 0.0 | –54.1 |
| Medical exams | –0.2 | 11.9 | 11.7 | –2.9 | 17.5 | 14.6 |
| Other | –2.3 | 3.3 | 1.0 | –3.1 | 6.1 | 3.0 |
| Interest rate | 237.7 | 627.8 | 865.5 | –103.6 | –385.6 | –489.2 |
| Total expenses | 120.6 | 1,284.0 | 1,404.6 | –196.3 | 557.8 | 361.5 |

MRCA = Military Rehabilitation and Compensation Act 2004, SRCA = Safety, Rehabilitation and Compensation Act 1988

Report on performance

The Department's provision for compensation-related payments increased from \$6.7 billion in 2015-16 to \$7.1 billion in 2016-17.

This provision recognises the obligations that the Department has to veterans and current serving military personnel for benefit payments that will occur in the future.

After a long period of predominantly peacetime service, the ADF has undertaken a range of extensive and intensive operations since 1999 that have involved significant numbers of servicemen and servicewomen. Deployments of both permanent and reserve forces have exposed an increasing number of ADF personnel to risks of injury and death, and the Government to an increasing liability for future costs of rehabilitation, health care and compensation.

It is important to note that the provision takes into account personal benefits and health care for clients over the next 50 years or more. It is expected that the estimate will be adjusted each year as claims are received and additional information about claims patterns becomes available.

The increase in 2016-17 primarily resulted from increases in permanent impairment claims and incapacity payments. Expenditure has grown substantially over the last few years, driven primarily by increases in the number of claimants.

Health

DVA works with public and private providers to ensure that clients have access to high-quality health and other care services, with an emphasis on early intervention, prevention and treatment. DVA's approach is informed by targeted research on the health and wellbeing of members and their families.

In 2016–17:



53,038

veterans were living with a mental health condition.



\$5.3 billion

was spent on health services, including \$1.4 billion on hospital services and around \$0.2 billion on mental health support.

193,968
DVA
Health
Cards

were current including 135,263 Gold Cards and 58,705 White Cards.



25,621

Veterans and Veterans Families Counselling Service (VVCS) counselling sessions were conducted.



Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements.

Outcome 2

Mental health

DVA spends approximately \$191 million a year on a range of services and treatments to provide mental health support. This includes online information and support tools; GP services; psychology and social work services, including the Veterans and Veterans Families Counselling Service (VVCS); psychiatric services; pharmaceuticals; and hospital services, including trauma recovery programs for posttraumatic stress disorder (PTSD). Funding for mental health treatment is demand driven and not capped.

Clients

Table 16 shows the numbers of veterans living with accepted mental health conditions, under service-related compensation arrangements (by different cohorts) and under non-liability arrangements. The table also shows how the numbers in each group changed over the five years from 2012 to 2017.

Table 16 Veterans with accepted mental health conditions, June 2012 and June 2017

| Category | June 2012 | June 2017 | Change (%) |
|---|---------------|---------------|-------------|
| <i>Service-related disabilities</i> | | | |
| Pre-Vietnam conflicts ¹ | 13,166 | 6,119 | -53.5 |
| Vietnam War ² | 26,352 | 25,075 | -4.8 |
| 1972-99 conflicts ³ | 1,105 | 1,480 | 33.9 |
| Post-1999 conflicts ⁴ | 1,794 | 4,614 | 157.2 |
| Peacetime service only ⁵ | 6,331 | 9,672 | 52.8 |
| Total service-related disabilities | 47,139 | 45,068 | -4.4 |
| <i>Non-liability conditions⁶</i> | 13,436 | 22,762 | 69.4 |
| Net total veterans | 50,056 | 53,038 | 6.0 |

1 Includes Second World War veterans and mariners, Korea, Malaya, Far East Strategic Reserve and all peacekeeping operations prior to 1975.

2 May include some Special Overseas Service veterans who did not serve in Vietnam.

3 Includes Cambodia, the Gulf War, Iran/Iraq, Namibia, Rwanda, Somalia, Zimbabwe and other operations between 1975 and 1999.

4 Includes East Timor, Afghanistan, Iraq, Solomon Islands and all other operations since 1999.

5 Veterans with service-related disabilities that have not been attributed to operational service.

6 Veterans with disabilities not attributed to service.

Note: 'Veterans' includes anyone with service in the Australian Defence Force. Some veterans have both service-related disabilities and non-liability conditions. 'Net total veterans' includes veterans in both categories. Veterans with disabilities attributed to multiple conflicts across groups (e.g. Korea and Vietnam) have been counted in each relevant group. Similarly, veterans with more than one mental health condition are counted under each relevant condition.

The net total number of members and former members of the ADF with mental health disabilities increased over the five years, from 50,056 to 53,038.

While the Vietnam War cohort continues to have the highest number of mental health disabilities, there have been large increases among those who served in post-1999 conflicts and those who have peacetime service only. DVA expects that this type of growth will continue over the next five years.

The increase in the number of people covered by non-liability mental health arrangements, from 13,436 to 22,762, is mainly due to the expansions of eligibility that occurred in 2014 and from 1 July 2016.

Initiatives

In 2016–17, DVA pursued a number of initiatives to facilitate early access to mental health treatment to offer the best chance for recovery, to support families who may be affected by mental health issues arising from military service, and to increase the capability of mental health providers to deliver quality evidence-based care to their veteran patients. DVA has continued to focus on gathering evidence to inform policy and programs, including commissioning or partnering on research into transition, homelessness, suicide and new treatment.

Review of suicide prevention services

In 2016, the Prime Minister commissioned the National Mental Health Commission (NMHC) to review the suicide prevention services provided to current and ex-serving ADF members and their families. The review focused on the type and efficacy of the self-harm and suicide prevention services that are available, and looked at prevalence rates and potential barriers to accessing services.

The NMHC found that suicide prevention is a complex issue that requires a multifaceted service response to ensure that current and ex-serving members have access to the support they need, at the right time.

The Government considered the NMHC report and released its response on 30 June 2017. The Government's response outlines work already underway within DVA, Defence and the Department of Health, and sets out the Government's commitment to continue to improve the support available to current and ex-serving ADF members and their families.

In the response, the Government committed to continued action in four key areas to ensure that efforts are effective in preventing suicide among Australia's current and former serving personnel and their families. These areas are:

- improving suicide prevention and mental health support for current serving ADF members, veterans and their families
- improving the transition process for ADF members moving from military life into post-service civilian life and providing targeted support to families
- improving family support through engagement of families and family-sensitive practice
- transforming DVA systems, processes and organisational culture to better respond to the needs of Australia's veterans and their families.

The NMHC review and government response are available on the DVA website, www.dva.gov.au.

Non-liability health care

As outlined in Outcome 1, in addition to making compensation arrangements for service-related conditions, DVA can pay for mental health treatment whatever the cause. From July 2016, eligibility for these arrangements was extended to all current and ex-serving members of the ADF with at least one day of full-time service. From July 2017, this non-liability health care will extend to treatment for any diagnosed mental health condition, and will include access to VVCS for the member and their family.

Community mental health counselling

The VVCS has been the cornerstone of the Australian Government's veteran mental health support response for 35 years. A nationally accredited mental health service, VVCS provides free and confidential counselling and mental health support to current and former ADF members who have served at least one day. Recognising that military trauma rarely impacts on an individual in isolation, VVCS is also accessible to the families of ADF members.

VVCS client numbers continued to increase in 2016-17, following expansions to client eligibility as a result of a number of election commitments and budget announcements. Services have an increasing focus on coordinated care for at-risk clients, especially those at risk of suicide. In Townsville, VVCS is trialling a community coordination team, comprising a skilled VVCS clinician and former serving ADF members with experience of mental illness, which will work collaboratively within the community to enhance the clinical service experience of clients with complex needs.

VVCS continued to harness enabling technologies to improve the client experience, including an upgrade to its secure online client information system, and the design of a trial of a new e-health platform designed to help clients and their families more effectively manage their mental health.

A full report of VVCS performance is provided in Program 2.5.

Kookaburra Kids

To provide assistance to family members, DVA has provided funding for a pilot program run by the Australian Kookaburra Kids Foundation for children of current and former serving ADF members who have been affected by mental illness. This pilot was launched in March 2017 and delivers recreational and educational camps and activities with a focus on mental health education and developing coping skills and resilience. Evaluation of the pilot will start in 2018.

Mefloquine outreach

In 2016-17, Defence and DVA provided significant information, support and resources to address veteran and community concerns relating to use of the antimalarial drug mefloquine in the ADF.

Mefloquine is approved by the Therapeutic Goods Administration and is widely available for travellers in the broader community. It is only prescribed in the ADF as a 'third line agent', when other antimalarial medications are unsuitable.

DVA conducted an outreach program targeting serving and ex-serving members and their families in Townsville in December 2016.

There are dedicated points of contact within DVA and Defence to assist anyone with concerns about the use of mefloquine in the ADF.

Support for alcohol and other drug use disorders

To facilitate easier referral to clinically appropriate treatment for alcohol and other drug use disorders, in 2016 DVA established a panel of community-based providers to broaden the range of treatment services available to DVA clients. The panel comprises providers that have demonstrated that they have met quality standards. It offers varying degrees of support, including early intervention and an evidence-based, staged approach that ranges from counselling and group day programs to case management and follow-up after-care, allowing support to be tailored to an individual's needs.

Centenary of Anzac Centre

In 2016–17, DVA progressed arrangements to fund Phoenix Australia—Centre for Posttraumatic Mental Health to establish the Centenary of Anzac Centre, to work collaboratively in support of practitioners and ESOs who work closely with veterans with mental health concerns.

The practitioner support service will provide expert advice, consultation and supervision through a network of national specialists to guide practitioners who are supporting veterans with complex mental health problems. The treatment research centre will be Australia's leading centre for research in veteran and military mental health. It will undertake pioneering research into PTSD and other complex mental health problems, and test innovative treatment and early intervention models.

The centre is expected to commence operations in 2017–18.

Prime Ministerial Advisory Council on Veterans' Mental Health

The Prime Ministerial Advisory Council on Veterans' Mental Health, established in March 2014, continued its work in 2016–17. The council advises the Prime Minister, the Minister for Veterans' Affairs and the Government on high-level strategic and complex matters relating to the mental health of veterans and their families. In 2016–17, the council focused on the following priorities:

- transition, including consultation with various professionals in the private sector, Government and DVA to inform the Council's views on how to better assist ADF members at all stages of transition
- vocational rehabilitation, including support for the Prime Minister's Veterans' Employment Program (launched in November 2016) and the direct linkages between employment opportunities for veterans and an effective transition by them into civilian life
- increasing community recognition and support for members of the ADF and their families affected by mental health issues.

Research

In 2016–17, DVA continued to invest strategically in research to inform and improve the effectiveness of the healthcare and related services available to DVA clients.

Suicide

In 2016–17, DVA worked with the Australian Institute of Health and Welfare (AIHW) and Defence on a study to improve the understanding of the incidence of suicide in the serving and ex-serving ADF community, and to investigate whether there is a difference in suicide mortality compared with the general Australian population.

This research is the most statistically robust data ever compiled on the incidence of suicide among current and former members of the ADF. It used data from the ADF Personnel Management Key System, which contains information on all people who serve or have served in the ADF, from 1 January 2001, and the National Death Index, which contains certified suicide deaths.

Preliminary results from this study were released in November 2016. On 30 June 2017, the Government released updated findings and a summary of the analysis to date on service-related characteristics, such as length of service, time since service, operational service, reason for discharge, and rank at discharge.

The updated findings released in June 2017 reaffirmed preliminary results from November 2016, and indicated that protective factors put in place by Defence are working to reduce the risk of suicide among current serving ADF members, but ex-serving members appear to be more vulnerable to risk factors.

The AIHW's detailed analysis showed that ex-serving men are at greater risk of suicide when compared to their peers if they share one or more of the following service-related characteristics:

- aged 18–29 years
- discharged involuntarily (particularly if discharged for medical reasons)
- left the ADF with less than one year of service
- held a rank other than commissioned officer at discharge.

These findings provide the Government with a strong evidence base to target efforts to those most at risk. For example, it is clear from these results that support as serving members transition out of the ADF is vital, and that the level of support not only needs to adapt to the complexity of the individual but also needs to target at-risk populations. These results are being used to inform the design and development of improvements to the transition process.

DVA, Defence and the AIHW will work together to periodically update the study. This ongoing data collection will continue to improve the Government's understanding of suicide and help to better target efforts to those most at risk. The report is available on the AIHW website.

Transition and Wellbeing Research Programme

DVA and Defence have invested in the Transition and Wellbeing Research Programme, launched in June 2014, to examine the impact of military service on the mental, physical and social health of serving and ex-serving ADF members who have deployed to contemporary conflicts. The research is also investigating the impact of military service on the health and wellbeing of families. The program comprises three major studies: the Mental Health and Wellbeing Transition Study, the Impact of Combat Study, and the Family Wellbeing Study.

In 2016–17, data collection for the program was completed, and analysis and preparation of the report commenced. The program expects to deliver eight reports progressively from late 2017.

Homelessness

In 2015–16, DVA commissioned the Australian Housing and Urban Research Institute to conduct research that will lead to a clearer understanding of homelessness among Australian veterans and better inform whole-of-government policy and programs. The institute will develop estimates of the number of veterans accessing homelessness services and examine the experiences of homeless veterans and the factors that cause homelessness. The research will be completed during the first half of 2018.

The research will complement work undertaken by DVA and the AIHW to include veteran identifiers in the data collected about the use of specialist homelessness services in the Australian community. Data collection will commence on 1 July 2017.

RESTORE research partnership

In 2016–17, DVA and VVCS continued to collaborate with Defence and the University of Melbourne on the Rapid Exposure Supporting Trauma Recovery (RESTORE) trial. The trial, which is being conducted by Phoenix Australia and funded by the National Health and Medical Research Council, is investigating whether an intensive delivery of prolonged exposure therapy, involving 10 sessions over a two-week period, will deliver outcomes which are comparable to the gold standard prolonged exposure treatment protocol.

The trial commenced in December 2015 and continued to recruit new participants, provide treatment and undertake assessments in 2016–17. The final report of the trial will be delivered in 2019.

MRCA Rehabilitation Long-Term Study

The MRCA Rehabilitation Long-Term Study is a joint DVA–Defence project to examine the long-term effectiveness of rehabilitation offered under the MRCA.

In 2016–17, a consortium led by the Sax Institute developed the study design framework. DVA and Defence are now putting in place arrangements to begin the study.

Government response to the Vietnam Veterans Family Study

The Vietnam Veterans Family Study was the most significant research program ever undertaken by the Australian Government into the health of the families of Australia's Vietnam veterans.

The government response to the Vietnam Veterans Family Study was released on 20 December 2016. Findings from the study have played a significant role in informing DVA's transformation agenda. The government response also addressed mental health measures, Defence–DVA collaboration and future research.

Dental and allied health review

DVA has continued to review its arrangements for dental and allied health services, to ensure that they continue to support appropriate, high-quality and effective services for DVA clients. The review progressed over 2016–17 with further meetings of clinical working groups to develop options for broader consultation with the ex-service community and peak bodies representing healthcare providers.

Strategic procurement

In 2016–17, DVA continued to improve the way it contracts with service providers, consistent with the direction in past years.

DVA built on the success of the simplified procurement model, first introduced in September 2015, by applying it to the procurement of day procedure centres. Around 250 centres deliver day hospital services to DVA clients across Australia. The simplified application process aims to encourage a high volume of applications, thus facilitating DVA clients' access to local providers.

DVA managed several major procurements in 2016–17 using the traditional request for tender approach, which is suited to a competitive environment. This included tenders for taxi, hire car and home care services. DVA used the request for expressions of interest procurement method to engage the home modification industry and seek innovative proposals that challenge traditional processing methods.

Priorities for 2017-18

In the coming year, DVA will respond to the various reviews, inquiries and new evidence arising in 2016-17, including the AIHW's suicide data study and the results of the inquiry into suicide by veterans and ex-service personnel by the Senate Foreign Affairs, Defence and Trade References Committee, which is expected to report to government in August 2017. Priorities include:

- implementing 2017-18 Budget measures, including:
 - expanding non-liability health care to include free treatment for any mental health condition
 - piloting new approaches to suicide prevention and support for veterans
 - expanding eligibility for VVCS
- continuing to implement government election commitments, including the establishment of the Centenary of Anzac Centre and continuing homelessness research and mefloquine support
- releasing reports under the Transition and Wellbeing Research Programme, and analysing their implications for policy and programs
- continuing to strengthen and enhance the VVCS community mental health counselling service by:
 - harnessing enabling technologies with ongoing upgrades to VVCS's secure online client information system and a trial of e-health technology
 - continuing to build the evidence base for the most effective treatment of military trauma through a comprehensive research agenda
 - modernising the range of group programs to be more responsive to the needs of contemporary clients
- providing treatment for any condition (Gold Card) to Australian participants in the British nuclear tests and Australian members of the British Commonwealth Occupation Force in Japan at the end of the second World War.

| Program 2.1: General Medical Consultations and Services | |
|---|--|
| Description | Provide access to general and specialist medical and dental services to DVA clients. |
| Delivery | <ul style="list-style-type: none">■ Ensure DVA clients have access to general and specialist medical and dental services by maintaining servicing arrangements with these practitioner groups.■ Ensure a geographically diverse range of providers participates in the arrangements for provision of general and specialist medical and dental services to DVA clients.■ Ensure a comprehensive range of general and specialist medical and dental services is available to DVA clients in order to meet their healthcare needs.■ Facilitate effective payment of medical practitioners under the Department of Veterans' Affairs arrangements. |

Medical services

At 30 June 2017, 193,968 DVA clients were eligible to receive treatment via a Gold Card or a White Card. During 2016-17, around 177,740 DVA clients collectively accessed an estimated 9.5 million medical and dental services.

Number of medical services

At the time of reporting, 8.63 million medical services had been provided and billed for 2016-17, compared to 9.0 million at the time of reporting in 2015-16. Current estimates are for 8.81 million services for the full year, a 3.8 per cent decrease compared to 9.16 million for 2015-16.

Percentage of veteran population using medical services

In 2016-17, 91.7 per cent of the veteran population used medical services, compared to 92.6 per cent in 2015-16.

Price

At the time of reporting, the average cost per medical service was \$81.66 in 2016-17 compared with \$80.08 at the same time in 2015-16.

Table 17 shows the number of medical services provided and the average cost over the past five years, as reflected in current data.

Table 17 Number of medical services provided and average cost 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|------------|------------|-----------|-----------|-----------|
| Number of services | 10,487,882 | 10,045,605 | 9,643,653 | 9,163,413 | 8,632,376 |
| Average cost per service (\$) | 76.67 | 78.83 | 80.22 | 81.12 | 81.66 |
| Proportion of treatment population ¹ (%) | 94.9 | 93.5 | 93.5 | 92.6 | 91.7 |

¹ Treatment population is measured at 30 June for each financial year.

Note: Figures for previous years have been updated to reflect latest available claims data.

Dental services

At the time of reporting, 673,102 dental services had been provided and billed for 2016-17, compared to 679,065 at the time of reporting in 2015-16. Current estimates are for 686,891 services for the full year, a 0.8 per cent decrease compared to 692,495 for 2015-16.

Table 18 shows the number of dental services provided and average cost over the past five years.

Table 18 Number of dental services provided and average cost 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Number of services | 784,576 | 759,162 | 719,365 | 692,976 | 673,102 |
| Average cost per service (\$) | 132.76 | 136.38 | 136.68 | 135.34 | 132.93 |
| Proportion of treatment population ¹ (%) | 38.7 | 37.7 | 37.4 | 37.0 | 36.2 |

¹ Treatment population is measured at 30 June for each financial year.

Note: Figures for 2015-16 have been updated to reflect latest available claims data.

Service items processed by the Department of Human Services

DHS processes payments on behalf of DVA to providers of medical, allied health, community nursing and hospital services (see Program 2.2 for a full report on hospital services, Program 2.4 for details of community nursing services and Program 2.5 for allied health services).

A total of \$2.03 billion was paid by DHS to DVA providers in 2016-17, compared to \$2.05 billion in 2015-16.

Table 19 compares the number of items processed with the treatment population and average age at 30 June for the past five years.

Table 19 Health services items and treatment population 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Items processed (millions) | 20.6 | 20.0 | 19.0 | 18.3 | 17.7 |
| Treatment population ¹ | 223,181 | 217,562 | 208,181 | 200,245 | 193,968 |
| Average age of clients (years) | 75.8 | 74.8 | 74.1 | 73.4 | 72.4 |
| Paid items per client | 92 | 92 | 91 | 91 | 92 |

¹ Treatment population is measured at 30 June for each financial year.

Business activity

Coordinated Veterans' Care program

The Coordinated Veterans' Care (CVC) program is in its seventh year of operation. At 30 June 2017, 36,381 Gold Card holders had been enrolled since the program commenced. Approximately 23,000 are currently enrolled.

Reviews of the CVC program confirm that the overall implementation of CVC has been successful and the data from regular program reporting shows that the program design reflects evidence-based best practice for chronic disease management.

Telemonitoring

The participation of veterans and war widows in the In-Home Telemonitoring for Veterans Trial formally concluded in December 2016, following almost three years of involvement for some. The trial spanned over 50 general practices across sites in regional Queensland and New South Wales, as well as metropolitan Victoria. There were up to 250 participants over the course of the trial, with as many as 140 continuing until the trial's conclusion.

The trial used technology to monitor participants' vital signs with equipment installed in their homes, to assess the effectiveness of telemonitoring as a complement to conventional health care provided by general practice, for veterans and war widows with chronic conditions.

An independent evaluation was undertaken over the course of the trial, with the findings to inform future policy for digital technology and its ability to support the clinical needs of the veteran community.

Program 2.2: Veterans' Hospital Services

Description

Provide access to hospital services for DVA clients through arrangements with hospitals in both the private and public sectors.

Delivery

- Ensure access to hospital services for DVA clients through arrangements in both the private and public sectors.
- Ensure a comprehensive range of hospital services are made available to DVA clients in order to meet healthcare needs.
- Facilitate effective payment of hospital providers under the Department of Veterans' Affairs arrangements.

Veterans' hospital services

In 2016-17 an estimated 97,285 DVA clients accessed hospital services, compared to 104,540 in 2015-16. This comprised 64,319 clients accessing private hospitals, compared to 67,900 in 2015-16, and an estimated 32,966 clients accessing public hospitals, compared to 36,640 in 2015-16.

The total expenditure for public and private hospitals in 2016-17 was \$1.421 billion. This represented a decrease of 7 per cent compared to \$1.528 billion spent in 2015-16.

Private and public hospital separations

In 2016-17, the number of public hospital separations continued to decrease; however, there was an increase in private hospital separations. The use of rehabilitation services by DVA clients continues to increase, and it is now one of the largest categories of care provided to DVA clients in private hospitals.

In 2016-17, a comprehensive review was undertaken of the purchasing arrangements for inpatient and outpatient rehabilitation services. This review included assessing all rehabilitation providers' day programs against the new *Guidelines for Recognition of Private Hospital-Based Rehabilitation Services*. The intent was to implement a consistent approach to the purchasing of rehabilitation services in private hospitals, and better define and count the treatment provided. This has resulted in services previously provided on an ad hoc outpatient basis now being delivered to DVA clients by specialist multidisciplinary teams on an admitted basis.

Table 20 shows the number of private and public hospital separations over the past five years.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Table 20 Number of private and public hospital separations 2012–13 to 2016–17

| | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 |
|-------------------|---------|---------|---------|---------|---------|
| Private hospitals | 200,937 | 195,298 | 187,617 | 177,285 | 190,149 |
| Public hospitals | 103,326 | 96,461 | 91,001 | 83,769 | 78,920 |

Note: Reconciliation of public hospital data is usually completed 12 months in arrears. Private hospital data is considered complete three months in arrears. Therefore, the number of hospital separations for 2016–17 is an estimate only, and earlier years' separations have been updated.

Average cost per private and public hospital separation

The estimated average cost per separation for combined private and public hospital separations was \$5,128 in 2016–17, compared to the estimate of \$5,807 in 2015–16. The decrease was due to a number of factors, including the new private hospital purchasing model that commenced 1 July 2016, which resulted in some cost efficiencies, as well as the increased count of admitted services, particularly in the private rehabilitation sector.

Public hospital activity is expected to continue to decrease in average cost due to efficiencies achieved as a result of adopting the National Efficient Price, which is calculated by the Independent Hospital Pricing Authority, for funding to the states and territories for public hospital services for DVA clients. States and territories are in the process of providing 2016–17 data to DVA; therefore, the public hospital portion of the estimates in 2016–17 is based almost entirely on previous years' data.

Percentage of treatment population using private and public hospital services

The proportion of the treatment population using public and private hospital services has remained relatively constant, indicating that while there has been an increase in the number of private hospital separations, this has been driven by repeat admissions, rather than an increase in the number of distinct clients accessing private hospital services.

Table 21 shows the proportion of the treatment population using private and public hospital services over the past five years. The measure records the percentage of the treatment population using private and public hospitals, not the percentage of total hospital separations.

Table 21 Proportion of treatment population using private and public hospitals 2012–13 to 2016–17 (%)

| | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 |
|-------------------|---------|---------|---------|---------|---------|
| Private hospitals | 36.0 | 35.0 | 34.6 | 34.3 | 33.2 |
| Public hospitals | 19.5 | 18.9 | 18.6 | 17.9 | 17.0 |

Note: Figures for 2015–16 have been updated to reflect latest available claims data.

Business activity

DVA continued to undertake significant contracting and negotiation activities during the year, to ensure clients continue to have access to quality health care through Australia's hospital network.

Private hospitals

Following the successful implementation of new arrangements for private hospital services from 1 July 2016, there was a significant reduction in administrative requirements for both DVA and providers. The changes were received well by the industry. The new arrangements included changes to DVA's purchasing model and contracting procedures, which resulted in a more efficient and streamlined process for engaging providers.

In 2016-17 DVA also finalised work on aligning its purchasing arrangements for private day procedure centres. An Invitation to Provide Day Procedure Services was released in April 2017 with new arrangements to commence on 1 October 2017. The new arrangements mirror closely the changes that were implemented to private hospital arrangements.

Public hospitals

Significant progress was made in 2016-17 towards implementing new arrangements for public hospital services with state and territory health departments. Five jurisdictions have signed new five-year agreements with DVA. Negotiations with the remaining three are expected to be concluded early in 2017-18. The changes are resulting in a reduction in administration for both DVA and the jurisdictions.

In addition, in 2016-17 work continued on the implementation of enhanced IT system capabilities for secure receipt of public hospital data and management for payments.

Program 2.3: Veterans' Pharmaceuticals Benefits

Description

The Repatriation Pharmaceutical Benefits Scheme (RPBS) provides DVA clients access to a comprehensive array of pharmaceuticals and wound dressings for the treatment of their healthcare needs.

Delivery

- Ensure DVA clients have access to a comprehensive range of pharmaceuticals and wound dressings that meet their healthcare needs.
- Facilitate arrangements with pharmaceutical sponsors for the listing of the range of items appropriate to the DVA treatment population.
- Facilitate effective payment of approved pharmacies for supplying items under the RPBS.

Veterans' pharmaceutical benefits

Pharmaceutical items on the Repatriation Pharmaceutical Benefits Scheme (RPBS) are monitored by the Repatriation Pharmaceutical Reference Committee (RPRC).

The RPRC includes experts nominated by medical and pharmaceutical associations and veteran community groups, who advise the Repatriation Commission and the Military Rehabilitation and Compensation Commission on the clinical appropriateness and conditions of supply for veterans' pharmaceutical and wound dressing needs.

In delivering the RPBS, DVA supports a Quality Use of Medicines program, which is designed to encourage best practice in the prescribing, dispensing and use of medications for DVA clients. Through the Veterans' Medicines Advice and Therapeutics Education Services (Veterans' MATES) program, DVA promotes education and intervention programs to assist both its clients and health service providers better manage specific health problems, reduce the use of unnecessary medicine, and improve utilisation of health services.

In 2016–17, through DVA's Veterans' MATES program, advice on several topics—dementia and changes in behaviour; reviewing the medicine routine; chronic obstructive pulmonary disease – keeping well this winter; and wound care—was disseminated to DVA clients and their health professionals, community pharmacists, accredited pharmacists and residential aged care facilities.

The Veterans' Affairs Pharmaceutical Advisory Centre continues to deliver service delivery aspects of DVA's pharmaceutical programs. This includes assisting prescribers in selecting suitable medication management options, choosing medicines wisely to ensure safe and effective use, and advising on treatment options to provide the best health outcomes for DVA clients.

The centre offers a 24-hour, 365-day service and received over 350,000 enquiries and prior approval requests from prescribers and pharmacists during 2016–17. It is staffed by registered pharmacists with a special interest in veterans' health care and aims to achieve the best possible use of medicines by putting the client at the centre of this care.

Administered expenditure for pharmaceutical items (cash basis)

In 2016-17, expenditure under the RPBS was \$305.3 million, which is a 9.4 per cent decrease compared to \$337.07 million in 2015-16. The decrease in expenditure reflects the continuing decline in the treatment population, together with the ongoing impact of a reduction in prices for Pharmaceutical Benefits Scheme items and the flow-through to the RPBS for dual-listed drugs.

Number of pharmaceutical claims paid

Payments to pharmacy providers are made by DHS on behalf of DVA. In 2016-17, DHS paid 9.56 million claims for RPBS-listed items on behalf of DVA, a decrease of 9.4 per cent compared to 10.55 million claims in 2015-16.

Percentage of treatment population using the Repatriation Pharmaceutical Benefits Scheme

In 2016-17, 87.6 per cent of the treatment population accessed the RPBS compared to 89.3 per cent in 2015-16.

Veterans' Pharmaceutical Reimbursement Scheme

The Veterans' Pharmaceutical Reimbursement Scheme reimburses eligible DVA clients for out-of-pocket costs associated with the concessional pharmaceutical co-payment.

In March 2017, annual payments under the scheme were made to approximately 32,000 eligible DVA clients. The total payment was approximately \$4 million, with an average payment of \$124.37 per eligible client.

Program 2.4: Veterans' Community Care and Support

Description

The program's primary objective is to effectively manage community support and residential care programs, including development and review of policy and operational guidelines and procedures, and assessment of program effectiveness.

Veteran community care and support programs include the Veterans' Home Care program and the Community Nursing program.

The program also provides the Australian Government subsidy for entitled veterans and war widow/ers living in residential care facilities.

The objectives of the Veterans' Home Care and Community Nursing programs are to support DVA clients to remain independent in their homes and improve their quality of life and health. The veteran community is ageing and increasingly requires higher levels of service. The provision of these services helps to delay entry into residential aged care and maximises independence.

The Australian Government provides subsidies and supplements for DVA clients who are no longer able to live independently and who enter residential aged care.

Delivery

Veterans' Home Care (VHC)

- The Department contracts with 174 organisations across Australia to assess DVA clients for VHC services, and to deliver those services to approximately 55,000 clients.
- To ensure services are of high quality, a contract management framework, together with post payment monitoring, is in place for both Community Nursing and VHC.

Community Nursing

- The Department contracts with around 190 organisations across Australia to provide community nursing services to approximately 26,000 DVA clients.

Residential care services

- The Department funds residential subsidies and supplements for approximately 23,000 entitled veterans and war widow/ers residing in permanent and respite residential aged care.

Carer and volunteer support services

- The Department contracts Community Support Advisers to provide services through the program, focusing on day clubs for frail aged care veterans, health promotion, and other community, recreational and social health initiatives.

Veterans' home care

Assessment and coordination

In 2016-17, DVA spent \$8.5 million on assessment and coordination of clients' needs for Veterans' Home Care (VHC) and other community care services.

DVA also spent \$79.6 million on the delivery of domestic assistance, personal care and safety-related home and garden maintenance services. This was a decrease of 12.6 per cent compared to \$91.1 million in 2015-16 and relates to a reduction in DVA client numbers. Another \$11.8 million was spent on the delivery of in-home respite services, compared to \$10.8 million in 2015-16.

Table 22 shows expenditure on these services for the past five years.

Table 22 Veterans' Home Care expenditure 2012-13 to 2016-17 (\$m)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Assessment and coordination | 9.2 | 8.9 | 8.8 | 8.8 | 8.5 |
| Domestic assistance, personal care and safety-related home and garden maintenance | 76.2 | 78.5 | 81.8 | 91.1 | 79.6 |
| In-home respite | 15.5 | 10.4 | 10.6 | 10.8 | 11.8 |

Clients approved for services

Around 49,090 DVA clients were assessed for VHC services in 2016-17, compared to approximately 52,550 in 2015-16. Of those approved to receive VHC services during 2016-17:

- 89.4 per cent were approved for domestic assistance
- 33.8 per cent were approved for safety-related home and garden maintenance services
- 5.6 per cent were approved for personal care
- 13.4 per cent were approved for respite care
- less than 0.1 per cent were approved for social assistance services under the CVC program.

These figures total more than 100 per cent as DVA clients may be approved for more than one service type.

Table 23 shows the approvals for one or more VHC services for the past five years as a percentage of the total number of DVA clients approved to receive VHC services.

Table 23 Proportion of veterans and war widows and widowers approved for Veterans' Home Care services 2012-13 to 2016-17 (%)

| Number of services | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--------------------|---------|---------|---------|---------|---------|
| One | 65.9 | 65.3 | 63.4 | 63.7 | 62.1 |
| Two | 30.5 | 30.8 | 30.2 | 32.1 | 33.6 |
| Three | 3.3 | 3.2 | 4.0 | 3.8 | 4.0 |
| Four | 0.2 | 0.2 | 0.4 | 0.3 | 0.3 |

Community nursing

In 2016-17, DVA spent \$132.2 million on community nursing services, a decrease of 2.5 per cent compared to \$135.7 million in 2015-16. This decrease in nursing services reflects DVA clients choosing to remain as independent as possible in their own homes.

The majority (99 per cent) of DVA community nursing services are paid through a set schedule of item numbers and fees. The remainder are paid through the process managed by DVA's Exceptional Case Unit, which contracts specialist clinical nurse consultants who have a range of expertise in generalist nursing, wound management, palliative care and gerontology to process applications for exceptional case status.

Residential care

In 2016-17, DVA paid \$1.10 billion for residential aged care services for approximately 20,000 eligible DVA clients in residential aged care. However, as more people choose to stay living at home and receiving community services for as long as possible, the level of frailty and care needs of these clients in residential aged care continues to increase.

Carer and Volunteer Support program

The Carer and Volunteer Support program improves the health and wellbeing of DVA clients and their carers by supporting a range of social health activities.

DVA engages community support advisers (CSAs) to work with former and current serving ADF members to support community-based initiatives centred on local client demographics and need. In 2016-17, CSAs provided support to 118 day clubs, focusing on social connection for isolated, frail and aged veterans. CSAs also provided assistance for DVA social health initiatives, such as Veterans' Health Week and the Men's Health Peer Education program (refer to Program 2.5 for more information about these activities).

CSAs also provided support for other community, recreational and social health initiatives by assisting ESOs and community groups with DVA health and wellbeing funding applications and Veteran and Community Grants.

Grants-in-Aid

The Grants-in-Aid program assists national ESOs to cover administrative expenses such as provision of office equipment, travel for representational business, and advocacy undertaken on behalf of the veteran community. To be eligible, an organisation must be an effective national representative body, have direct links to the ex-service community and have objectives which aim to benefit the welfare of its members.

The program has an annual allocation of \$145,000. In 2016-17, a total of \$138,695 was provided to 15 national ESOs under the program.

Veteran and Community Grants

The Veteran and Community Grants program aims to improve the independence and quality of life of members of the veteran community. The program provides project funding to support activities and services to sustain or enhance health and wellbeing, reduce social isolation, support carers and improve access to community care services.

Funding is available for projects that will become sustainable and financially viable, or for one-off projects that have an ongoing health benefit for the veteran community. The grants are not intended to provide ongoing financial assistance.

To receive funding under the program, a project proponent must be an ESO, community-based organisation or private organisation that can demonstrate the ability to contribute to the welfare of members of the veteran community through the project.

In 2016–17, a total of \$2.125 million was provided to 130 applicants under the program.

Examples of projects funded in 2016–17 include projects to deliver defibrillators and first aid training; provide computer equipment to assist with the production of newsletters; and upgrade kitchen facilities to enhance activities for the veteran community.

Program 2.5: Veterans' Counselling and Other Health Services

Description

To provide a wide range of mental and allied healthcare services, including counselling and referral services for veterans, war widow/ers, serving members, former defence force members and their families.

Delivery

Ensure arrangements are in place to assist veterans to reach treatment locations through a variety of systems and transport modes. This includes reimbursing travel costs privately incurred (including financial assistance towards the costs for meals and accommodation), arranging taxi/hire car and air travel, and purchasing ambulance services from public and private sector providers.

Ensure arrangements are in place to provide an extensive range of rehabilitation aids which assist independent living and which are provided through a comprehensive system of prescribers and contracted suppliers.

Maintain arrangements with allied health providers in both the public and private sectors for the delivery of a comprehensive range of allied health services to entitled beneficiaries in order to meet their healthcare needs.

Ensure effective payment arrangements are in place for allied health providers.

Provide access to counselling services through the VVCS including use of outreach counsellors and through relevant providers in the public and private health sectors:

- intake and referral services
- counselling services
- after-hours counselling
- group program intervention.

Veterans and Veterans Families Counselling Service

A nationally accredited mental health service, VVCS provides free and confidential counselling and mental health support to current and former ADF members with at least one day of service, along with their partners and children.

Through its national, integrated, 24-hour service delivery system, VVCS continues to offer a wide range of treatment options and programs for military related mental health conditions. The service also provides relationship and family counselling and group programs to address issues that can arise due to the unique nature of military service.

The service offering includes:

- counselling for individuals, couples and families
- case coordination for clients with complex needs
- group programs to develop skills and enhance support

- an after-hours telephone counselling service
- information, education and self-help resources, including social media and a website
- referrals to other services or specialist treatment programs.

The VVCS clinical service delivery model recognises that military trauma from service rarely impacts on an individual in isolation; partners and children often are clients of VVCS. This family-inclusive approach enables therapeutic interventions to address the broader mental health impacts on the family that can stem from ADF service. It also supports long-term, positive family functioning.

VVCS client eligibility expanded in 2016-17. Notably, the extension of non-liability health care to cover any mental health condition greatly increased access to this important service for current and former serving members.

Over the last 12 months, treatment within the service has had an increasing focus on coordinated care for clients identified as at risk. VVCS has commenced a community coordination pilot in Townsville, the goal of which is to enhance the management of complex and/or high-risk clients; this is especially applicable to clients considered at risk of suicide. The pilot will explore whether the establishment of a care coordination team within the region, comprising a skilled VVCS clinician and a lived experience peer, who will work collaboratively within the local community, will enhance the clinical service experience of clients with complex needs. Learnings from this pilot will seek to enhance VVCS's ability to support clients to access a more holistic model of care that promotes recovery.

The 2016-17 period also saw VVCS continue to harness enabling technologies to improve the client experience. This included an upgrade to its secure, online client information system, enhancing VVCS's capacity to interact with its 1,200 clinicians nationally. Additionally, VVCS is in the design phase of a trial of a new digital platform, Synergy, which is intended to bring together integrated and interoperable applications, e-mental health tools and other resources that will enhance clinical care, as well as helping clients and their families be part of the management of their mental health.

Number of clients receiving services

In total, 15,132 unique clients received VVCS counselling during 2016-17, down 0.15 per cent on the 15,154 clients in the preceding year. A further 2,070 clients received intake support and had their concerns resolved during their initial contact with VVCS or were referred to other appropriate services; 832 clients participated in VVCS group programs. VVCS After Hours also supported clients outside centre business hours (6,622 calls were answered, an increase of 5.6 per cent from 2015-16). Table 24 shows numbers of client contacts for each stream for the past five years (centre and outreach combined).

Table 24 Number of eligible persons receiving VVCS services by support stream 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--|---------|---------|---------|---------|---------|
| Counselling (centre and outreach) | 11,687 | 14,136 | 14,627 | 15,154 | 15,132 |
| Intake assessment not leading to counselling (including referral to alternative service) | 4,232 | 5,526 | 5,350 | 4,783 | 2,070 |
| Group programs | 2,488 | 2,074 | 1,610 | 1,182 | 832 |
| VVCS After Hours | 5,306 | 7,050 | 6,571 | 6,269 | 6,622 |

VVCS = Veterans and Veterans Families Counselling Service

Timeliness

VVCS aims to ensure that all clients in crisis receive clinical intervention and/or referral to specialist services at the point of initial contact with VVCS (i.e. as part of the clinical intake process). The intake process, which is undertaken by a qualified centre-based counsellor, includes an initial assessment, support and advice, and a determination of the most appropriate ongoing support (or referral) for each client.

Allocation to VVCS counselling or group programs is arranged for clients who need ongoing support. Allocation depends on the clinical needs of the individual client. VVCS seeks to have the majority of client needs identified and support systems in place within a fortnight of the initial intake. Table 25 shows figures for the timeliness of the first counselling session for the past five years.

Table 25 Timeliness of first counselling session 2012–13 to 2016–17 (%)

| | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 |
|-----------------------|---------|---------|---------|---------|---------|
| Within 14 days | | | | | |
| Centre-based | 76.5 | 82.0 | 84.0 | 77.3 | 78.05 |
| Outreach | 66.1 | 69.0 | 73.0 | 66.3 | 67.67 |
| Within 21 days | | | | | |
| Centre-based | 86.8 | 97.0 | 92.0 | 89.0 | 89.71 |
| Outreach | 81.3 | 82.0 | 86.0 | 81.3 | 82.09 |

Quality

The quality of service provision was high across centre-based and outreach counselling delivered during 2016–17, as measured by client satisfaction levels. This result was derived from 656 returned satisfaction surveys, which showed that 74.1 per cent of clients were very satisfied and 19.2 per cent were moderately satisfied (i.e. a total of 93.3 per cent of clients were satisfied or very satisfied).

Complaints and compliments

VVCS records all formal complaints and compliments received in the VVCS complaints and feedback management system. This information provides a valuable tool to identify inconsistencies in service delivery and is used to target improvement activities.

In 2016–17, VVCS received 50 items of feedback (complaints and compliments) from clients and other stakeholders. This is separate from feedback received through the client satisfaction survey. Of the 50 items of feedback, 40 per cent were compliments. Complaints centred primarily on the responsiveness of VVCS services. Table 26 shows the total number of complaints and compliments in 2016–17, compared to previous years.

Table 26 VVCS complaints and compliments 2012–13 to 2016–17

| | 2012–13 | 2013–14 | 2014–15 | 2015–16 | 2016–17 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Complaints | 24 | 30 | 35 | 45 | 30 |
| Compliments | 36 | 25 | 18 | 24 | 20 |
| Total | 60 | 55 | 53 | 69 | 50 |

VVCS = Veterans and Veterans Families Counselling Service

Centre counselling

The 74 full-time equivalent VVCS staff counsellors (including program managers) provided 25,621 counselling sessions to 4,680 clients in 2016-17, compared to 25,114 sessions for 4,697 clients in 2015-16. The average number of sessions per client was 5.5.

In addition, centre counsellors provided intake counselling, case management for clients with complex needs, and coordination and clinical oversight of outreach program clients.

Outreach counselling

At the end of June 2017, VVCS had a network of 1,240 outreach counsellors located throughout Australia, of whom 797 provided services to VVCS clients in 2016-17. Outreach counsellors are qualified psychologists (83 per cent) and mental health accredited social workers (17 per cent), with an understanding of military culture and the veteran experience. VVCS outreach counsellors deliver services to clients who are unable to access a VVCS centre.

During 2016-17, VVCS outreach counsellors delivered 69,105 counselling sessions to 11,081 clients. This compares with 72,661 counselling sessions for 11,181 clients in 2015-16. The average number of outreach sessions per client was 6.2.

Group programs

In 2016-17, VVCS facilitated 103 group treatment and psycho-educational programs, to 832 clients nationally (detailed in Table 27). This was a decrease from 2015-16, when 1,182 clients participated in 148 group programs.

Table 27 Group programs delivered in 2016-17

| Group program | Active groups |
|---|---------------|
| Health and wellbeing (including anxiety, depression and sleep programs) | 19 |
| Australian Defence Force transition (Stepping Out Program) | 14 |
| Operation <i>Life</i> | 11 |
| Residential lifestyle (including two F-111 programs) | 7 |
| Pain management | 1 |
| Anger management | 14 |
| Stress management | 13 |
| Posttraumatic stress disorder transition | 2 |
| Relationships and communication | 10 |
| Partners | 5 |
| Other (including grief and loss, parenting and resilience groups) | 7 |
| Total | 103 |

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Case management

VVCS supports a number of clients in complex situations who find it difficult to engage and manage the range of health and social care services they require. In 2016-17, the service managed 317 sessions nationally, compared to 293 in 2015-16.

Veterans Line

VVCS's telephone-based counselling service, Veterans Line, is designed to assist veterans and their families outside VVCS office hours. It is delivered through a national contracted provider, On the Line Pty Ltd. During 2016-17, this service provided counselling support on 6,622 calls, compared to 6,269 calls in 2015-16.

Australian Defence Force Services

Client referrals under the *Agreement between the Department of Defence and the Department of Veterans' Affairs for the Provision of Mental Health Support Services by the Veterans and Veterans Families Counselling Service (VVCS) to Australian Defence Force Personnel* increased during the period, particularly in states with a large Defence presence, such as Queensland.

In 2016-17, 1,635 referrals were made to VVCS under this agreement, compared to 1,451 in 2015-16. In addition, 3,329 currently serving members self-referred to VVCS for assistance during 2016-17, compared to 2,968 self-referrals in 2015-16.

VVCS also continued to deliver the two-day Stepping Out Program for members separating from the ADF. This program aims to increase awareness of psychosocial skills and behaviours that may assist during the transition from military to civilian life. In 2016-17, 14 programs were run nationally with a total of 152 participants, the majority of whom were current serving members, from all ranks and services.

Supporting families

In recognition of the important role of families in an ADF member's mental health recovery, client eligibility was expanded in April 2017 to include family members of current and former ADF members who died by suicide or reported suicide; siblings of ADF members killed in service-related incidents; and adult sons and daughters (over 26) of post-Vietnam War veterans. The adult children of Vietnam veterans have had unlimited access to the service since the 1999 release of the Vietnam Veterans Health Study. Additionally, in this expansion the service was made accessible to all Defence Force Abuse Taskforce complainants and their families.

In 2016-17, 2,644 children of veterans received counselling support (a total of 18,262 counselling sessions) and 47 children of Vietnam veterans were referred for psychiatric assessment.

In the 2017-18 Budget, the Government has further extended access to VVCS to partners, dependants, immediate family members and former partners of ADF personnel. The partners, children and immediate family members of veterans who have had one day of full-time service will have access to the services and support provided by VVCS, including counselling and group programs. Former partners of ADF personnel will also be able to access VVCS up to five years after a couple separates or while co-parenting a child under the age of 18.

Operation Life workshops

Operation *Life* provides a framework for action to prevent suicide and promote mental health and resilience across the veteran community. Its major components include a set of three suicide prevention workshops, along with support services for the veteran community.

The following workshops were delivered in 2015–16:

- five Safe Talk half-day introductory workshops, with a total of 36 attendees (two workshops and 17 attendees in 2015–16)
- six Applied Suicide Intervention Skills Training (ASIST) two-day workshops, with 60 attendees (15 workshops and 142 attendees in 2015–16).

In the 2017–18 Budget, the Government committed to trialling alternative suicide prevention initiatives, as well as continuing to deliver ASIST programs. VVCS will be central to rolling out these innovations over the coming year.

Crisis assistance program

In addition to counselling support, VVCS delivers the Crisis Assistance (Time Out) Program, which provides short-term emergency accommodation for eligible Vietnam veterans (five nights maximum). The program aims to help reduce stress that might lead to family violence or family break-up. It links the client with VVCS services such as counselling, case management, and group programs that assist with managing stress.

In 2016–17, five clients accessed this program (two clients in 2015–16).

VVCS research agenda

VVCS is committed to continually improving the service it provides and ensuring that the services are accessible and evidence based. In addition to the RESTORE trial, in 2016–17 VVCS partnered with Swinburne University to examine whether online video counselling is as effective as face-to-face counselling. VVCS also continues to collaborate with Phoenix Australia to examine the sustainability of cognitive processing therapy for clients presenting with PTSD symptomology.

Moving forward, VVCS will: collaborate with international colleagues to develop a Moral Injury Outcome Scale for currently serving members and veterans; continue to progress a trial (in the New South Wales region) to determine whether the Synergy ICT technology can augment existing veteran-centric e-mental health resources and integrate with VVCS clinical practice; modernise its suite of group psycho-educational programs; and continue to deliver its online video counselling trial.

Communication and marketing

VVCS continued to enhance its social media presence in 2016–17, establishing Twitter and LinkedIn accounts to complement its Facebook account and website. It also commenced a series of community mental health webinars that draw on the lived experience of members of the veteran and ex-service community, coupled with the expertise of clinical professionals, to start a community discussion on the identification, treatment and recovery from military trauma. The first webinar, 'Military PTSD—thriving not surviving', was held in April 2017, with over 160 community members registering to attend online. Since then the video of the webinar and supporting elements (i.e. video snapshots) have been viewed over 5,000 times.

Future webinars will consider the impact of sleep disturbance on mental wellbeing and the role of families in recovery. Webinars will be accessible via the VVCS website and advertised on VVCS social media (Facebook, Twitter and LinkedIn).

Allied health services

Allied health services are accessed by DVA clients from a range of health providers, including chiropractors, dieticians, exercise physiologists, occupational therapists, physiotherapists, podiatrists, optometrists, psychologists, social workers and speech pathologists.

At the time of reporting, 3.2 million services had been provided and billed for 2016-17, compared to 3.09 million at the time of reporting in 2015-16. Current estimates are for 3.3 million services for the full year, a 3.5 per cent increase compared to 3.19 million for 2015-16. The proportion of the DVA treatment population accessing allied health services decreased to 65.0 per cent in 2016-17 from 66.7 per cent in 2015-16.

The average cost per allied health service increased slightly, to \$68.50 in 2016-17 from \$68.31 in 2015-16.

Administered expenditure for the provision of allied health services in 2016-17 was \$238 million, compared to \$225 million in 2015-16, an increase of 5.8 per cent.

Table 28 shows the number of allied health services provided and the average cost over the past five years.

Table 28 Number of, and average cost for, allied health services 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|-----------|-----------|-----------|-----------|-----------|
| Number of services | 3,210,538 | 3,216,654 | 3,160,972 | 3,181,143 | 3,199,855 |
| Average fee paid (\$) | 65.48 | 66.96 | 67.82 | 68.31 | 68.50 |
| Proportion of treatment population ¹ (%) | 69.4 | 68.4 | 67.8 | 66.7 | 65.0 |

¹ Treatment population is measured at 30 June each financial year.

Note: Figures for previous years have been updated to reflect latest available claims data.

Mental and social health support

In 2016-17, DVA continued to develop and provide mental and social health programs focused on the needs of serving and ex-serving ADF personnel and their families to improve their health and wellbeing.

DVA recognises that clients need access to a range of services and programs at various stages of life: from social health programs that provide general health and wellbeing information and encourage social engagement, to the provision of more intensive support, such as mental health treatment.

Social health programs

DVA partnered with ex-service and community organisations to hold the annual Veterans' Health Week in 2016-17. This year's theme of 'Social Connection' recognised the importance of relationships with family, friends, colleagues and neighbours to an individual's health and wellbeing, as well as the positive social connections fostered through community groups like ESOs. Approximately 15,000 people attended 300 events across the nation.

Over 250 active Men's Health Peer Education volunteers provided health information to members of the veteran and ex-service community. DVA also supported the popular 10K Steps National Walking Challenge, with 159 teams from the serving and ex-service communities completing the four-week challenge.

DVA continued to provide the Heart Health program, a structured 12-month physical activity and health education program aimed at improving the general wellbeing of participants. In 2016-17, 896 participants enrolled and completed the Heart Health program.

Mental health programs and services

DVA is committed to supporting veterans experiencing a mental health condition and this year concluded a 12-month Peer to Peer Support Network Program pilot in Sydney and Townsville. Following five successful peer mentor workshops conducted in pilot locations, 35 mentor relationships were established during the life of the pilot. The pilot is being evaluated to inform the future of this program.

DVA's digital self-management products continued to attract licensing requests from national and international organisations for adaptation to specific populations in 2016-17. In late 2016, DVA released updates to the High Res resilience website to help serving and ex-serving ADF members cope better with stress and build resilience. DVA continued to use social media to promote the digital self-management support options available to the serving and ex-serving community. Social media continued to prove to be an effective way to reach a younger demographic of the ex-service community who may wish to access support online.

DVA funded trauma recovery programs in hospitals across Australia for the treatment of PTSD. During 2016-17, there were 13 hospitals contracted to DVA that were providing these services. In July 2016, DVA introduced national accreditation standards for trauma recovery programs for the treatment of PTSD. The standards provide a framework for improving the quality of services to veterans and draw upon evidence-based interventions for PTSD and its common comorbidities.

Provider services and training

In 2016-17, DVA continued to strengthen the capabilities of health professionals to deliver quality care for veterans. DVA commenced a pilot webinar series offering health professionals an opportunity to participate in expert panel discussions on issues commonly arising from their veteran mental health clinical practice. The pilot seeks to test whether this delivery method assists health professionals to better support the needs of veterans, deliver evidence-based treatment and develop collaborative care practices. In 2016-17, four webinars occurred on the topics of understanding the military experience, PTSD, sleep disorders and substance use disorder. An average of approximately 1,000 participants attended each webinar. The pilot is expected to continue in 2017-18.

Travel for treatment

In 2016-17, DVA processed 143,256 travel for treatment reimbursement claims under the Repatriation Transport Scheme, a decrease of 2.24 per cent compared to 146,537 claims in 2015-16. There was a reduction in overall processing times with 99 per cent of claims processed within 28 days, compared to 97.2 per cent in 2015-16.

The ability for clients to lodge travel claims online through MyAccount continued to make it easier for clients to do business with DVA and has increased acceptance of online travel reimbursement under all three Acts. The number of online claims submitted to DVA in 2016-17 increased by 8.79 per cent to 91,831, compared to 84,414 claims in 2015-16.

Arranged travel through the Booked Car with Driver scheme continued to be an important service for the aged and frail veteran community, as evidenced by the 1,323,956 person trips completed in 2016-17. This represents a 9.25 per cent increase compared to 1,211,805 trips in 2015-16.

Table 29 shows activity under the two travel schemes over the past five years.

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Table 29 Claims for reimbursement and arranged transport 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---------------------------------|---------|-----------|-----------|-----------|-----------|
| Claims for reimbursement | 165,137 | 159,905 | 150,871 | 146,537 | 143,256 |
| Arranged transport trips (BCWD) | 955,954 | 1,002,844 | 1,273,128 | 1,211,805 | 1,323,956 |

BCWD = Booked Car with Driver

Aids and appliances

Expenditure for aids and appliances totalled \$145.6 million in 2016-17 (including Rehabilitation Appliances Program expenditure of \$142.7 million and Medical Grade Footwear program expenditure of \$2.91 million). Approximately 82,500 DVA clients received aids and appliances in 2016-17.

Medical Grade Footwear

The Medical Grade Footwear program provides eligible DVA clients with clinically approved modified footwear. In 2016-17, the program assisted 5,756 clients with 5,486 pairs of ready-made medical-grade footwear and 270 pairs of custom-made medical-grade footwear.

Essential Medical Equipment Payment

The Essential Medical Equipment Payment covers the additional costs of running essential medical equipment or medically required heating and cooling. In 2016-17, approximately 3,327 claims were paid, with total expenditure of \$549,000.

Program 2.6: Military Rehabilitation and Compensation Acts—Health and Other Care Services

Description

To arrange for the provision of rehabilitation, medical and other related services under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) and the *Military Rehabilitation and Compensation Act 2004* (MRCA) and related legislation. This includes payment for medical treatment, rehabilitation services, attendant care and household services.

Delivery

- Rehabilitation program goals measured for effectiveness using agreed outcome aspirations against actual results achieved.
- Veterans who claim incapacity payments for the first time because of an inability to work due to accepted conditions are assessed for rehabilitation.
- Clients who are identified for a rehabilitation assessment are referred to an approved service provider within 30 days.

Safety, Rehabilitation and Compensation Act

Rehabilitation

In the financial year to 28 May 2017, 1,089 rehabilitation assessments were conducted, compared to 881 in the full financial year 2015–16 (due to the introduction of a new processing system, no rehabilitation data is available for the period 29 May to 30 June 2017 inclusive).

Of the clients assessed, 45 per cent were placed on non–return to work programs, compared to 56 per cent in 2015–16, and 19 per cent were placed on return to work programs, compared to 18 per cent in 2015–16.

Attendant care and household services

In 2016–17, 89 clients received a total of \$1.5 million in compensation for attendant care, compared to 121 clients and \$1.8 million in 2015–16. A further 1,706 clients received a total of \$7.1 million for household services assistance, compared to 1,700 clients and \$6.5 million in 2015–16.

Medical and treatment accounts paid

Medical and treatment accounts cover general and specialist medical services, household services and attendant care services. This does not include medico-legal services. Most medical treatments for SRCA clients are paid for via health treatment cards, but 37,113 accounts in 2016–17 were paid for by clients and reimbursed by the Department, compared to 36,430 accounts in 2015–16.

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Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of SRCA rehabilitation cases and accounts and is expected to improve the quality of transactions.

Military Rehabilitation and Compensation Act

Rehabilitation

In the financial year to 28 May 2017, 1,651 rehabilitation assessments were conducted, compared to 1,349 in 2015-16 (due to the introduction of a new processing system, no rehabilitation data is available for the period 29 May to 30 June 2017 inclusive).

Of those assessed, 29 per cent were placed on non-return to work programs, compared to 26 per cent in 2015-16, and 41 per cent were placed on return to work programs, compared to 46 per cent in 2015-16.

Attendant care and household services

In 2016-17, 40 clients received a total of \$407,470 in compensation for attendant care, compared to 47 clients and \$589,263 in 2015-16. A further 905 clients received a total of \$2.2 million for household services assistance, compared to 854 clients and \$2.1 million in 2015-16.

Medical and treatment accounts paid

Medical and treatment accounts cover general and specialist medical services, household services and attendant care services. This does not include medico-legal services. Most medical treatments for MRCA clients are paid for via health treatment cards, but 14,138 accounts in 2016-17 were paid by clients who were subsequently reimbursed by the Department, compared to 12,941 accounts in 2015-16.

Quality

DVA continues to work on improving performance by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include processing of MRCA rehabilitation cases and accounts and is expected to improve the quality of transactions.

Program 2.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Health and Other Care Services

Description

Program 2.7 provides an updated actuarial assessment of the movement in the liability for health and other care services under the SRCA and the MRCA.

Delivery

This program represents the movement in long-term liability based on the advice of the Australian Government Actuary. The movement is recognised as an expense in DVA's financial statements. Due to the nature of the provision, significant adjustments can occur between years. Movement for the liability for the past two years is shown in Table 30.

Table 30 Movement in SRCA and MRCA liability under Outcome 2 for 2015-16 and 2016-17

| | 2015-16 | | | 2016-17 | | |
|---------------------------------|--------------|--------------|----------------|---------------|--------------|---------------|
| | SRCA (\$m) | MRCA (\$m) | Total (\$m) | SRCA (\$m) | MRCA (\$m) | Total (\$m) |
| Actuarial changes in provisions | -15.6 | 249.0 | 233.4 | -62.8 | 966.2 | 903.4 |
| Hospitals | -2.9 | 22.9 | 20.0 | -1.7 | 73.8 | 72.1 |
| LMO consultations | -4.6 | 2.9 | -1.7 | -5.8 | 10.3 | 4.5 |
| Specialist consultations | -1.3 | 8.9 | 7.6 | -1.3 | 30.5 | 29.2 |
| Medical services | 0.0 | 273.3 | 273.3 | 0.0 | 122.4 | 122.4 |
| Non-institutional care | -4.3 | 0.0 | -4.3 | -4.3 | 0.0 | -4.3 |
| Pharmaceuticals | -1.3 | 6.0 | 4.7 | -1.1 | 17.8 | 16.7 |
| Rehabilitation services | -3.6 | 9.7 | 6.1 | -4.9 | 10.1 | 5.2 |
| Other | -4.7 | 9.5 | 4.8 | -5.2 | 14.5 | 9.3 |
| Interest rate | 172.0 | 364.2 | 536.2 | -82.9 | -411.1 | -494.0 |
| Total expenses | 133.7 | 946.4 | 1,080.1 | -170.0 | 834.5 | 664.5 |

LMO = local medical officer

MRCA = Military Rehabilitation and Compensation Act 2004, SRCA = Safety, Rehabilitation and Compensation Act 1988

Report on performance

The Department's provision for health care and other services increased from \$3.2 billion in 2015-16 to \$3.9 billion in 2016-17.

This provision recognises the obligations that the Department has to veterans and current serving military personnel for benefit payments that will occur in the future.

After a long period of predominantly peacetime service, the ADF has undertaken a range of extensive and intensive operations since 1999 that have involved significant numbers of servicemen and servicewomen. Deployments of both permanent and reserve forces have exposed an increasing number of ADF personnel to risks of injury and death, and the Government to an increasing liability for future costs of rehabilitation, health care and compensation.

It is important to note that the provision takes into account personal benefits and health care for clients over the next 50 years or more. It is expected that the estimate will be adjusted each year as claims are received and additional information about claims patterns becomes available.

The increase in 2016-17 resulted from increased usage of medical services that is associated with higher take-up of health treatment cards and more than anticipated claims for medical treatment.

Commemorations

Commemorative activities provide opportunities for the Australian community to appreciate and acknowledge the role played by Australians in wars and conflicts since Federation. DVA's commemorations program aims to increase the community's understanding of and regard for the service and sacrifice of veterans, to ensure that veterans are afforded the respect and recognition they deserve. DVA also acknowledges the service of eligible war dead by maintaining graves, cemeteries and gardens of remembrance in Australia and Australian memorials overseas.

In 2016–17:



4,900

war grave plaques
were refurbished.

The Spirit of Anzac Centenary
Experience travelled to

12 locations

across Australia.

**2,133
visitors**

attended the Anzac Day Dawn
Service at Villers-Bretonneux,
France.



194
commemorative
grants

were approved.



Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations.

Outcome 3

Commemorative activities

DVA continued to deliver the Anzac Centenary Program 2014–2018, which acknowledges significant military anniversaries for veterans of the First World War and all subsequent conflicts, through its two themes: Centenary of the First World War and Century of Service. The Centenary of the First World War acknowledges the key centenary anniversaries of the First World War, which did so much to shape and define the Australian nation shortly after Federation. The Century of Service acknowledges significant anniversaries from all subsequent conflicts, wherever possible involving the surviving veterans of battles and campaigns.

A number of significant anniversaries of battles and events were commemorated under the Century of Service program during 2016–17, including the 50th anniversary of the end of the Indonesian Confrontation, the 50th anniversary of the Battle of Long Tan and Australia's involvement in the Vietnam War, and the 75th anniversaries of the Fall of Singapore and Bomber Command operations.

DVA also successfully delivered a number of commemorative services under the Anzac Centenary Program to commemorate the 100th anniversaries of the Battle of Fromelles, the Battle of Pozieres and the Battle of Bullecourt.

The final *Spirit of Anzac Centenary Experience* exhibition was held in Sydney in April 2017. The flagship community event of Australia's Anzac Centenary toured 23 locations around Australia from September 2015 to April 2017. The exhibition was a collaborative venture between the Australian Government, the Commonwealth Bank of Australia and Telstra Corporation, with extensive support from the Australian War Memorial and the ADF. The exhibition followed a chronological Century of Service time line spanning the period from before the First World War to the present day, using a mix of visuals, artefacts, audio and film.

DVA conducted the annual Anzac Day dawn services at Gallipoli in Turkey and Villers-Bretonneux in France, while supporting Anzac Day services at other locations, including Hellfire Pass in Thailand, Sandakan in Malaysia, and Isurava and Port Moresby (Bomana) War Cemetery in Papua New Guinea.

War graves and memorials

In 2016–17, significant renovations and improvements to facilities were undertaken in a range of war cemeteries across Australia and the region. Additionally, more than 175 graves were rebuilt and over 4,900 plaques were refurbished at some of the 2,300 sites where official commemorations are located.

There has been significant progress in the construction of the Sir John Monash Centre near Villers-Bretonneux, France. The main building and other facilities have been completed and work has commenced on internal structures, final finishes and multimedia displays, which will be used to tell the story of Australia's role on the Western Front.

Other significant achievements

DVA's achievements under Outcome 3 during 2016–17 included:

- delivering Anzac Day commemorations to mark the 102nd anniversary of the Anzac landings at Gallipoli, the 99th anniversary of the Battle of Villers-Bretonneux, and the 100th anniversary of the Battle of Bullecourt
- delivering the centenary commemorations of the Battles of Fromelles and Pozieres in July 2016
- conducting a veterans' commemorative mission to mark the 65th anniversary of the key battles in the Korean War

- updating and consolidating the Anzac Portal website with new material and incorporating historical websites to inform and educate the community on Anzac Centenary initiatives and other material
- supporting community awareness and preservation of Australia's wartime and service heritage, and veterans' experiences, through the production of innovative online educational resources and commemorative publications
- contributing to a national ceremony conducted on Anzac Parade, Canberra, to commemorate the 50th anniversary of the Battle of Long Tan and Australia's involvement in the Vietnam War
- delivering a national commemorative service for the 75th anniversary of the Fall of Singapore and the service and sacrifice of all Australian prisoners of war at the national Ex-Prisoners of War Memorial in Ballarat
- completing the Australian Poppy Garden in Zonnebeke, Belgium, part of the Passchendaele Memorial Gardens project
- completing the refurbishment of the Franco-Australian Museum in Villers-Bretonneux, France
- making significant progress in the construction of the Sir John Monash Centre and the production of its multimedia interpretive content.

Priorities for 2017-18

DVA's priorities for commemorations in the year ahead are to:

- deliver centenary commemorations for the Battle of Polygon Wood, in Belgium on 26 September 2017; the Battle of Beersheba, Sinai-Palestine campaign, in Israel on 31 October 2017; and the Battle of Villers-Bretonneux, in France on Anzac Day 2018
- deliver significant commemorative events in Australia as part of the Century of Service program
- officially open the Sir John Monash Centre in France, in April 2018
- complete the refurbishment of the Hellfire Pass Memorial Museum in Thailand and ageing war graves in Papua New Guinea.

Program 3.1: War Graves and Commemorations

Description

Acknowledge and commemorate the service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations.

Delivery

- Lead and manage the Anzac Centenary and the Century of Service 2014–18 through the development and delivery of national and international commemorative services, providing support and funding for community initiatives, and supporting community awareness and preservation of Australia's wartime and service heritage and veterans' experiences.
- Maintain, construct and refurbish war graves and post war commemorations within war cemeteries, gardens of remembrance, cemeteries and crematoria in Australia and Papua New Guinea; process claims for and provide official post-war commemorations; and provide and maintain national memorials overseas.

Anzac Centenary Program

Centenary of the First World War

In July 2016, DVA successfully delivered a number of centenary commemorative services at Fromelles (Pheasant Wood) Military Cemetery, V.C. Corner Australian Cemetery and Memorial, Fromelles, and the 1st Australian Division Memorial, Pozieres, on the Western Front. Very hot weather greeted the 2,411 attendees at Pheasant Wood, while 200 official guests attended the V.C. Corner service and 1,422 attended the Pozieres service, both of which were broadcast live to Australia by the ABC. The Minister for Veterans' Affairs, the Hon Dan Tehan MP, and the Chief of Army, Lieutenant General Angus Campbell DSC AM, attended both services.

Throughout 2016–17, the Department planned for the service commemorating the centenary of the Battle of Polygon Wood, which will be held on 26 September 2017 at the 5th Australian Division Memorial, Buttes New British Cemetery, Zonnebeke, Belgium. Public registration for attendance passes for this commemoration opened on 3 February 2017. Due to limited access to the site, infrastructure for the service will be kept to a minimum.

Throughout 2016–17, the Department also prepared for the centenary commemorations for the Battle of Beersheba, Sinai–Palestine campaign, to be held in Be'er Sheva, Israel, in October 2017. Public registration for attendance passes for this commemoration opened on 10 February 2017 and by 11 April 2017 numbers had reached the safe site capacity. The capacity of the site is limited by its small size and number of safe egress routes. Infrastructure is limited by restrictions on construction in the Beersheba War Cemetery, to ensure that the graves of those in the cemetery are respected. As a result, the number of places available cannot be increased.

Century of Service program

During 2016–17, the Century of Service program commemorated a number of anniversaries of battles and events of particular significance to the Australian community.

The 50th anniversary of the Battle of Long Tan was commemorated with a service at the Vietnam Forces National Memorial on Anzac Parade in Canberra. A government-hosted reception was held at Parliament House the night before the service. DVA assisted approximately 150 veterans and their guests to attend commemorative activities in Canberra and Brisbane.

The 75th anniversary of the Fall of Singapore was commemorated at the national Ex-Prisoners of War Memorial in Ballarat. Sixteen veterans and their carers were assisted with travel and accommodation to attend the national service. The service was followed by a luncheon reception attended by the veterans, their carers and official guests.

In February 2017, the Governor-General, Sir Peter Cosgrove AK MC (Retd), unveiled a statue dedicated to the mothers and families of Australians killed in action from all wars and conflicts in the Garden of the Grieving Mother in Ballarat. The garden and statue were funded under the Century of Service program.

Spirit of Anzac Centenary Experience

From its opening in Wodonga in September 2015 to its final closing in Sydney in April 2017, the *Spirit of Anzac Centenary Experience* was one of the flagship community events of Australia's commemoration of the Anzac Centenary period. The travelling exhibition was presented by the Australian Government, including DVA, the Australian War Memorial and the ADF, and was proudly supported by the Commonwealth Bank of Australia and Telstra Corporation.

The *Spirit of Anzac Centenary Experience* took 11 months to design and build and won the 2016 Australian Event Awards best technical achievement or innovation award.

Over 368,000 Australians, including 49,707 schoolchildren, visited the exhibition as it travelled to 23 locations across Australia, including Albury–Wodonga, Launceston, Hobart, Ballarat, Bendigo, Wollongong, Melbourne, Adelaide, Tamworth, Toowoomba, Brisbane, Mackay, Cairns, Townsville, Darwin, Port Augusta, Perth, Bunbury, Kalgoorlie, Geelong, Orange, Newcastle and Sydney.

Anzac Day services in France

DVA successfully delivered an Anzac Day Dawn Service at the Australian National Memorial, Villers-Bretonneux, and a later Anzac Day service at the Digger Memorial, Bullecourt. The Dawn Service at Villers-Bretonneux was broadcast live to Australia by the ABC. In 2017, 2,133 visitors endured the chilly morning to attend the Anzac Day Dawn Service, and 938 attended the Digger Memorial service later in the day.

Local French authorities provided police, security, medical and first aid facilities for visitors at the site. The Australian Government is grateful for the assistance of our French hosts. The service in France was attended by the Minister for Veterans' Affairs, the Hon Dan Tehan MP, and the Chief of the Royal Australian Air Force, Air Marshal Leo Davies AO CSC.

Commemorative missions

In 2016–17, veterans of the Korean War returned to the battlefields in Korea for the 65th anniversaries of the battles of Kapyong and Maryang San. The Department of Foreign Affairs and Trade and the ADF provided significant support.

Community involvement and awareness

In 2016-17, DVA continued to engage the general community, teachers and students on Australian wartime history and raise awareness and appreciation of the service and sacrifice of our servicemen and servicewomen in war, conflicts and peace operations. During the year, DVA produced a range of educational resources and awareness-raising information and materials and activities, including commemorative war history websites, a calendar, commemorative posters, a school competition and oral histories. DVA also supported Australian War Memorial outreach initiatives.

The Anzac Portal website continues to be a highly successful means of connecting with the community. The Anzac Portal holds a wide range of online publications, links to ebooks, education and history resources, and event information. Information on the Anzac Centenary, veterans' stories and curriculum units are all innovative additions to the portal. The portal now incorporates what were previously eight individual military conflict history websites.

Saluting Their Service grants

The Saluting Their Service grants support projects and activities that directly commemorate Australia's servicemen and servicewomen in wars, conflicts and peace operations, and are provided to ESOs, local government authorities, museums and schools.

There were two categories of grants in 2016-17: Major Commemorative Grants and Community Commemorative Grants. Major Commemorative Grants are available for projects with significance at the national, state or territory level and Community Commemorative Grants are available for small projects that are locally significant.

In 2016-17, 11 Major Commemorative Grants were approved to the value of \$221,749; and 183 Community Commemorative Grants were approved to the value of \$449,492.

A list of approved grants can be found on the DVA website, www.dva.gov.au.

Commemorating our war dead and those who have died as a result of war

New commemorations

The Office of Australian War Graves (OAWG) completed 2,772 new official commemorations. These consisted of 266 interments in crematoriums, 73 commemorations in lawn cemeteries, the construction of 256 monumental graves and the placement of 2,177 plaques in OAWG gardens of remembrance. A further 130 offers of official commemoration were declined. Table 31 details post-war commemoration activity.

The number of war graves maintained during 2016-17 increased after the Commonwealth War Graves Commission accepted commemoration for 83 Australians who died in Australia during the period 1914-21 or 1939-47 who had not been previously officially commemorated as war dead of the two world wars. These cases were brought to the OAWG's attention by members of the public and researchers and, after investigation, were accepted as being eligible for commemoration.

Table 31 Post-war commemoration activity 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---------|---------|---------|---------|---------|
| Notification of eligibility for commemoration | 4,811 | 3,805 | 3,389 | 3,106 | 2,935 |
| Acceptance by families | 4,238 | 3,142 | 2,684 | 2,561 | 2,369 |
| Completed memorials | 4,903 | 4,394 | 3,418 | 2,951 | 2,772 |

Cemetery and memorial information

Table 32 shows the extent of community contact with the OAWG over the past five years in relation to the quality of the work undertaken or advice provided.

Table 32 Contacts relating to quality of OAWG services 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|--------------------|------------|------------|------------|------------|------------|
| Letters and emails | 325 | 287 | 454 | 305 | 268 |
| Telephone calls | 52 | 73 | 84 | 49 | 64 |
| Total | 377 | 360 | 538 | 354 | 332 |

OAWG = Office of Australian War Graves

Program 3.2: Gallipoli-related Activities

Description

Coordinate and manage the delivery of annual commemorative and related activities at Gallipoli.

Delivery

- Planning for and conduct of annual Anzac Day and commemorative services and management of related reviews and research.

Activities

A major commemorative service was planned to commemorate the 101st anniversary of the Battle of Lone Pine in Turkey on 6 August 2016. Following the attempted coup in Turkey in late July 2016, the Turkish Government requested that this service not continue. A simple and dignified wreath-laying was conducted by the Australian Ambassador to Turkey, His Excellency Mr James Larsen, on the anniversary of the battle.

Despite security concerns, DVA conducted solemn and dignified commemorative services to mark the 102nd anniversary of the Anzac landings at Gallipoli. Some 1,008 visitors attended the Anzac Day Dawn Service at the Anzac Commemorative Site on the Gallipoli Peninsula in Turkey on 25 April 2017. The ABC televised the service for viewers in Australia and other countries. Later in the morning of 25 April, an Australian Memorial Service was held at Lone Pine Cemetery, attended by 706 people.

The services in Turkey were attended by the Foreign Minister, the Hon Julie Bishop MP; the Chief of Navy, Vice Admiral Tim Barrett AO CSC; and the New Zealand Minister of Justice, the Hon Amy Adams MP.

The Turkish Government provided extensive and significant support to the commemorations in 2017, including an enlarged security presence and enhanced screening processes to ensure the safety of visitors to the services. In addition, Turkish medical and first aid services were on hand at all the sites. The Australian Government is very grateful for the assistance and support provided by our Turkish hosts.

Annual performance statements

Statement by the accountable authority

I, as the accountable authority of the Department of Veterans' Affairs, present the 2016–17 annual performance statements of the Department, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the Department, and comply with section 39(2) of the PGPA Act.



Simon Lewis PSM

Secretary

Department of Veterans' Affairs

20 September 2017

Our purpose

To support those who serve or have served in the defence of our nation and commemorate their service and sacrifice, through:

1. Maintaining and enhancing the quality of life of clients by improving their financial wellbeing and self-sufficiency.
2. Maintaining and enhancing the quality of life of clients by improving their physical and mental wellbeing.
3. Acknowledging and commemorating veterans' service and sacrifice, and promoting an increased understanding of Australia's wartime history.

There is a direct relationship between DVA's three outcomes, as defined in the DVA Portfolio Budget Statements 2016–17, and the Department's three purposes, as defined in the DVA Corporate Plan 2016–2020.

Overview of DVA's purposes, programs and activities

DVA achieves its purposes through the programs and activities shown below.

| | |
|--|--|
| Purpose 1: Compensation and Support | 1.1: Deliver income support and allowances |
| | 1.2: Deliver disability support |
| | 1.3: Deliver assistance to widow(er)s and dependants |
| | 1.4: Deliver other compensation |
| | 1.5: Deliver the children's education scheme |
| | 1.6: Deliver income support and compensation under MRCA and SRCA |
| Purpose 2: Health and Wellbeing | 2.1: Provide access to general medical consultations, dental and specialist consultations and services |
| | 2.2: Provide access to hospital services |
| | 2.3: Provide access to pharmaceutical benefits |
| | 2.4: Provide access to community care and support |
| | 2.5: Provide counselling and other health services |
| | 2.6: Provide access to health and other care services under MRCA and SRCA |
| Purpose 3: Commemorations | 3.1: Provide war graves and commemorations |
| | 3.2: Deliver Gallipoli-related activities |
| Enabling Services | 4.1: Provide a professional, engaged and flexible workforce |
| | 4.2: Deliver sound financial management |
| | 4.3: Provide reliable, responsive, accessible and cost-effective digital services |
| | 4.4: Partner with other Commonwealth agencies including Defence, Health and Human Services |
| | 4.5: Engage with stakeholders including ex-service organisations and Defence |
| | 4.6: Manage a program of strategic research |

Purpose 1: Compensation and Support

Maintain and enhance the quality of life of clients by improving their financial wellbeing and self-sufficiency.

Performance criteria and results

Key activities and their performance criteria are listed below.

Program 1.1: Deliver income support and allowances

Income support provides a regular means-tested payment for eligible veterans and their dependants with limited means. While the veteran population is reducing in size, the activities undertaken within Program 1.1 are becoming more complex due to the increasing sophistication of clients' personal financial arrangements and circumstances, which are reviewed regularly. Refer to page 41 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|----------|
| 1.1.1 | Timeliness: Mean time to process new claims (days) | 32 | 23 | 28 | ☑ |
| 1.1.2 | Timeliness: Mean time to process pensioner initiated reviews (days) | 14 | 22 | 21 | ☐ |
| 1.1.3 | Price: Cost per income support clients | \$269 | \$267 | \$313 | ☐ |
| 1.1.4 | Quality: Critical error rate for income support processing | <5% | 4.3% | 2.9% | ☑ |
| 1.1.5 | Measurement: The number of days within which 50% of cases will be processed (days) | Claims: 30 | n/a ² | 9 | ☑ |
| | | PIRs: 10 | n/a ² | 7 | ☑ |
| 1.1.6 | Quality: Correctness rate ² | >95% | n/a ² | 97.1% | ☑ |

PIRs = pensioner initiated reviews

¹ Source: DVA Portfolio Budget Statements 2016-17, page 34. DVA Corporate Plan 2016-2020, page 17.

² New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

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Program 1.2: Deliver disability support

Provides compensation in the form of disability pensions and ancillary benefits to clients for the tangible effects of war or defence service. Refer to page 45 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|----------|
| 1.2.1 | Timeliness: Mean number of days to process a primary claim (days) ² | 75 | 72 | 72 | ☑ |
| 1.2.2 | Timeliness: Mean number of days to prepare a s. 31 review (days) | 40 | 18 | 31 | ☑ |
| 1.2.3 | Price: Average cost per disability pensioner | \$449 | \$427 | \$486 | ☐ |
| 1.2.4 | Quality: Critical errors | <5% | 4.2% | 4.0% | ☑ |
| 1.2.5 | Measurement: The number of days within which 50% of claims will be finalised (days) ³ | 100 | n/a | 59 | ☑ |
| 1.2.6 | Quality: Correctness rate ³ | >95% | n/a | 96.0% | ☑ |

1 Source: DVA Portfolio Budget Statements 2016–17, page 35. DVA Corporate Plan 2016–2020, page 18.

2 A 'primary claim' is a *Veterans' Entitlements Act 1986* compensation claim.

3 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 1.3: Deliver assistance to widow(er)s and dependants

The war widow(er)'s pension is part of a compensation package made in recognition of the special circumstances to compensate the widowed partner of a veteran, where there was a connection between the veteran's death and service, and eligible children are provided with financial support. Refer to page 49 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|----------|
| 1.3.1 | Timeliness: Mean number of days to process a primary claim (days) | 75 | 49 | 47 | ☑ |
| 1.3.2 | Timeliness: Mean number of days to prepare a s. 31 review (days) | 40 | 8 | 14 | ☑ |
| 1.3.3 | Price: Cost per war widow(er) pensioner | \$164 | \$157 | \$181 | ☐ |
| 1.3.4 | Quality: Critical errors | <5% | 8.6% | 6.7% | ☐ |
| 1.3.5 | Measurement: The number of days within which 50% of claims will be finalised (days) ² | 30 | n/a | 24 | ☑ |
| 1.3.6 | Quality: Correctness rate ² | >95% | n/a | 93.3% | ☐ |

1 Source: DVA Portfolio Budget Statements 2016–17, page 36. DVA Corporate Plan 2016–2020, page 18.

2 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 1.4: Deliver other compensation

Delivers other allowances and assistance to clients under the *Veterans' Entitlements Act 1986* (VEA) and related legislation including home support loans, funeral benefits, prisoner of war ex gratia payments and payments on behalf of Commonwealth and allied countries. Assistance is also provided to the ex-service community via Building Excellence in Support and Training (BEST) grants and the Training and Information Program (TIP). Refer to page 50 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|---------------------------|---|---------------------|-----------------------------|-----------------------------|----------|
| Funeral benefits | | | | | |
| 1.4.1 | Timeliness: Mean time to process funeral benefits claims (days) | 10 | 8 | 7 | ✓ |
| 1.4.2 | Quality: Critical errors | <5% | 1.5% | 0.8% | ✓ |
| Defence Home Loans | | | | | |
| 1.4.3 | Timeliness: Mean time to process subsidy (days) | 18 | 5 | 4 | ✓ |
| 1.4.4 | Quality: Critical errors | <5% | 0.0% | 0.0% | ✓ |
| Funeral benefits | | | | | |
| 1.4.5 | Measurement: The number of days within which 50% of claims will be processed (days) ² | 10 | n/a | 1 | ✓ |
| 1.4.6 | Quality: Correctness rate ² | >95% | n/a | 99.2% | ✓ |
| Defence Home Loans | | | | | |
| 1.4.7 | Measurement: The number of days within which 50% of claims will be finalised (days) ² | 18 | n/a | 2 | ✓ |
| 1.4.8 | Quality: Correctness rate ² | >95% | n/a | 100.0% | ✓ |

¹ Source: DVA Portfolio Budget Statements 2016-17, page 37. DVA Corporate Plan 2016-2020, page 19.

² New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

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Program 1.5: Deliver the children's education scheme

Under the Veterans' Children Education Scheme and the Military Rehabilitation and Compensation Act Education and Training Scheme, education allowances are paid to eligible children of ADF members who have died or been severely injured as a result of service. The schemes also provide for special financial assistance, student support services, guidance and counselling for eligible students undertaking primary, secondary and tertiary full-time study within Australia. Refer to page 57 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|----------|
| 1.5.1 | Quality: Critical errors | <5% | 8.5% | 1.9% | ☑ |
| 1.5.2 | Measurement: The number of days within which 50% of claims will be finalised (days) ² | 28 | n/a | 9 | ☑ |
| 1.5.3 | Quality: Correctness rate ² | >95% | n/a | 98.1% | ☑ |
| 1.5.4 | Quality: (Client satisfaction): Percentage of responses to the annual Education Schemes Satisfaction Survey indicating that clients thought the support provided helped the student reach their academic potential ² | >75% | n/a | 85.2% | ☑ |
| 1.5.5 | Quality (Achieving the Schemes' Outcomes): Percentage of the Education Schemes' clients progressing through each level of their education or career training ² | >85% | n/a | 99.0% | ☑ |

1 Source: DVA Portfolio Budget Statements 2016–17, page 38. DVA Corporate Plan 2016–2020, page 19.

2 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 1.6: Deliver income support and compensation under MRCA and SRCA

Provides compensation to clients under the *Safety, Rehabilitation and Compensation Act 1988* (SRCA), the *Military Rehabilitation and Compensation Act 2004* (MRCA) and related legislation. The SRCA (and MRCA for injuries since 1 July 2004) provides coverage for injured ADF members to support their return to health, work and independence. There is also compensation for eligible dependants, and MRCA health care and other ancillary benefits. Refer to page 58 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 1.6.1 | Quality: Critical errors under SRCA | <5% | 6.8% | 12.9% | <input type="checkbox"/> |
| 1.6.2 | Timeliness: Mean number of days to determine a liability under SRCA (days) | 120 | 118 | 110 | <input checked="" type="checkbox"/> |
| 1.6.3 | Quality: Critical errors under MRCA | <5% | 6.9% | 8.7% | <input type="checkbox"/> |
| 1.6.4 | Timeliness: Mean number of days to determine a liability under MRCA (days) | 120 | 117 | 107 | <input checked="" type="checkbox"/> |
| 1.6.5 | Measurement: The number of days within which 50% of claims will be finalised (days) ² | | | | |
| | - MRCA liability claims | 100 | n/a | 93 | <input checked="" type="checkbox"/> |
| | - SRCA liability claims | 100 | n/a | 88 | <input checked="" type="checkbox"/> |
| | - MRCA permanent impairment claims | 100 | n/a | 152 | <input type="checkbox"/> |
| | - SRCA permanent impairment claims | 100 | n/a | 137 | <input type="checkbox"/> |
| | - MRCA incapacity claims | 50 | n/a | 49 | <input checked="" type="checkbox"/> |
| | - SRCA incapacity claims | 50 | n/a | 57 | <input type="checkbox"/> |
| 1.6.6 | Quality: Correctness rate ² | | | | |
| | - All MRCA claims | >95% | n/a | 91.3% | <input type="checkbox"/> |
| | - All SRCA claims | >95% | n/a | 87.1% | <input type="checkbox"/> |

MRCA = *Military Rehabilitation and Compensation Act 2004*, SRCA = *Safety, Rehabilitation and Compensation Act 1988*

1 Source: DVA Portfolio Budget Statements 2016-17, page 39. DVA Corporate Plan 2016-2020, page 20.

2 New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

Performance overview for Purpose 1

Timeliness

While DVA's client population is reducing in size, many activities undertaken within Compensation and Support program areas are becoming more administratively complicated, due to the increasing complexity of clients' circumstances.

In 2016-17, the Department continued its concerted effort to improve claims processing times, this is evidenced by the achievement of timeliness standards in relation to claims processing across Purpose 1 program areas.

The median time taken to process income support claims in 2016-17 was nine days which is below the target of 30 days (Program 1.1). This result continues to be supported by the electronic link between DVA and the Department of Defence, which greatly improved the processing times for qualifying service claims. Future digital reforms will further reduce administrative burdens, improve processing times and change the way we do business and interact with our clients.

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All Defence Home Loans subsidies (Program 1.4) were processed well within the target of 18 days. This is an indication that clients are receiving an excellent level of service, which is reflected in that there were no complaints received in regard to processing. Half of the requests received were finalised within two days, which greatly assists the clients in proceeding with their housing needs.

Over the last two years, strategies have been in place to improve the timeliness of compensation claims processing: reducing work on hand; improving client communication and engagement; improving case management practices; and reviewing and improving business processes (programs 1.2, 1.3 and 1.6).

Under the Improving Processing Systems Program, DVA is building a single rehabilitation and compensation (R&C) processing system. This system will include the processing of all compensation claims and is expected to improve the timeliness of claims processing.

The Government is also investing \$166.6 million in 2017–18 for its Veteran Centric Reform program. This program will transform DVA into a 21st century department with a 21st century service culture. This includes a significant investment in upgrading DVA's computer systems and processes.

One area where DVA did not meet its target was the processing time for permanent impairment claims. The median time taken to process permanent impairment claims in 2016–17 was 137 days under the SRCA and 152 days under the MRCA, against a target of 100 days. Strategies are in place to reduce the permanent impairment claims on hand. These impacted on the time taken to process as the older cases are being finalised (Program 1.6).

Quality

DVA is working to improve on quality targets in the Purpose 1 program areas by reinforcing policy and procedures and refining and improving staff training. Under the Improving Processing Systems Program, DVA is building a single R&C processing system. This system will include the processing of all compensation claims and is expected to improve the quality of transactions (programs 1.2, 1.3 and 1.6).

The quality targets for Program 1.1 and Program 1.4 have been achieved. Low error rates have been maintained throughout the year. No critical errors occurred in 2016–17 for Defence Service Homes loans, which is reflective of a well-administered scheme, ensuring clients receive the highest standard of service. Clients can rest assured that they are receiving their correct entitlements under the Defence Service Homes loans scheme.

Costs

Investment in upgrading DVA's computer systems and processes during 2016–17 has been attributed across the Department's programs. This investment is reflected in the changing cost per beneficiary (programs 1.1, 1.2, and 1.3).

Summary

While there is always room for continuous improvement, significant improvements have been achieved in relation to Purpose 1 performance areas. In particular, improving the timeliness of claims processing continues to be a key strategy in the Department's ongoing commitment to our clients to ensure more efficient service. Improved business practices will enable efficiencies to be gained in delivery of services, and the continued focus on meeting quality performance measures will confirm that clients are receiving the benefits and services to which they are entitled.

Purpose 2: Health and Wellbeing

Maintain and enhance the quality of life of clients by improving their physical and mental wellbeing.

Performance criteria and results

Key activities and their performance criteria are listed below.

Program 2.1: Provide access to general medical consultations, dental and specialist consultations and services

Provide access to general and specialist medical and dental services to clients. DVA has arrangements in place with medical and dental practitioners in both the public and private sectors to deliver a comprehensive range of services throughout Australia, provided in hospitals, providers' rooms and clients' homes. To ensure that DVA clients are able to access necessary services, DVA will either pay for clients to travel to the nearest service provider or pay a provider to travel to other locations to provide services to DVA clients. Refer to page 74 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|----------|
| 2.1.1 | Price: Unit cost per cardholder ² | \$98 | \$61 | \$62 | ☑ |
| 2.1.2 | Ensure arrangements are in place for the access to and delivery of quality general and specialist medical and dental services for DVA Health Card holders. • Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. ³ | >99% | n/a | 99.9% | ☑ |
| 2.1.3 | Maintain a schedule of general and specialist medical and dental services to meet the health care needs of DVA Health Card holders and maintain consistency with trends in the delivery of health care services. • Number of listed services assessed versus the number of approved unlisted services. ³ | >97% | n/a | 99.9% | ☑ |

¹ Source: DVA Portfolio Budget Statements 2016-17, page 48. DVA Corporate Plan 2016-2020, page 22.

² The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population.

³ New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

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Program 2.2: Provide access to hospital services

Provide access to inpatient and outpatient hospital services for DVA clients through arrangements with private hospitals, day procedure centres and mental health hospitals, as well as all public hospitals operated by the state and territory governments. Refer to page 77 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 2.2.1 | Price: Unit cost per cardholder ² | \$61 | \$48 | \$42 | <input checked="" type="checkbox"/> |
| 2.2.2 | Ensure arrangements are in place for the access to and delivery of quality private and public hospital services for DVA Health Card holders. • Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. ³ | >99% | n/a | 99.8% | <input checked="" type="checkbox"/> |

1 Source: DVA Portfolio Budget Statements 2016–17, page 49. DVA Corporate Plan 2016–2020, page 22.

2 The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population.

3 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 2.3: Provide access to pharmaceutical benefits

The Repatriation Pharmaceutical Benefits Scheme provides clients with access to a comprehensive range of pharmaceuticals and wound dressings for the treatment of their health care needs, including items available to the broader Australian community under the Pharmaceutical Benefits Scheme. Refer to page 80 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 2.3.1 | Price: Unit cost per cardholder ² | \$5 | \$18 | \$19 | <input type="checkbox"/> |
| 2.3.2 | Ensure arrangements are in place for the access to and delivery of quality pharmaceutical services for DVA Health Card holders. • Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. ³ | >99% | n/a | 100.0% | <input checked="" type="checkbox"/> |

1 Source: DVA Portfolio Budget Statements 2016–17, page 50. DVA Corporate Plan 2016–2020, page 22.

2 The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population.

3 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 2.4: Provide access to community care and support

Manages community support and residential care programs for clients, including the Veterans' Home Care program and the Community Nursing program, which aim to support people to remain independent in their homes and improve their quality of life and health. Program 2.4 also provides subsidies and supplements for DVA clients living in residential care facilities. Refer to page 82 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 2.4.1 | Price: Unit cost per cardholder ² | \$144 | \$92 | \$88 | <input checked="" type="checkbox"/> |
| 2.4.2 | Ensure arrangements are in place for the access to and delivery of quality community care services for DVA Health Card holders. • Number of clients accessing services versus the number who have registered a complaint in relation to unmet access and/or quality. ³ | >99% | n/a | 99.7% | <input checked="" type="checkbox"/> |

1 Source: DVA Portfolio Budget Statements 2016-17, page 51. DVA Corporate Plan 2016-2020, page 23.

2 The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population.

3 New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

Program 2.5: Provide counselling and other health services

Provides a wide range of mental and allied health care services, including counselling and referral services for clients. The program also supports DVA clients with funding for aids and appliances, and travel for treatment. Refer to page 86 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|----------------------------------|--|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 2.5.1 | Price: Unit cost per cardholder ² | \$142 | \$198 | \$203 | <input type="checkbox"/> |
| Travel for treatment | | | | | |
| 2.5.2 | Target percentage of claims for reimbursement processed within the Service Charter time frame (28 days) | 100% | 97.2% | 99.0% | <input type="checkbox"/> |
| 2.5.3 | Degree of complaints about arranged travel relative to the quantity of bookings | <0.05% | <0.05% | 0.03% | <input checked="" type="checkbox"/> |
| Rehabilitation appliances | | | | | |
| 2.5.4 | Cost: Attributed across treatment population | \$778 | \$728 | \$751 | <input checked="" type="checkbox"/> |
| 2.5.5 | Number of broad categories of aids and appliances available to the veteran community listed in the RAP Schedule | 251 | 265 | 268 | <input checked="" type="checkbox"/> |
| 2.5.6 | Percentage of aids and appliances listed may be prescribed by General Practitioners, Registered Nurses and Occupational Therapists | >95% | 95% | 86% | <input type="checkbox"/> |

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Program 2.5: Provide counselling and other health services (cont.)

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|--|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| Veteran counselling | | | | | |
| 2.5.7 | Percentage of unique clients presenting for service who receive attention by an Outreach contracted Counsellor within two weeks of intake | >65% | 66% | 68% | <input checked="" type="checkbox"/> |
| 2.5.8 | Centre based Counselling. Percentage of unique clients presenting for service who receive attention by a Centre based Counsellor within two weeks of intake | >80% | 77% | 78% | <input type="checkbox"/> |
| 2.5.9 | Level of veteran satisfaction | High | High | High | <input checked="" type="checkbox"/> |
| Access to services | | | | | |
| 2.5.10 | Ensure arrangements are in place for the access and delivery of quality mental and allied health services for DVA Health Card holders. • Number of entitled clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. ³ | >99% | n/a | 99.4% | <input checked="" type="checkbox"/> |
| 2.5.11 | Maintain a schedule of services to meet the health care needs of DVA Health Card holders and maintain consistency with trends in the delivery of health care services. • Number of listed services accessed versus the number of approved unlisted services. ³ | >97% | n/a | 100.0% | <input checked="" type="checkbox"/> |
| Veterans and Veterans Families Counselling Service (VVCS) | | | | | |
| 2.5.12 | Percentage of clients in receipt of an episode of care, who access a VVCS clinician (centre based or outreach) within two weeks of intake and assessment occurring ³ | >65% | n/a | 71.2% | <input checked="" type="checkbox"/> |
| 2.5.13 | Client satisfaction ³ | >80% | n/a | 93.3% | <input checked="" type="checkbox"/> |
| Veterans' Vocational Rehabilitation Service | | | | | |
| 2.5.14 | Clients with successful return to work ³ | >50% | n/a | 44.7% | <input type="checkbox"/> |

RAP = Rehabilitation Appliances Program

¹ Source: DVA Portfolio Budget Statements 2016–17, pages 52–53. DVA Corporate Plan 2016–2020, pages 23–24.

² The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population.

³ New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 2.6: Provide access to health and other care services under MRCA and SRCA

Arranges for the provision of rehabilitation, medical and other related services under SRCA, the MRCA and related legislation. The services include payment for medical treatment, rehabilitation services, attendant care and household services. Refer to page 95 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 2.6.1 | Error rates SRCA rehabilitation assessments | <5% | 4.5% | 6.6% | <input type="checkbox"/> |
| 2.6.2 | Error rates SRCA accounts paid incorrectly | <5% | 2.4% | 2.8% | <input checked="" type="checkbox"/> |
| 2.6.3 | Error rates MRCA rehabilitation assessments | <5% | 6.6% | 8.3% | <input type="checkbox"/> |
| 2.6.4 | Error rates MRCA accounts paid incorrectly | <5% | 1.7% | 2.9% | <input checked="" type="checkbox"/> |
| 2.6.5 | Timeliness: The percentage of rehabilitation assessments that were made within 30 days of referral for assessment ² | 90% | n/a | n/a² | <input type="checkbox"/> |
| 2.6.6 | Quality/Quantity: Percentage of new incapacity payees who have undergone a rehabilitation assessment within 30 days of the incapacity payment determination ² | 90% | n/a | n/a² | <input type="checkbox"/> |
| 2.6.7 | Quality/Quantity: Percentage of clients where rehabilitation goals were met or exceeded ² | 90% | n/a | n/a² | <input type="checkbox"/> |

MRCA = Military Rehabilitation and Compensation Act 2004, SRCA = Safety, Rehabilitation and Compensation Act 1988

1 Source: DVA Portfolio Budget Statements 2016-17, page 55. DVA Corporate Plan 2016-2020, page 24.

2 Measures 2.6.5, 2.6.6 and 2.6.7 were new performance measures introduced in the 2016-17 Portfolio Budget Statements. As new measures they are currently being reviewed for their appropriateness and relevance in light of changes to ongoing system and business processes.

Performance overview for Purpose 2

Unit costs

The unit cost per card holder is calculated using the staff and administration expenses (program support costs) divided by the eligible treatment population. In 2016-17, there were two Purpose 2 areas (programs 2.3 and 2.5) where the unit cost per card holder was higher than originally estimated and three areas (programs 2.1, 2.2 and 2.4) where the unit cost was lower. The variation in unit costs is attributed to significant redesign of internal operations, including process improvements, which resulted in a redistribution of support costs across Purpose 2 programs.

Travel for treatment

DVA records all complaints and compliments received in the complaints and feedback management system. This information provides a valuable tool to identify inconsistencies in service delivery and is used to target improvement activities.

In 2016-17, the number of complaints about arranged travel (Program 2.5) relative to the quantity of bookings was again less than the target of 0.05 per cent, which continues to indicate of a high level of satisfaction with the program.

The performance target for reimbursements of travel claims within 28 days was not met; however, the amalgamation of the processing of all client travel claims into a single processing team improved timeliness in 2016–17, with 99 per cent of claims being processed within the required time frame, compared to 97.2 per cent in 2015–16.

Rehabilitation appliances

The Rehabilitation Appliances Program (RAP) seeks to enhance DVA clients' quality of life and minimise the impact of disabilities through the provision of aids and appliances. In 2016–17, there were 268 broad categories of aids and appliances listed on the RAP schedule, up from 265 in 2015–16. (Program 2.5).

DVA reviews the schedule regularly to ensure that the diverse clinical needs of client cohorts are met, red tape for providers is reduced, and technological advances in rehabilitation aids and appliances are considered.

The percentage of aids and appliances listed for which general practitioners, registered nurses and occupational therapists have prescribing rights was below the target of 95 per cent in 2016–17. This was a result of some recent additions to the RAP schedule that only list specialists as the assessing health provider.

In 2016–17, DVA continued to be proactive and responsive to the current and future needs of DVA clients and new items were added to the mobility appliances category of the schedule. These items aim to support independence and maximise safety within the home and outdoor environments for DVA clients with mobility issues.

Counselling

The percentage of clients receiving attention from an outreach contracted counsellor within two weeks of intake continues to be above the target, and in fact increased in the 2016–17 year, as has the combined outreach and in-centre percentage. Levels of client satisfaction with VVCS continued to be high and within target in the same period, as reflected by both the old and new satisfaction measures.

A three-part strategy (revised intake model, VVCS Electronic Records Application upgrade and centre/outreach allocations ratio review) is in place to address the target shortfall for the percentage of clients receiving attention from an in-centre counsellor within two weeks of intake. This strategy is taking effect, with the trend being towards meeting the target and the shortfall now reduced to 2 per cent.

Access to health services

The number of clients making a complaint in relation to un-met access or quality is very low when considered in the context of the overall number of health services accessed by DVA clients across all Purpose 2 programs. This is an indication that there is currently no widespread issue impacting DVA clients' ability to access clinically necessary treatment.

Summary

DVA remains committed to ensuring clients have timely access to high-quality health care and rehabilitation services, in partnership with providers, and to maintaining and developing services that support a level of independence. DVA continues to review and improve business practices to ensure programs are delivered efficiently and effectively.

Purpose 3: Commemorations

Acknowledge and commemorate veterans' services and sacrifice, and promote an increased understanding of Australia's wartime history.

Performance criteria and results

The key activities and their performance indicators are listed below.

Program 3.1: Provide war graves and commemorations

Acknowledges and commemorates the service and sacrifice of the men and women who served Australia and its allies in wars, conflicts and peace operations. Refer to page 102 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|--|-----------------------------|-----------------------------|-------------------------------------|
| 3.1.1 | Maintain facilities and individual commemorations in Australia, PNG, South Africa, Korea, Japan, Malaysia & Singapore: <ul style="list-style-type: none"> • War Cemeteries • Gardens of Remembrance • Memorials to the Missing • War Graves in Australia & PNG • Overseas graves (non world wars) • Post War commemorations | The maintenance of war cemeteries, memorials and graves is undertaken in accordance with Commonwealth War Graves Commission (CWGC) published standards. Performance is measured through CWGC inspections and veteran and community feedback. | Achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.2 | Provide new Post War Commemorations | Commemorations are provided within published time frames to meet Australian standards of production/construction. | Achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.3 | Manage national memorials overseas | Memorial presentation meets veteran and community approval and local requirements. Access and equity standards are met and, where applicable, information provided is both accurate and presented in a variety of formats. | Achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.4 | Implement War Graves related projects | Project implementation meets the budget and timing agreed and announced by Government. | Partially achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.5 | Community awareness and education resources | High level of community and veteran satisfaction with quality and accessibility of resources. | Achieved | Achieved | <input checked="" type="checkbox"/> |

Program 3.1: Provide war graves and commemorations (cont.)

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|--------|---|---|-----------------------------|-----------------------------|-------------------------------------|
| 3.1.6 | Grants applications approved | Grant applications are processed within timelines. High level of community and veteran satisfaction with grant outcomes. | Achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.7 | Domestic commemorative events | High level of community and veteran satisfaction with commemorative events. | Achieved | Achieved | <input checked="" type="checkbox"/> |
| 3.1.8 | Maintenance is undertaken in accordance with CWGC published standards. Performance is measured through periodic inspections. ² | 100% of inspected graves comply | n/a | 85.0% | <input type="checkbox"/> |
| 3.1.9 | Events are delivered safely, on schedule and within budget ² | The number of safety incidents reported is less than 1% of those in attendance. 100% of events are delivered on time and with less than a 5% variation in actual expenditure compared to budget | n/a | Achieved | <input checked="" type="checkbox"/> |
| 3.1.10 | Government is satisfied with quality ² | The Minister for Veterans' Affairs confirms the Government's satisfaction with the quality of each event | n/a | Achieved | <input checked="" type="checkbox"/> |

PNG = Papua New Guinea

¹ Source: DVA Portfolio Budget Statements 2016–17, page 60. DVA Corporate Plan 2016–2020, pages 25–26.

² New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Program 3.2: Deliver Gallipoli-related activities

Co-ordinates and manages the delivery of annual commemorative and related activities at Gallipoli. The Department works cooperatively with other Australian Government agencies, New Zealand agencies and Turkish authorities, both directly and through its contracted service provider. Refer to page 106 in this report for further information on this program.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|---|-----------------------|-----------------------|----------|
| 3.2.1 | Level of community engagement and satisfaction | High | High | High | ☑ |
| 3.2.2 | Media interest | Positive | Positive | Positive | ☑ |
| 3.2.3 | Events are delivered safely, on schedule and within budget ² | The number of safety incidents reported is less than 1% of those in attendance. 100% of events are delivered on time and with less than a 5% variation in actual expenditure compared to budget | n/a | Achieved | ☑ |
| 3.2.4 | Government is satisfied with quality ² | The Minister for Veterans' Affairs confirms the Government's satisfaction with the quality of each event | n/a | Achieved | ☑ |

1 Source: DVA Portfolio Budget Statements 2016-17, page 62. DVA Corporate Plan 2016-2020, page 26.

2 New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

Performance overview for Purpose 3

Commemorations

DVA successfully coordinated and managed the delivery of commemorative and related events with a high degree of proficiency in 2016-17.

Positive media reporting, feedback and letters of appreciation received from stakeholders and the general public (including veterans and ex-service organisations) indicates that DVA conducted commemorative services in an appropriately dignified, professional and solemn manner.

The Anzac Centenary Program 2014-2018 acknowledges significant military anniversaries for veterans of the First World War and all subsequent conflicts, through its two themes: Centenary of the First World War and Century of Service.

Among the program's achievements in 2016-17:

- The Department contributed to a national ceremony conducted at the Australian War Memorial to mark the 50th anniversary of the Battle of Long Tan and Australia's service in the Vietnam War. The Ex-Prisoner of War Memorial in Ballarat, Victoria, was used to commemorate the 75th anniversary of the Fall of Singapore.
- A funding grant was provided to Australian Flying Corps and Royal Australian Air Force Association to support commemorative events to mark the 75th anniversary of Bomber Command Operations.

Office of Australian War Graves

Feedback received from the public and veterans' groups regarding war cemeteries and national memorials overseas was overwhelmingly positive, reflecting the high standards of maintenance and presentation expected for these sites. The Office of Australian War Graves (OAWG) welcomes feedback from the public where graves and memorials may have deteriorated with age and no longer meet the high level of presentation expected. This information is used to supplement that gained through regular maintenance inspections and assists in the planning for ongoing maintenance activities.

While there is a program of regular preventative maintenance for graves and official commemorations, eventually their age will necessitate their restoration or replacement. It is for this reason that when inspected, almost 15 per cent of the graves did not comply with the required standard. All non-compliant graves are subsequently scheduled for rectification with work undertaken at the earliest practicable time.

The Department intends to discontinue measure 3.1.8 at the end of 2016–17. It is proposed to be replaced with a measure that, more accurately reflects feedback on the standard of work undertaken by OAWG, as received from the Australian community. The two overseas projects reported as being delayed in the 2015–16 report were successfully completed in 2016–17.

Education and awareness

The Anzac Portal: Beyond a Century of Service website has undergone a major structural upgrade, with eight previously stand-alone commemorative websites now consolidated under the site's History section, spanning campaigns from the First World War to more modern operations.

Two major national mail-outs have been conducted, coinciding with the 2016 Remembrance Day and 2017 Anzac Day commemorations. Publications and products included in these mail-outs have targeted both community and school education groups.

Two national competitions have been conducted, aimed at engaging Australian school students in the stories of Australian service in wars, conflicts and peace operations over the past century. These were the Anzac Day Schools' Awards and the Honouring Australian Vietnam Veterans competition.

Oral history interviews were conducted with veterans of the Second World War and Korean War, supporting domestic and overseas commemorations.

A number of public presentations were made to raise community awareness of veteran service, including talks at the Australian War Memorial and History Teachers' Association conferences.

Summary

Based on stakeholder feedback and other performance criteria, it is evident that in 2016–17 the Department continued to perform solidly in the area of commemorative and educative activities. These activities served to increase the community's understanding of Australia's wartime history and ensure this knowledge is not lost to future generations, despite the growing generational divide. This, in turn, enhances the quality of life of our clients and their families in ensuring the ongoing recognition of their service and sacrifice.

Enabling Services

Facilitate the delivery of services to business lines through innovative, seamless, efficient and effective use of resources to support organisational capability.

Performance criteria and results

The key activities and their performance indicators are listed below.

Enabling 4.1: Provide a professional, engaged and flexible workforce

DVA's workforce strategy describes DVA's planned approach to shaping and developing our workforce to access the capabilities we will need to achieve our Towards 2020 vision. By developing our staff we will increase our capability and capacity to achieve our purpose. Our fully trained, motivated and high performing staff will then be able to deliver a high standard of support to all clients. Refer to page 144 in this report for further information on the management of DVA's human resources.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|-----------------------|-----------------------------|-----------------------------|-------------------------------------|
| 4.1.1 | APS workforce is affordable and within budget ² | Achieved | n/a | Partially achieved | <input type="checkbox"/> |
| 4.1.2 | Workforce strategy is in place and reviewed regularly to meet operational requirements ² | Achieved | n/a | Achieved | <input checked="" type="checkbox"/> |
| 4.1.3 | Workforce is engaged and actively participates with attendance rates consistent with like APS agencies ² | Achieved ³ | n/a | Partially achieved | <input type="checkbox"/> |
| 4.1.4 | Workforce actively participates in Performance Agreements under the Performance Feedback Scheme ² | >90% | n/a | 94% | <input checked="" type="checkbox"/> |

¹ Source: DVA Corporate Plan 2016-2020, page 28.

² New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

³ The DVA Corporate Plan 2016-2020 showed a target of >95% for this measure. DVA's assessment has shown that this target is not an optimal measure of success. The target has been changed to 'Achieved'.

Enabling 4.2: Deliver sound financial management

Sound financial management, governance and control practices will enable DVA to achieve financial sustainability and assist in meeting service delivery requirements and the Government's commitment.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|----------|
| 4.2.1 | The Strategic Financial Plan is in place, and it is reviewed and updated regularly ² | Achieved | n/a | Achieved | ✓ |
| 4.2.2 | Unqualified financial statements ² | Achieved | n/a | Achieved | ✓ |
| 4.2.3 | Continue to monitor the financial performance of the Department to ensure sustainability ² | Achieved | n/a | Achieved | ✓ |

1 Source: DVA Corporate Plan 2016–2020, page 28.

2 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Enabling 4.3: Provide reliable, responsive, accessible and cost-effective digital services

Digital services are a key enabler for DVA business, both for client access and the provision of service. DVA is working to transform our legacy systems to improve clients' interactive experience and the timeliness of claims processing and delivery of services to clients.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|----------|
| 4.3.1 | ICT platform availability ² | | | | |
| | - Application | >98% | n/a | 99.6% | ✓ |
| | - Network | >98% | n/a | 99.2% | ✓ |
| | - Telephone | >98% | n/a | 98.0% | ✓ |

1 Source: DVA Corporate Plan 2016–2020, page 29.

2 New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Enabling 4.4: Partner with other Commonwealth agencies including Defence, Health and Human Services

DVA's partnerships with other Commonwealth agencies are essential to provide the best possible services to clients. DVA is working with Defence to improve whole-of-life client activities and the Department of Human Services (DHS) to leverage whole-of-government ICT capabilities.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 4.4.1 | Governance arrangements are established and reviewed in accordance with respective agency agreements ² | Achieved | n/a | Achieved | <input checked="" type="checkbox"/> |

1 Source: DVA Corporate Plan 2016-2020, page 29.

2 New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

Enabling 4.5: Engage with stakeholders including ex-service organisations and Defence

DVA consults with the ex-service and defence communities on a range of matters such as policy and program development, community activities and emerging issues. This also includes informing and educating clients, providers, ESOs and other stakeholders as well as seeking and acting on their feedback.

Consultation with the ex-service community is primarily achieved through the National Consultation Framework—a group of forums that bring together key stakeholders, including ex-service organisations and other government agencies.

| No. | Performance criteria ¹ | Target ¹ | 2015-16 Actual result | 2016-17 Actual result | Achieved |
|-------|--|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 4.5.1 | Consultative fora are established with ESOs and Defence communities and reviewed in accordance with the NCF Framework ² | Achieved | n/a | Achieved | <input checked="" type="checkbox"/> |

ESO = ex-service organisation, NCF = National Consultation Framework

1 Source: DVA Corporate Plan 2016-2020, page 29.

2 New measure for 2016-17. The new measures have been established to be more representative of the activity undertaken.

Enabling 4.6: Manage a program of strategic research

DVA coordinates and manages the development of research through the Applied Research Program (ARP). The ARP provides best practice research about the health and wellbeing needs of Australia's veteran community and ways to improve DVA's services and care. DVA continually monitors and assesses the approach to research to improve the availability and quality of evidence.

| No. | Performance criteria ¹ | Target ¹ | 2015–16 Actual result | 2016–17 Actual result | Achieved |
|-------|---|---------------------|-----------------------------|-----------------------------|-------------------------------------|
| 4.6.1 | Research has been undertaken in accordance with the Applied Research Program (ARP) ² | Achieved | n/a | Achieved | <input checked="" type="checkbox"/> |

¹ Source: DVA Corporate Plan 2016–2020, page 29.

² New measure for 2016–17. The new measures have been established to be more representative of the activity undertaken.

Performance overview for Enabling Services

Workforce management

DVA partially achieved performance criteria 4.1.1. While DVA exceeded its budgeted average staffing level (ASL) by 2.8 per cent, the Department achieved an overall operating surplus in the financial year ended 30 June 2017.

DVA's ASL was 1,889 in 2016–17, compared to the budget of 1,837. This was due to improvement strategies associated with the Veteran Centric Reform program and claims processing. The ASL on page 18 of the 2016–17 Portfolio Budget Statements is 1,765. This figure excludes an additional 72 ASL factored into the DVA budget through administered funding.

DVA has achieved an overall operating surplus in 2016–17. The Department has managed its finances in such a way as to prioritise the cost of staffing required to support the Veteran Centric Reform program and claims processing over other items of expenditure while continuing to deliver its services and meet its purpose.

The workforce plan is on track and to be completed by December 2017.

The unscheduled absence rate for DVA for 2016–17 was 14.6 days, compared with 14.8 days in the previous year. The average rate for large operational agencies reported in the Australian Public Service (APS) State of the Service report for 2015–16 was 13.4 days. APS State of the Service data for unscheduled absence for 2016–17 will not be available until November 2017, so DVA actual performance for 2016–17 is compared to the average performance of similar agencies for the previous year, 2015–16.

As at 30 June 2017, 94 per cent of staff have a performance agreement in place.

Financial management

The Strategic Financial Plan is in place and was updated this financial year in parallel with the creation of the Financial Strategy. The Financial Strategy outlines strategies to assist the Department in meeting the objectives identified in the Corporate Plan and is supported by the Financial Plan that guides the implementation of the financial strategies.

The audit of DVA's 2016–17 financial statements by the Australian National Audit Office has resulted in an unqualified audit report.

A financial summary (snapshot) is prepared and reviewed on regular basis. This helps the executive to monitor the financial performance of the Department. In addition to the regular reporting, a biannual review of DVA's five-year model is conducted to analyse whether the Department remains sustainable.

Digital services

All three key ICT platform availability targets were met for the reporting period. Telephone platform availability was impacted when new services were introduced in June 2016. This platform has shown much better availability over the last six months as the service has stabilised.

Partnering with other agencies

DVA has a strong partnership with Defence, governed under the Defence Links Steering Committee and the Defence DVA Executive Committee. Productive engagement through these committees has improved data exchange between the departments, which has contributed to delivering better outcomes for veterans.

DVA engages and communicates with the Department of Health on a daily/weekly basis at a program level (e.g. hearing, aged care and community services, and pharmaceuticals). This engagement includes reviews of memorandums of understanding (e.g. on hearing services and aged care), consultation on matters of mutual interest, attendance at interdepartmental committees and external reference committees, joint meetings with stakeholders, and activities covering administrative arrangements and payment and data-sharing processes. The arrangements assist DVA and Health to jointly ensure provision of quality services, as well as meet their program, funding and regulatory responsibilities.

DVA has a strong partnership with the Department of Human Services including delivery of Veteran Centric Reform and ongoing shared service arrangements, governed through the Business Transformation Governance Committee and the Transformation Program Board. The Secretaries of the two departments meet regularly to discuss how implementation of reforms can best meet the needs of the veteran community.

Stakeholder engagement

The three-yearly review of the National Consultation Framework (NCF) was successfully carried out. The NCF review examined the effectiveness and relevance of the NCF within the contemporary ex-service community landscape. The review recommended the reinstatement of the Operational Working Party and the inclusion of the Female Veterans Policy Forum.

Research

All research proposals approved by the Research Board were funded in accordance with the ARP requirements and governance. Under DVA's Strategic Research Model, DVA business areas commission research projects that contribute to departmental outcomes.

Summary

DVA's programs are delivered with the support of its workforce, financial management function, ICT services, partnerships with key Commonwealth and stakeholder organisations, and research that enables the evolution of better client support and service.

DVA has achieved or partially achieved all of its enabling services targets in 2016–17. The Department has provided client services through a professional and engaged workforce, achieved an operational surplus and delivered ICT platform availability with minimal interruptions.

Partnerships with key Commonwealth agencies have been productive and beneficial. Stakeholder engagement was reassessed this financial year through a review of the NCF. The NCF has been strengthened with the inclusion of the Female Veterans Policy Forum and the reinstatement of the Operational Working Party, enabling DVA to reach more members of the ex-service community.

Research is a continuing focus for DVA. The ARP funds evidence-based research in four domains: longitudinal studies, data analysis and modelling, family studies and interventions. DVA continually monitors and assesses its approach to research to improve the availability and quality of evidence.

Report on financial performance

The Department reported a consolidated operating surplus (excluding depreciation) of \$1.71 million in 2016–17. This is against the estimated actual of \$1.29 million reported in the 2016–17 Portfolio Budget Statements. The Defence Service Homes Insurance Scheme (DSHIS) reported an operating loss of \$0.71 million (excluding depreciation).

DSHIS operates as a separate entity but, under the Commonwealth financial framework, is reported as part of DVA. For more details on DSHIS, see Program 1.4 and DSHIS's separate financial statements.

DVA's cash position decreased by \$1.30 million in 2016–17.

DVA's net assets increased by \$10.49 million in 2016–17 (from \$66.80 million in 2015–16 to \$77.28 million in 2016–17), mainly due to the increase in appropriations receivable.

Table 33 highlights the financial relationship between DVA and DSHIS. The table shows the entities separately then amalgamates their finances to give the total which is used for reporting in the financial statements.

Table 33 Financial performance and financial position for DVA and DSHIS 2014–15 to 2016–17

| | 2014–15 | | | 2015–16 | | | 2016–17 | | |
|------------------------------------|--------------|----------------|-----------------------|--------------|----------------|-----------------------|--------------|----------------|-----------------------|
| | DVA (\$m) | DSHIS (\$m) | DVA total (\$m) | DVA (\$m) | DSHIS (\$m) | DVA total (\$m) | DVA (\$m) | DSHIS (\$m) | DVA total (\$m) |
| Surplus/deficit after income tax | -45.87 | -1.13 | -47.00 | -13.47 | 7.03 | -6.44 | -23.32 | -0.78 | -24.10 |
| Non-appropriated expenses | 28.76 | 0.00 | 28.76 | 25.37 | 0.07 | 25.44 | 29.10 | 0.13 | 29.23 |
| Deficit attributable to the entity | -17.11 | -1.13 | -18.24 | 11.90 | 7.10 | 19.00 | 2.42 | -0.71 | 1.71 |
| Cash balance | 2.71 | 2.41 | 5.12 | 5.54 | 2.17 | 7.71 | 3.77 | 2.64 | 6.41 |
| Net assets | 28.42 | 28.00 | 56.42 | 31.78 | 35.02 | 66.80 | 43.04 | 34.24 | 77.28 |

DSHIS = Defence Service Homes Insurance Scheme, DVA = Department of Veterans' Affairs

CIVIL REHABILITATION CENTRE

ADVICE REGARDING _____

1 EMPLOYMENT SERVICE

- (A) *REINSTATEMENT*
- (B) *REVIVAL OF APPRENTICESHIP*
- (C) *ASSISTANCE in FINDING EMPLOYMENT*
- (D) *EMPLOYMENT OF YOUR OWN CHOICE*

2 WAR SERVICE HOMES

3 HOUSING

4 FULL TIME TRAINING

5 PART TIME TRAINING

6 RURAL TRAINING

7 LAND SETTLEMENT

8 LOANS

- (A) *BUSINESS*
- (B) *TOOLS OF TRADE*
- (C) *HOUSING & LAND*

9 LEGAL AID

*AFTER DISCHARGE, SHOULD YOU REQUIRE ADVICE
OR ASSISTANCE, CALL AT YOUR LOCAL
COMMONWEALTH EMPLOYMENT OFFICE.*



A veteran considers his options at the Civil Rehabilitation Centre in Melbourne, in 1946. (AWM 126088)

Part 2

Management and accountability

PRIME MINISTER'S **VETERANS'** EMPLOYMENT PROGRAM



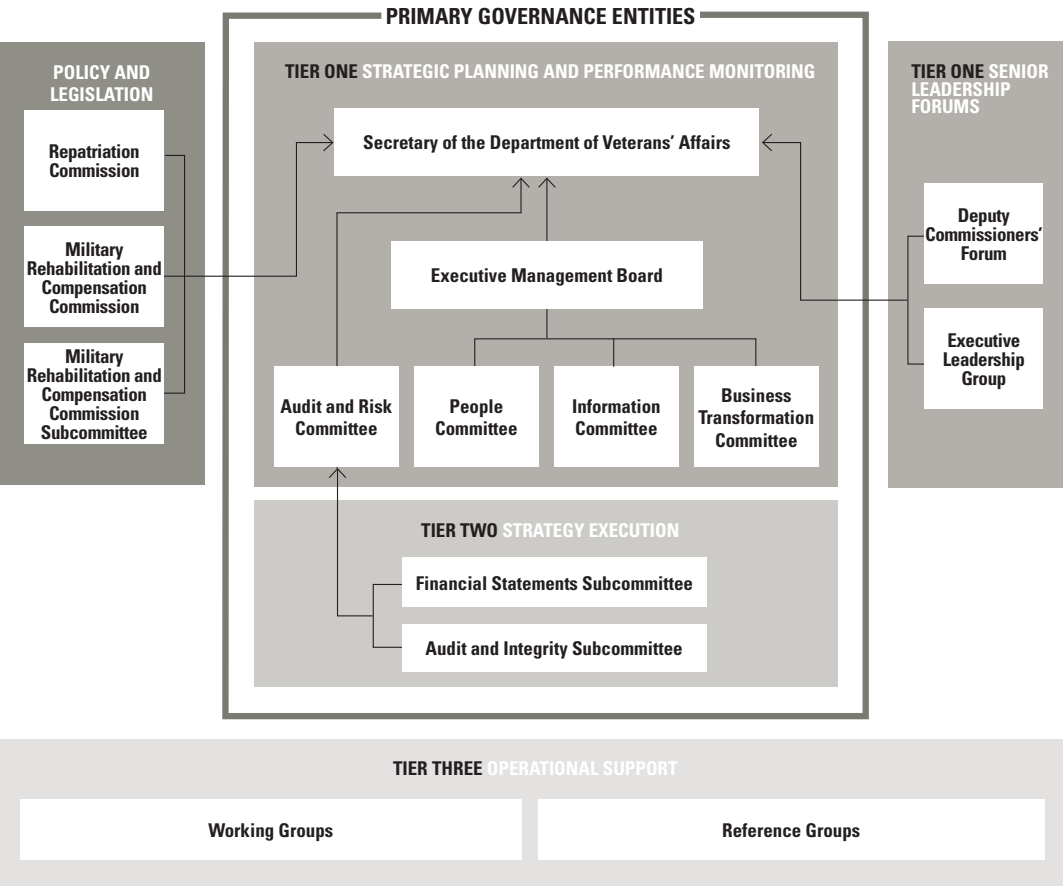
Australian Army veteran Ben Roberts-Smith VC MG speaks at the launch of the Prime Minister's Veterans' Employment Program, in 2016. (DVA 20170331_DVA_IAC)

Corporate governance

DVA's governance and management framework is based on the principles of performance assurance and accountability within a risk management framework.

DVA's governance framework is outlined in figure 11 and supports the Secretary in implementing government and departmental priorities as well as ensuring appropriate decisions consistent with *Public Governance, Performance and Accountability Act 2013* (PGPA Act) obligations. The framework reflects the importance of collaborative partnerships in shaping the Department's overall performance results. This results in a tailored governance framework that is fit for purpose and able to be adjusted to meet DVA's changing needs. For example, an information technology representative from the Department of Human Services (DHS) sits on the Information Committee.

Figure 11 Governance framework at 30 June 2017



Legislation

The primary legislation administered by the Minister for Veterans' Affairs during 2016-17 was:

- *Anzac Day Act 1995*
- *Australian War Memorial Act 1980*
- *Defence Service Homes Act 1918*
- *Military Memorials of National Significance Act 2008*
- *Military Rehabilitation and Compensation Act 2004*, except to the extent administered by the Minister for Defence
- *Safety, Rehabilitation and Compensation Act 1988*, Part XI except for sections 143(2) and (3), 144(4), 149, 150, 153(2), 156, 158 and 159
- *Veterans' Entitlements Act 1986*.

A full list of the legislation administered by the Minister for Veterans' Affairs, as detailed in the Administrative Arrangements Order, is available from the Department of the Prime Minister and Cabinet website at www.dpmc.gov.au/resource-centre.

Risk management

Risk assessment and management are critical to DVA being able to achieve its objectives efficiently and effectively.

DVA's risk management framework complies with the PGPA Act and aligns with the Commonwealth Risk Management Policy and the international standard AS/NZS ISO 3100:2009 Risk Management—Principles and Guidelines.

During 2016-17, work was undertaken to review and update DVA's risk management framework, define risk appetite statements, develop a risk management learning and development plan and formalise the Chief Risk Officer role at the Senior Executive level. As a result, DVA's Chief Operating Officer has taken on the added responsibility of Chief Risk Officer and is responsible for embedding a strong risk culture and behaviours across all levels of the organisation.

DVA's Enterprise Risk Management Framework 2016-2020 provides the necessary foundations and organisational arrangements for managing risk across DVA. Through the framework and its supporting processes, DVA communicates its risk appetite, guiding staff in their actions and ability to accept and manage risks.

For 2017-18, DVA's Risk Management Learning and Development Plan will play an important role in meeting DVA's ambition to foster a positive risk culture through a standardised understanding of risk management.

Benchmarking

The annual Comcover Risk Management Benchmarking Survey provides DVA with an opportunity to benchmark its risk management maturity and review and measure the extent to which risk management has been integrated into business operations. The survey also assists DVA in identifying areas for improvement and prioritising its risk management activities.

In the 2017 survey, DVA saw an improvement, achieving a maturity level of 'Advanced'. DVA's results fall within the 35 per cent of entities that achieved 'Advanced' or 'Optimal' maturity. The majority of entities (62 per cent) achieved a maturity level of 'Systematic' or 'Integrated'.

Business continuity

DVA's business continuity plan provides assurance that essential services will continue to be provided in the event of a major disaster or significant interruption to services. The business continuity plan is an integral part of the DVA's risk management framework. While local emergency plans were invoked for severe weather events in Adelaide and Far North Queensland, there was no requirement to invoke the plan at a departmental level for 2016–17. DVA tested the business continuity plan in June 2017 through a desktop exercise with its Senior Executive.

Internal audit

In 2016–17, DVA's internal audit services were provided by KPMG contractors based in Canberra. KPMG carried out independent and objective assurance activities in accordance with DVA's internal audit and assurance strategy and the Institute of Internal Auditors standards. Activities included performance, financial and program reviews; ICT audits; and assistance and advice relating to fraud control, risk management and corporate governance.

Fraud and non-compliance

DVA has an obligation under the Commonwealth Fraud Control Framework to prevent, detect, investigate and report fraud-related activities and outcomes. DVA ensures compliance through the community compliance model. This model allows those who want to comply to easily do so, while those who choose not to comply will have action taken against them, including prosecution where necessary.

During 2016–17, DVA undertook a number of activities in relation to fraud control, including undertaking a fraud risk assessment linked to the business planning process; continuing education for staff to inform them of their obligations in relation to fraud control through two mandatory e-learning courses; and a fraud awareness campaign conducted during International Fraud Awareness Week in November 2016.

An internal audit of fraud management resulted in structural changes in the management of fraud policy. These changes and initiatives will allow DVA to strengthen its fraud control environment during the 2017–18 period and beyond.

In 2016–17, DVA undertook fraud investigations and where appropriate referred matters to the Commonwealth Director of Public Prosecutions. The Department receives allegations through activities such as post-payment monitoring, data matching, internal audits and public tip-offs.

DVA received 299 allegations of fraud in 2016–17, a decrease compared to 338 allegations in 2015–16. The allegations referred mostly to client and service provider matters.

As a result of the fraud investigations undertaken in 2016–17, \$5.58 million was identified as possible fraudulent activity or administrative overpayments to clients and service providers. This figure is higher than in 2015–16. The 2015–16 figures only reported on debt recovery that directly arose from cases investigated where there was a finding of fraud. Of the 2016–17 figure of \$5.58 million, approximately \$200,000 relates to cases referred to the CDPP for consideration for prosecution. The figure of \$5.58 million also includes identified administrative overpayments of \$446,844. These have been referred to relevant business areas to undertake appropriate administrative action. The balance of the \$5.58 million is subject to ongoing investigation and involves a small number of significant cases

Privacy

Business areas are obliged to notify the Legal Services and Assurance Branch of any potential privacy breaches.

In 2016-17, the branch received 43 notifications of potential breaches, 29 of which related to mail or email. Investigations concluded that breaches occurred in 34 cases. The remaining cases were resolved in another way or were still under investigation at the end of 2016-17.

In cases where a privacy breach occurs, privacy refresher training is offered to staff and changes are made to relevant procedures to minimise the risk of future breaches.

DVA is required to report significant privacy breaches to the Office of the Australian Information Commissioner. DVA notified the Australian Information Commissioner that there were no significant breaches in 2016-17.

In 2016-17, no reports were served under section 30 of the *Privacy Act 1988* and no determinations were made under section 52 or section 72 of the *Privacy Act 1988*.

Freedom of information

Agencies subject to the *Freedom of Information Act 1982* are required to publish information to the public as part of the Information Publication Scheme. The scheme specifies categories of information that agencies must publish online and encourages agencies to proactively release information in a consistent way. Each agency must publish on its website a plan describing the information it publishes in accordance with the scheme's requirements. DVA's plan is available at www.dva.gov.au/about-dva/freedom-information/information-publication-scheme.

External scrutiny

External scrutiny provides independent assurance that DVA's systems, processes and controls are effective.

The annual report must provide information on the most significant developments in external scrutiny of the Department and the Department's response, including particulars of:

- judicial decisions and decisions of administrative tribunals that have had, or may have, a significant impact on the operations of the department; and
- reports on the operations of the department by the Auditor-General (other than the report on financial statements), a parliamentary committee or the Commonwealth Ombudsman.

External decisions and reports related to the operations of DVA in 2016-17 are described in this section. In 2016-17, DVA was the subject of one cross-entity audit from the Australian National Audit Office: Managing underperformance in the Australian Public Service.

Decisions by courts and the tribunals

Where a claimant disagrees with a decision of the Repatriation Commission or the Military Rehabilitation and Compensation Commission (MRCC), it is open to them to appeal the decision under the *Veterans' Entitlements Act 1986* (VEA), *Safety, Rehabilitation and Compensation Act 1988* (SRCA) or *Military Rehabilitation and Compensation Act 2004* (MRCA) as set out below.

Appeals relating to compensation matters under the VEA are lodged first with the Veterans' Review Board (VRB). If the appellant is dissatisfied with the VRB decision, they can lodge an appeal with the Administrative Appeals Tribunal (AAT).

If a person is dissatisfied with an income support decision under the VEA, it is first subject to an internal review by a different decision-maker and then subject to review by the AAT.

An appeal under the SRCA is first subject to internal review by a reconsideration delegate and then subject to review by the AAT.

An appeal of a decision under the MRCA made prior to 1 January 2017 may proceed down one of two pathways: appeal to the VRB, then to the AAT; or appeal for internal review by a reconsideration delegate, then to the AAT. The appellant must nominate one pathway to the exclusion of the other. An appeal of a decision under the MRCA made on or after 1 January 2017 is subject to review by the VRB only and then subject to review by the AAT.

AAT applications and outcomes are set out in Table 34. These figures include cases that were remitted by the Federal Court to be considered again by the AAT.

While the number of AAT decisions affirmed at hearing may seem low compared to the number decided, this is because not all were decided following AAT hearing. For example, some were withdrawn and others were resolved without the need for a hearing.

Table 34 VEA, SRCA and MRCA matters considered by the Administrative Appeals Tribunal in 2016–17

| Category | Applications decided by AAT | Decisions affirmed, withdrawn, or dismissed by the AAT | Decisions settled by consent of the AAT | Decisions set aside at hearing |
|----------|-----------------------------|--|---|--------------------------------|
| VEA | 191 | 141 | Not available ¹ | Not available |
| SRCA | 84 | 61 | 20 | 3 |
| MRCA | 44 | 27 | 16 | 1 |

AAT = Administrative Appeals Tribunal, MRCA = *Military Rehabilitation and Compensation Act 2004*, SRCA = *Safety, Rehabilitation and Compensation Act 1988*, VEA = *Veterans' Entitlements Act 1986*

¹ These figures are currently not captured.

Under the Legal Services Directions 2017, the Repatriation Commission or the MRCC may lodge an appeal to the AAT or the Federal Court in order to clarify a legal issue or protect the integrity of legislation.

In 2016–17, 10 applications were lodged with the Federal Court, of which eight were lodged by the veteran or widow. In the same period, the Federal Court made seven decisions, four of which were favourable to the veteran or widow. These numbers include cases considered by the Federal Circuit Court. One appeal was lodged in the Full Federal Court, by the Repatriation Commission. The Full Federal Court made one decision during the period, the matter of *Repatriation Commission v McDermid* [2016] FCAFC 179. The decision was favourable to the Repatriation Commission.

On 14 December 2016, the Full Federal Court upheld the Repatriation Commission appeal in the matter of *Repatriation Commission v McDermid* [2016] FCAFC 179. The Federal Court at first instance had made a decision which had the potential to impact the way offsetting was administered under the VEA. The Full Court's decision restored certainty in this area.

The High Court did not deliver any decisions, but did refuse an application for special leave to appeal from the Full Court decision of *Repatriation Commission v McDermid* [2016] FCAFC 179.

Decisions by the Australian Information Commissioner

The Australian Information Commissioner handed down five decisions in relation to the Department in 2016-17 under the *Freedom of Information Act 1982* (FOI Act). There were no determinations made under the *Privacy Act 1988*.

On 31 January 2017, in *Julie Anderson and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 10, the Australian Information Commissioner affirmed a decision by the Department under the FOI Act not to release the peer review of the Australian Gulf War Veterans' Follow Up Health Study. The Commissioner's decision considered the application of the exemption contained in section 47G of the FOI Act. The provision allows an agency to refuse access to documents where the disclosure would unreasonably affect an organisation's business affairs and where disclosure would be contrary to the public interest. The Commissioner was satisfied that disclosing the peer review document could reasonably be expected to unreasonably affect Monash University in respect of its lawful business affairs and that giving the applicant access to the peer review document at this time would, on balance, be contrary to the public interest.

On 6 February 2017, in *'KR' and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 13, the Australian Information Commissioner set aside a decision by the Department under the FOI Act relating to access to the schedule to the Veterans' Indemnity and Training Association professional indemnity insurance policy.

The Commissioner's decision considered whether the schedule was exempt under section 45 (material obtained in confidence exemption) or subsection 47(1) (commercial valuable information exemption) or conditionally exempt under section 47G (business affairs). The Commissioner decided that these exemptions did not apply to the policy schedule and substituted the decision that the document is not exempt.

This decision of the Australian Information Commissioner has been appealed to the Administrative Appeals Tribunal.

Three of the decisions of the Australian Information Commissioner considered whether DVA had taken all reasonable steps to find documents within the scope of the applicants' requests under section 24A of the FOI Act. In all three decisions, the Commissioner affirmed the decisions of the Department under the FOI Act (see *'KK' and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 3 (17 January 2017); *'KM' and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 5 (19 January 2017); and *'KX' and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 23 (17 March 2017)).

Copies of the decisions are available at www.oaic.gov.au.

Reports by the Auditor-General

Reports tabled in Parliament by the Auditor-General were reviewed by senior management and relevant DVA business areas.

In 2016–17, the Auditor-General published the following cross-entity report involving DVA: *Managing underperformance in the Australian Public Service*.

This report is available at www.anao.gov.au.

Reports by the Joint Committee of Public Accounts and Audit

The Joint Committee of Public Accounts and Audit examines reports of the Auditor-General that are tabled in Parliament. DVA's Audit and Risk Committee monitors all reports of the committee.

DVA did not make any submissions to the committee during 2016–17.

Implementation of the Government's regulatory reform agenda

DVA continues to contribute red tape savings towards the Australian Government's program of reducing the regulatory burden of red and green tape for individuals, business and community organisations. This is achieved by reviewing the regulatory requirements established in DVA legislation, identifying policy options which allow for regulatory requirements to be minimised wherever possible, and investigating opportunities to make interaction easier for our veterans, service providers and the ex-service community. This activity occurs in the context of ensuring that important consumer and other safeguards are maintained.

DVA reports its key red tape savings to the Department of the Prime Minister and Cabinet. Information on the Government's regulatory reform agenda is available on the Cutting Red Tape website at www.cuttingredtape.gov.au.

Legal services

DVA provides a range of legal and assurance services to the Minister, the Repatriation Commission, the MRCC and other areas of the Veterans' Affairs portfolio.

Legislation program

During 2016–17, several portfolio-related Bills were enacted, most notably two Budget-related Bills and legislation that will make DVA digitally ready to support its business transformation program. Two portfolio Bills were introduced but have not yet passed the Parliament, and several Bills from other portfolios with consequential amendments for veterans' affairs legislation were introduced and/or passed. Details are provided in Table 35.

Table 35 Legislation program 2016-17

| Title | Description |
|---|--|
| Enacted legislation | |
| <i>Veterans' Affairs Legislation Amendment (Budget Measures) Act 2017</i> | This Act provided medical treatment for all conditions to Australian participants in the British nuclear tests, civilians present at a nuclear test site in the relevant period and Australian veterans of the British Commonwealth Occupation Force; amended the 10-year work restrictions for the Special and Intermediate rates of disability pension; and enabled a pilot program of accelerated access to rehabilitation. |
| <i>Veterans' Affairs Legislation Amendment (Budget and Other Measures) Act 2016</i> | The Act amended the <i>Military Rehabilitation and Compensation Act 2004</i> to pay interim incapacity payments at 100 per cent of normal earnings and to align the cut-off age for incapacity payments to the increased 'pension age' as defined in the <i>Social Security Act 1991</i> . It also extended eligibility under the <i>Veterans' Entitlements Act 1986</i> for non-liability healthcare treatment for certain mental health conditions to cover all current, former and future permanent Australian Defence Force members. |
| <i>Veterans' Affairs Legislation Amendment (Digital Readiness and Other Measures) Act 2017</i> | This Act made DVA digitally ready in a legal sense, in line with the Government's digital transformation agenda; made provision for contingent amendments to the information-sharing provisions in a proposed new Act to be called the <i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i> ; and made some minor and technical amendments to the <i>Veterans' Entitlements Act 1986</i> concerning criminal penalties. |
| <i>Budget Savings (Omnibus) Act 2016</i> | This Act included amendments to create a single appeal path for reviewing original determinations made under the <i>Military Rehabilitation and Compensation Act 2004</i> ; made consequential amendments to the <i>Veterans' Entitlements Act 1986</i> to ensure that Commonwealth parental leave payments under the <i>Paid Parental Leave Act 2010</i> are included in the income test for income support payments; and made amendments to the <i>Veterans' Entitlements Act 1986</i> to ensure the continuation of the current penalty interest rate that applies to debts under that Act. |
| <i>Comcare and Seacare Legislation Amendment (Pension Age and Catastrophic Injury) Act 2017</i> | The Act amended the <i>Safety, Rehabilitation and Compensation Act 1988</i> so that workers compensation arrangements for the Comcare scheme are aligned with minimum benchmarks to be set by the proposed National Injury Insurance Scheme, and to ensure that persons in receipt of incapacity payments can continue to receive those payments until they reach pension age. |
| <i>Social Services Legislation Amendment (Energy Assistance Payment and Pensioner Concession Card) Act 2017</i> | This Act amended the <i>Veterans' Entitlements Act 1986</i> to provide service pension, income support supplement and compensation recipients with a one-off energy assistance payment, and reinstated the Pensioner Concession Card from 9 October 2017 to those former pensioners who lost their Pensioner Concession Card on 1 January 2017 due to the assets test rebalance. |
| <i>Higher Education Support Legislation Amendment (2016 Measures No 1) Act 2016</i> | This Act consolidated three existing forms of assistance for Indigenous university students under a single Indigenous-specific division of the <i>Higher Education Support Act 2003</i> and included consequential amendments to the <i>Veterans' Entitlements Act 1986</i> to provide that such assistance is exempt for the purposes of the income test. |

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Table 35 Legislation program 2016–17 (cont.)

| Title | Description |
|--|---|
| Bills introduced but not yet passed | |
| Safety, Rehabilitation and Compensation Legislation Amendment (Defence Force) Bill 2016 ¹ | This Bill would create the <i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i> (DRCA). The DRCA would duplicate the <i>Safety, Rehabilitation and Compensation Act 1988</i> , with modifications to limit coverage under the Act to Australian Defence Force members and their dependants. |
| Veterans' Affairs Legislation Amendment (Omnibus) Bill 2017 | This Bill was introduced into the House of Representatives by the Minister for Veterans' Affairs on 30 March 2017. It would implement several small but necessary amendments to veterans' affairs legislation to clarify, improve or streamline the operation of the law. |
| Other Acts and Bills with consequential amendments for veterans' affairs legislation | |
| <i>Social Security Legislation Amendment (Youth Jobs Path: Prepare, Trial, Hire) Act 2017</i> | This Act made a consequential amendment to the <i>Veterans' Entitlements Act 1986</i> to exempt a fortnightly incentive payment (\$200) received by a participant when undertaking an internship as part of the Youth Jobs PaTH from being included as part of the person's income. |
| <i>Social Services Legislation Amendment (Seasonal Worker Incentives for Jobseekers) Act 2017</i> | The Act amended the <i>Veterans' Entitlements Act 1986</i> to trial a social security income test incentive aimed at increasing the number of job seekers who undertake specified seasonal horticultural work, such as fruit picking. |
| <i>Statute Update Act 2016</i> | This Act included consequential amendments to the <i>Defence Service Homes Act 1918</i> and the <i>Veterans' Entitlements Act 1986</i> to replace references to penalties expressed as a number of dollars with penalties expressed as a number of penalty units. |
| Social Services Legislation Amendment (Ending Carbon Tax Compensation) Bill 2017 | This Bill would amend the <i>Veterans' Entitlements Act 1986</i> and the <i>Military Rehabilitation and Compensation Act 2004</i> to prevent new recipients of welfare payments or concession cards from being paid the energy supplement from 20 September 2017. |
| Social Security Legislation Amendment (Welfare Reform) Bill 2017 | Amongst other things, this Bill proposes to consolidate seven working age payments and allowances into the new job seeker payment, thereby simplifying the system for people receiving working age payments. |
| Social Security Legislation Amendment (Better Targeting Student Payments) Bill 2017 | This Bill would change the rates of the pensioner education supplement and the education entry payment to better align those payments with study loads undertaken by eligible students, with four payment tiers proposed. |
| Social Services Legislation Amendment (Payment Integrity) Bill 2017 | This Bill proposes four measures designed to improve the integrity and sustainability of the welfare payments system. Of relevance to the Veterans' Affairs portfolio, the Bill would stop the payment of pension supplement after six weeks temporary absence overseas and immediately for permanent departures. |
| Statute Update (Winter 2017) Bill 2017 | This Bill would amend the <i>Compensation (Japanese Internment) Act 2001</i> to remove a redundant reference to the Administrative Review Tribunal. |

¹ The Safety, Rehabilitation and Compensation Legislation Amendment (Defence Force) Bill 2016 was passed by the Parliament on 7 September 2017 and received Royal Assent on 14 September 2017. The *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* commenced on 12 October 2017.

Legal services expenditure

The following information about legal services expenditure is required to be published under paragraph 11.1(ba) of the Legal Services Directions 2017 issued by the Attorney-General under section 55ZF of the *Judiciary Act 1903*.

In 2016-17, DVA spent a total of \$10.27 million on legal services, compared to \$10.62 million in 2015-16. Expenditure included external and internal legal services.

External legal services

In 2016-17, DVA spent \$7.24 million on external legal services, compared to \$8.16 million in 2015-16. Included were disbursements and the engagement of counsel who advised on litigation, procurement, contracting and management issues.

In accordance with Guidance note 8 to the Legal Services Directions, Table 36 shows expenditure on total external legal services and details the number of male and female counsel briefed and the value of this work in 2016-17.

Table 36 External legal services expenditure (GST exclusive) and number of male and female counsel briefed 2016-17

| Type | Value (\$m) |
|----------------------------------|--------------|
| Solicitors | 6.101 |
| Counsel | |
| Female (42) | 0.113 |
| Male (57) | 0.219 |
| Total (99) | 0.332 |
| Other disbursements ¹ | 0.806 |
| Total | 7.239 |

¹ Costs incurred for goods and services that are not counsel or professional fees (e.g. filing fees, costs for expert witnesses and costs of administrative tasks such as photocopying).

Internal legal services

DVA provides internal legal services in areas such as:

- legislation administered by the Minister for Veterans' Affairs
- management of the Minister's legislation program
- drafting of legislative instruments and related documentation
- legal advice on DVA's portfolio legislation
- conduct of all non-military compensation litigation at superior courts for matters involving claims under the VEA.

The VRB also has internal staff who provide services of a legal nature.

In 2016-17, the total direct salary and overhead cost for DVA legal services was \$3.03 million, compared to \$2.46 million in 2015-16.

People management

DVA supports managers and staff with a full range of people management services to support them in servicing the veteran community.

DVA's workforce capability is critical in ensuring the Department effectively supports veterans and their families.

The management of the Department's human resources is the responsibility of the People Services Branch. The branch supports managers and staff across the Department with the full range of people management services, including employment arrangements, industrial relations, workforce planning, learning and development, entry-level programs and recruitment.

The branch aligns its approach with DVA's three key strategies—client focused, responsive and connected—and prioritises its initiatives through the *Towards 2020 Workforce Strategy*. It assesses its effectiveness using a variety of measures, including the State of the Service employee census.

The Department's effectiveness in managing and developing employees to achieve those objectives is measured in the annual performance statements.

Workforce diversity

The Department is committed to reflecting the diversity of the Australian community in its workforce and building an inclusive culture in which the diversity of employee backgrounds, skills and views enriches our working environment and quality of work.

In 2016–17, the Department revised its Diversity Action Plan 2016–20 and released its Gender Equality Action Plan 2017–19. In June 2017, DVA's gender balance was 62 per cent females and 38 per cent males.

The Department also released its first Reconciliation Action Plan, *Galumbany*, for 2017–18. The name of the plan is a Ngunnawal word that encompasses the concept of reconciliation, translating as 'me, you, we, together'.

DVA's Indigenous employment staffing level in 2016–17 was disclosed as 29 ongoing staff members and two non-ongoing staff members in a total of 1,938 staff, similar to the 2015–16 level of 32 ongoing staff members in a total of 1,986 staff.

DVA participates in the whole-of-government Indigenous Apprenticeship Program and Indigenous Cadetship Program. In 2016–17, one Indigenous apprentice commenced employment and one cadet successfully completed the Indigenous Cadetship Program.

The Department also participated in a range of events—including Harmony Day, Reconciliation Week, NAIDOC Week and International Day of People with Disability—to promote awareness and understanding of the importance of diversity within the workplace.

Graduate Program

The Department's Graduate Program is a structured 11-month development program designed to give graduates exposure to the broad range of important work that DVA undertakes, while propelling them into successful careers within the Australian Public Service.

The program is based in Canberra and provides networking opportunities to encourage collaboration and excellence within DVA and across government. These activities are complemented by training and on-the-job development which ensure that graduates acquire practical skills in a supportive and challenging environment.

Learning and development

In 2016-17, DVA delivered learning and development initiatives focused on client service; leadership and management; core public administration skills; and technical competence in DVA business.

The national client service workshop, It's Why We're Here, enabled DVA staff to hear first-hand accounts of what contemporary veterans experience in deployment and in dealing with the Department. A number of courses focusing on veterans' mental health were undertaken by staff, through e-learning and face to face.

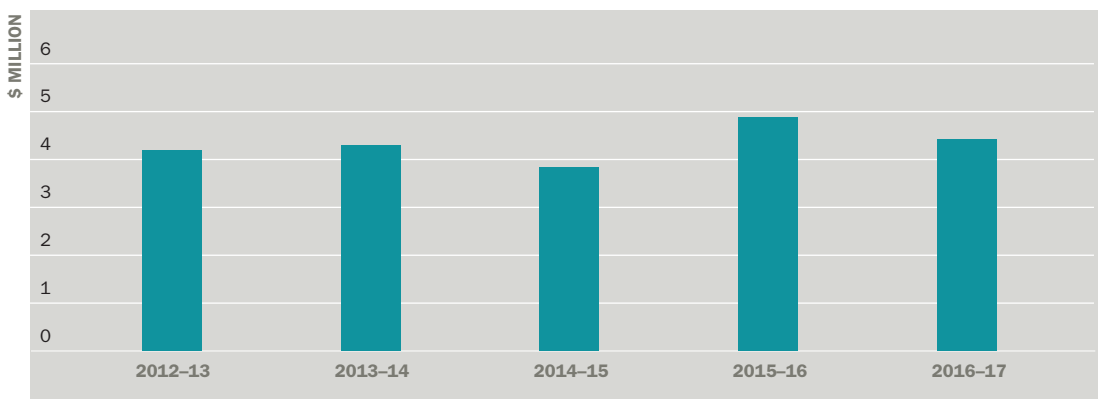
DVA continued to focus on building the leadership and management capability of staff through the Leadership Pathways Program, for Executive Level and Australian Public Service (APS) Level 6 staff, and a new e-learning course, Supervisor Basics, for all staff with people management responsibilities.

Other new courses introduced in 2016-17 include Strategic Innovation and Thinking, Decision-Making, Report Writing, Improving Analytical and Critical Reasoning, and Financial Management.

The Department provided specific client service training, including technical packages aimed at improving the technical and legislative skills and knowledge of staff.

Figure 12 summarises the Department's expenditure on learning and development over the past five years.

Figure 12 Expenditure on learning and development 2012-13 to 2016-17



Workforce

At 30 June 2017, DVA had a total of 1,938 employees, a decrease compared with 1,986 at 30 June 2016. Non-ongoing employees made up 8.3 per cent of DVA's total workforce at 30 June 2017, an increase compared with 7.4 per cent at 30 June 2016. Detailed staffing statistics are in Appendix A.

Recruiting and retaining talented people is critical to the effective management of DVA's workforce. In 2016-17, the turnover rate of ongoing employees was 10.5 per cent, a decrease compared with 11.3 per cent in 2015-16. Table 37 shows the reasons for commencements and cessations among ongoing employees in 2016-17.

Table 37 Number of ongoing and non-ongoing commencements and cessations in 2016-17

| | Employee commencements | | Employee cessations | |
|---------------|-----------------------------------|-----|--|-----|
| Ongoing | Moved within APS: Promoted | 8 | Moved within APS: Promoted/transferred | 37 |
| | Moved within APS: Transferred | 38 | Death | 1 |
| | Ongoing engagement of non-ongoing | 25 | Dismissal / annulment | 2 |
| | Joined APS: Engaged | 54 | Redundancy | 37 |
| | | | Left APS: Resigned or retired | 117 |
| | Total commencements | 125 | Total cessations | 194 |
| Non-ongoing | Total commencements | 139 | Total cessations | 121 |
| All employees | All commencements | 264 | All cessations | 315 |

APS = Australian Public Service

Employment arrangements

All employee remuneration and benefits are provided under the Department's enterprise agreement, individual flexibility agreements, or determinations under section 24(1) of the *Public Service Act 1999*. DVA does not have any Australian workplace agreements in place.

DVA's Enterprise Agreement 2015-2018 came into effect on 13 January 2016. The nominal date of expiry is three years from the commencement date.

The enterprise agreement contains provisions allowing the Secretary and an employee to make an individual flexibility agreement varying the effect of the terms of the enterprise agreement. At 30 June 2017, DVA had in place 21 individual flexibility agreements providing enhanced individual remuneration or benefits.

DVA also had in place 29 determinations under section 24(1) of the Public Service Act delivering remuneration and conditions for Senior Executive Service (SES) staff.

Information on the salaries available to staff is in Appendix A. Performance pay is not available to DVA employees.

Non-salary benefits provided to SES staff and a small number of high-performing employees may include parking facilities at the workplace, airline lounge memberships, or an executive vehicle allowance that may be salary packaged for a novated vehicle lease.

Resource management

DVA's financial accountability responsibilities are set out in the Commonwealth Resource Management Framework, which governs how officials in the Commonwealth public sector use and manage public resources.

Asset management and accommodation

DVA runs an effective asset management program, registering assets on receipt in the financial management system and conducting an annual stocktake. Asset accounting functions and the management of intangible assets are centrally controlled, while day-to-day management of physical assets is decentralised to regional locations.

In 2016-17, DVA continued to review its accommodation requirements across Australia, aiming to minimise the expense and extent of leased accommodation while maintaining quality and service delivery capability. As a part of that process, the Townsville office of the Veterans and Veterans Families Counselling Service was refurbished, and some minor changes were made to optimise the fit-out of the Brisbane and Melbourne State offices.

Compliance report for financial year 2016-17

There are no significant instances of non-compliance.

Purchasing

The Contract Advisory Unit provides services in support of procurement and contracting activities in accordance with the Commonwealth Procurement Framework. The unit provides specialist business advice to the Repatriation Commission, the MRCC and all areas of the Department engaged in procurement. Services include developing contract templates, providing better practice guides on all aspects of the procurement cycle, providing contract management advice, and ensuring compliance with mandatory reporting requirements.

DVA is subject to internal and external (Australian National Audit Office) audits of compliance with the Commonwealth Procurement Framework. The Contract Advisory Unit works with auditors to improve the Department's performance against the core principles of Commonwealth procurement.

Consultants

DVA engages consultants where it lacks specialist expertise or when independent research, review or assessment is required. DVA's selection processes:

- observe government and departmental procurement policies
- are publicly defensible, promoting fair competition and effective service
- are based on predetermined selection criteria
- realise best value for money.

During 2016-17, 54 new consultancy contracts were entered into involving total expenditure of \$11.13 million. In addition, 36 ongoing consultancy contracts were active during 2016-17, involving total expenditure of \$5.03 million.

Table 38 shows the total expenditure on consultancies over the past three years.

Table 38 Total expenditure on consultancies 2014–15 to 2016–17

| | 2014–15 | 2015–16 | 2016–17 |
|-------------------|---------|---------|---------|
| Expenditure (\$m) | 11.03 | 10.01 | 16.16 |

Note: Total comprises expenditure paid in departmental and administered programs during the reporting period, inclusive of applicable GST.

AusTender

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the estimated value of contracts and consultancies is available on the AusTender website, www.tenders.gov.au.

Exempt contracts

DVA did not seek to have any contracts exempted from publication in AusTender under the FOI Act in 2016–17.

ANAO access clauses

All DVA contractual arrangements have in place a facility for the Auditor-General and accountability personnel to access contractual material, including at the contractor's premises.

Procurement initiatives to support small business

DVA supports small business participation in the Commonwealth Government procurement market. Participation statistics for small and medium-sized enterprises are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

DVA recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website, www.treasury.gov.au.

The Indigenous Procurement Policy requires agencies to direct a percentage of business to Indigenous suppliers. The target for DVA in 2016–17 was four contracts, which it exceeded by letting seven contracts in the period.

DVA's procurement practices support small and medium-sized enterprises, consistent with paragraph 5.4 of the Commonwealth Procurement Rules. DVA:

- uses the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000
- strives to communicate in clear, simple language and presents information in an accessible format, in all documents
- uses electronic systems to facilitate on-time payment performance, including the use of payment cards.

Indigenous Veterans' Strategy

DVA provides services and programs under the strategy, to improve its service delivery to the Indigenous veteran community and improve the cultural knowledge of DVA staff.

Through the Indigenous Veterans' Strategy, DVA identifies Indigenous veterans and their dependants to ensure they know of and can access DVA services and benefits. The strategy also raises awareness about their contribution to the nation by commemorating their war service.

DVA developed the strategy with an understanding of the cultural impediments that may prevent Indigenous veterans from accessing their DVA entitlements, and with knowledge of the diversity of Aboriginal and Torres Strait Islander cultures.

In 2016-17, DVA continued to provide services and programs under the strategy, to improve its service delivery to the Indigenous veteran community and improve the cultural knowledge of DVA staff.

Community-related activities during the year included:

- supporting the Indigenous Veterans' Liaison Officer (IVLO) network, which provides appropriate support services to Indigenous veterans
- supporting Indigenous-specific commemorations held around Australia during National Reconciliation Week
- promoting DVA benefits and entitlements throughout Indigenous communities via community organisations such as local Aboriginal and Torres Strait Islander medical services and local elders groups and community-based corporations
- strengthening partnerships with key government stakeholders such as the Australian Defence Force (ADF), Australian War Memorial and Department of the Prime Minister and Cabinet
- developing Indigenous-specific postcards promoting DVA benefits and entitlements for distribution via the IVLO network, broader Indigenous networks and community events
- attending the International Indigenous Health Conference held in Cairns in December 2016 to promote DVA benefits and entitlements throughout the national Indigenous health services community.

Activities within the Department included:

- delivering cultural awareness training for DVA staff nationally
- launching a new DVA Reconciliation Action Plan in Canberra on 25 May 2017 during National Reconciliation Week
- providing continued support for participation in the APS Indigenous Graduate Program
- the Secretary's participation in the APS-Jawun Indigenous Community Secondment Program.

Research project

DVA is a major partner in a jointly funded research project led by Professor Mick Dodson and Professor Ann McGrath at the Australian National University, *Serving Our Country: a history of Aboriginal and Torres Strait Islander people in the defence of Australia*.

The four-year project, launched in March 2014, aims to identify and record the stories of Indigenous veterans. As one of the project partners, DVA is contributing \$400,000 in financial support as well as up to \$100,000 worth of in-kind support.

In 2016–17, the research team continued to conduct a number of state and territory community meetings and yarning circles inviting Indigenous veterans and their families to share and record their stories. The research project will be completed in late 2017 and will report on its outcomes and publications.

Indigenous Veterans Roundtable

On 24 March 2017, DVA held its first Indigenous Veterans Roundtable. Participants included representatives from a variety of Indigenous community groups, including the Aboriginal Advancement League, the Defence Force Welfare Association, the Aboriginal and Torres Strait Islander Veterans and Services Association and the Aboriginal and Torres Strait Islander Dedicated Memorial Committee Queensland. The roundtable, held in Canberra, discussed and identified solutions to the issues and concerns raised by Indigenous communities about the challenges and difficulties many face in engaging with DVA.

Participants shared their personal stories and experiences interacting with DVA, and reflected on the key issues that were important and would make a difference for Indigenous serving and ex-serving ADF members.

Following the Indigenous Veterans Roundtable, DVA continues to engage with Indigenous veterans and their dependants to co-design solutions to service delivery needs and preferences that reflect Indigenous diversity.

Ceremonies

In 2016–17, DVA continued its support for national and international ceremonies to honour the service and sacrifice of all veterans, including the contributions made by Aboriginal and Torres Strait Islander servicemen and servicewomen in wars, conflicts and peacetime operations.

The Department continued to support Indigenous-specific commemorative events during National Reconciliation Week, which included:

- the Western Australian Indigenous Veterans Ceremony in Perth
- the Victorian Aboriginal Remembrance Service in Melbourne at the Shrine of Remembrance
- the NSW Indigenous Veterans Ceremony in Sydney at the ANZAC Memorial in Hyde Park
- the Queensland Indigenous Veterans Ceremony in Brisbane at the Shrine of Remembrance.

DVA continued to support and attend internal and external community events to celebrate NAIDOC Week.

Disability reporting mechanisms

DVA strives to ensure that its policies and programs are inclusive of people with disability and their families and carers, including clients, employees and members of the public.

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service reports and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010–11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at www.dss.gov.au.

Support services

DVA provides services to clients their nominated representatives, ex-service organisations and service providers via a number of channels, including face-to-face, telephone, and online.

Service Charter

The DVA Service Charter provides a high-level overview of the service clients can expect from DVA, including the Department's standards and service delivery commitments.

The service charter also provides guidance to clients about their rights, and outlines how they can assist DVA to continuously improve service delivery by providing feedback about their experiences with DVA.

Client feedback

As part of our focus on being connected and responsive to our clients, DVA uses feedback to guide improvements to the delivery of services by the Department and by contracted service providers.

DVA's commitment to record and respond to client feedback continued in 2016–17. Throughout the year, training was delivered to staff on their obligations to record feedback, and the Department continued to raise awareness of the importance—to both DVA and clients—of accurately recording feedback issues.

The feedback system was enhanced in 2016–17. The improvements included the expansion of options for recording feedback, which resulted in improved reporting and analytical capability for DVA.

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Changes to DVA's telephony platform in 2016-17 resulted in an increase in complaints about contacting the Department for transport bookings and other enquiries. The transitional challenges have been resolved. Although there was an overall increase in the number of recorded complaints, it is pleasing that the average time taken to resolve complaints decreased.

Table 39 shows the numbers of complaints and compliments received over the past five years.

Table 39 Complaints and compliments 2012-13 to 2016-17

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-------------|---------|---------|---------|---------|---------|
| Complaints | 2,031 | 2,021 | 3,013 | 2,288 | 2,845 |
| Compliments | 1,116 | 964 | 730 | 699 | 958 |

In 2016-17, the three most common areas of complaints related to:

- the service and performance of contractors or providers
- the accessibility and responsiveness of DVA's service
- administrative matters, including issues around 'red tape'.

The three most common areas of compliments related to:

- the attitude of staff, including their empathy, knowledge and behaviour
- the accessibility and responsiveness of DVA's service
- the service and performance of contractors or providers.

DVA also recorded 321 suggestions for improvement in 2016-17, an increase compared to 286 in 2015-16. The majority of suggestions related to DVA's MyAccount online portal and were submitted by registered users who provided feedback to enhance that service.

In 2016-17, the average time taken to resolve a complaint was 11 days, which is well within the expected time frame of 28 days as stated in the DVA Service Charter. In 2015-16, the average time taken to resolve a complaint was 13 days.

Levels of satisfaction with the feedback process and its outcomes are shown in Table 40.

Table 40 Proportion of clients satisfied with the Department's response to their feedback in 2016-17 (%)

| | Satisfied | Neutral | Dissatisfied |
|---------------------------------|-----------|---------|--------------|
| Conduct of the feedback process | 52 | 46 | 2 |
| Outcome of the feedback process | 49 | 48 | 3 |

Grants

Information on grants awarded by DVA during the period 1 July 2016 to 30 June 2017 is available at www.dva.gov.au/consultation-and-grants.

Grants administered by the Department are set out in Table 41.

Table 41 Grant programs administered by DVA in 2016-17

| Title | Description | Program |
|---|---|---------|
| Building Excellence in Support and Training (BEST) program | <p>The BEST program is designed to support ex-service organisations' pension and welfare practitioners and advocates. It assists by offering grants to help these organisations and practitioners provide advice and assistance to the veteran and defence communities.</p> <p>A BEST grant is intended to be a contribution towards an organisation's costs in providing services to the veteran and defence communities. It is not to offset all costs, and grant recipients are expected to provide in-kind or other support to their pension, welfare and advocacy officers.</p> <p>There is one BEST funding round each year. Funding is for the period of the next financial year. Payment of grants is subject to previous funding being acquitted as required.</p> | 1.4 |
| Veteran and Community Grants program | <p>Veteran and Community Grants are available to organisations for projects that benefit veterans, their partners, widows/widowers, carers, dependants and other members of the ex-service community. Projects may also benefit the wider community.</p> <p>The program supports activities and services that sustain and/or enhance health and wellbeing. It provides seeding funds for projects that support a healthy, quality lifestyle for members of the veteran community and assist them to remain living independently in their own homes. It also provides funding for initiatives that reduce social isolation, support carers and improve access to community services.</p> <p>Funding rounds occur on an ongoing, rolling basis. When sufficient applications are received or a two-month period has elapsed, a funding round will be processed for the Minister's decision.</p> | 2.4 |
| Grants-in-Aid program | <p>The Grants-in-Aid program forms part of the Government's commitment to support the role of national ex-service organisations, which provide coordinating and representational support within the veteran and defence community.</p> <p>The maximum annual grant to any national organisation is \$10,000 and is subject to accountability requirements. Depending on the demand for funding and the prioritisation of all applications, part funding only may be offered.</p> <p>There is one funding round per year. Rounds open around March each year and approved grants are paid early in the following financial year.</p> | 2.4 |
| Saluting Their Service program | <p>The Saluting Their Service grants program is designed to preserve our wartime heritage and to involve communities in a wide range of activities and projects that highlight the service and sacrifice of Australia's servicemen and servicewomen in wars, conflicts and peace operations.</p> <p>Two categories of grants were available under the program in 2016-17:</p> <ul style="list-style-type: none"> ■ Community Commemorative Grants—grants of up to \$4,000 for community-based commemorative projects and activities. ■ Major Commemorative Grants—grants for commemorative projects and activities that are significant from a national, state or territory perspective. | 3.1 |
| Overseas Privately Constructed Memorial Restoration Program | <p>The program assists Australian veterans and other individuals in restoring and preserving military unit and battle memorials that were privately constructed overseas.</p> | 3.1 |

Client contact

DVA offers a range of services access points.

The Veterans' Access Network (VAN) offers general enquiry services through email, telephone calls and face-to-face visits. At 30 June 2017, there were 16 DVA-leased VAN offices and five VAN offices co-located with offices of the Department of Human Services (DHS), with DHS also offering DVA information through another 12 sites. An additional 124 access points are available through the use of agents, such as state governments. The VAN handled more than half a million calls and more than 30,000 general enquiry emails this year.

In addition to the VAN, DVA handles more than a million calls for other services such as transport booking, provision of pharmaceutical advice and health provider enquiries.

DVA offers services to 46 ADF bases through the On Base Advisory Service. Demand for the On Base Advisory Service continued during 2016–17. On Base Advisers conducted over 9,700 interviews, delivered 247 presentations and liaised with more than 1,300 Defence personnel. The service ensures that serving members can access information about DVA support, entitlements and services directly from DVA staff.

DVA has a strong digital footprint, and uses Facebook, Flickr, Twitter and YouTube. The importance of DVA's digital services continues to grow, with 5,691,910 hits on DVA's website (dva.gov.au) for the year ending 30 June 2017.

Coordinated Client Support

The Coordinated Client Support (CCS) program is a specialised, time-limited program aimed at streamlining communication between clients and the Department. By combining a number of DVA client service models into one program, CCS provides a clear pathway for clients to access support through a primary point of contact for the whole Department.

The majority of DVA's clients are able to navigate the Department's services with minimal assistance. The type of support that the Department provides to them is categorised as Level 1.

Those who may require an additional level of support are referred to CCS, which is responsible for the coordination of services to clients requiring additional support.

Level 2 support is provided to clients who have been assessed as having complex and multiple needs but require a less intensive level of support than those assessed at Level 3. The client has a primary point of contact within CCS. This level of support provides short-term intervention with a view to building capacity to transition to a business-as-usual environment.

Level 3 support is provided to clients who have been assessed as having complex and multiple needs. These clients often have mental and physical injuries resulting from service, and have been identified as requiring intensive support to access multiple services across the Department and other agencies or organisations. The client has a primary point of contact within CCS. This level of support provides intervention with a view to building capacity to transition to Level 2, but some clients may remain within the program for the long term.

Clients who are identified as requiring additional support are referred to CCS via a departmental staff member, an ex-service organisation, the ADF or a nominated representative.

Online services

DVA provides an increasingly broad range of online services to clients, their nominated representatives, ex-service organisations and service providers. This includes services through MyService, MyAccount and myGov.

In 2016-17, in partnership with DHS, DVA redesigned its online claiming portal for clients who enlisted on or after 1 July 2004. MyService is a simple, intuitive and innovative digital solution developed with DHS. The cross-agency collaboration is aligned with the Government's Digital Service Standard and was co-designed with clients.

Through links with the Department of Defence and the Attorney-General's Department's Document Verification Service, MyService provides a fully digital claims process that includes online verification of identity. By using known information, MyService can reduce the number of questions asked of claimants from 36 to seven.

In a private beta trial, commencing in late 2016, 54 claims were processed within a mean processing time of 74 days each, considerably better than the mean processing time of 117 days achieved in 2015-16. Following the private beta, MyService became publicly available, as a public beta, from 1 April 2017. The Department is building additional features into the service, which will be expanded in 2018 to include additional claimants.

MyAccount continues to offer a variety of online services for clients, nominated representatives, ex-service organisations (via the ESO Portal) and health and transport service providers (via the Provider Portal). Clients can access MyAccount services directly or through the enhanced myGov portal.



Veterans of the First World War received vocational training for a range of post-service careers.
(AWM P00158.025)



FINANCIAL STATEMENTS

Veterans can learn workshop skills at a Men's Shed, as part of DVA's Men's Health Peer Education Program, which raises awareness about men's health issues and encourages men to share responsibility for their health and wellbeing. (DVA_MF_Mens_Shed_1896)

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

DEPARTMENT OF VETERANS' AFFAIRS

Financial Statements

For the period ended 30 June 2017

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Veterans' Affairs

Opinion

In my opinion, the financial statements of the Department of Veterans' Affairs for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Veterans' Affairs as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Veterans' Affairs, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of Veterans' Affairs in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

| Key audit matter | How the audit addressed the matter |
|--|---|
| <p>Valuation of Personal Benefit and Health Care Provisions</p> <p><i>Refer to Note 4.4 Administered - Provision</i></p> <p>The military compensation provision is a significant component of the administered financial statements comprising \$10.954 billion. The valuation of this provision is complex and subject to significant estimation uncertainty due to the unique nature of the compensation arrangements. The valuation estimates and assumptions are reported in the associated accounting policy note within the financial statements.</p> | <p>The audit procedures applied to address the matter included:</p> <ul style="list-style-type: none"> • I assessed the integrity of data used to calculate the provision, including the quality assurance and reconciliation processes used by the department to provide data to their actuary; • I evaluated the actuarial methodology and management assumptions. This evaluation was undertaken with the assistance of an actuarial expert; and • I assessed whether the provision is appropriately disclosed in the financial statements. This includes the summary of significant judgements and estimates that support the valuation. |

Secretary's Responsibility for the Financial Statements

As the Accountable Authority of the Department of Veterans' Affairs the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with the Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of Veterans' Affairs ability to continue as a going concern, disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the Secretary either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Peter Kerr
Executive Director

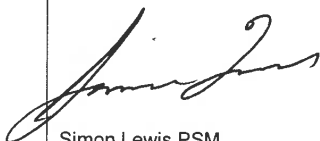
Delegate of the Auditor-General
Canberra

7 September 2017

STATEMENT BY THE SECRETARY AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Veterans' Affairs will be able to pay its debts as and when they fall due.



Simon Lewis PSM
Secretary

7 September 2017



Graeme Rochow
Chief Finance Officer

7 September 2017

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---|-------|-----------------|----------------|------------------------------|
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee benefits | 1.1A | 196,214 | 196,993 | 187,763 |
| Suppliers | 1.1B | 128,911 | 109,653 | 133,399 |
| Depreciation and amortisation | 3.2A | 24,073 | 25,442 | 27,061 |
| Impairment of intangible assets | 3.2A | 96 | 415 | - |
| Losses from asset sales | | 3 | 754 | - |
| Underwriting expenses | 1.1C | 34,362 | 26,587 | 29,500 |
| Total expenses | | 383,659 | 359,844 | 377,723 |
| Own-Source Income | | | | |
| Own-source revenue | | | | |
| Net premium revenue | 1.1C | 36,327 | 35,570 | 36,000 |
| Investment revenue | 1.1C | 1,493 | 1,358 | 1,700 |
| Insurance agency revenue | 1.1C | 2,810 | 2,846 | 3,000 |
| Rendering of services ¹ | 1.2A | 7,256 | 8,759 | 6,746 |
| Other revenue ² | 1.2B | 5,061 | 2,089 | 825 |
| Total own-source revenue | | 52,947 | 50,622 | 48,271 |
| Gains | | | | |
| Revaluation increments | 3.2A | 121 | - | - |
| Total gains | | 121 | - | - |
| Total own-source income | | 53,068 | 50,622 | 48,271 |
| Net cost of services | | 330,591 | 309,222 | 329,452 |
| Revenue from Government - departmental appropriations | 5.1A | 306,494 | 303,097 | 306,341 |
| Deficit before income tax on continuing operations | | (24,097) | (6,125) | (23,111) |
| Income tax expense - competitive neutrality | | 268 | 317 | - |
| Deficit after income tax on continuing operations | | (24,365) | (6,442) | (23,111) |
| Deficit after income tax | | (24,365) | (6,442) | (23,111) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Changes in asset revaluation surplus | 3.2A | 2,004 | 3,020 | - |
| Total other comprehensive income | | 2,004 | 3,020 | - |
| Total comprehensive loss | | (22,361) | (3,422) | (23,111) |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

¹The original budget figure (\$42.7m) from the Portfolio Budget Statements (PBS) is reclassified from "Rendering of services" to "Net premium revenue".

²The original budget figure (\$4.7m) from the PBS is reclassified from "Other revenue" to "Investment", and "Insurance agency revenue".

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

| | | 2017 | 2016 | Original Budget |
|------------------------------------|-------|----------------|----------------|--------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 3.1A | 6,413 | 7,711 | 4,466 |
| Trade and other receivables | 3.1B | 45,496 | 24,771 | 16,251 |
| Premiums and recoveries receivable | 3.1C | 15,490 | 13,233 | 6,300 |
| Investments | 3.1D | 62,169 | 58,655 | 60,693 |
| Total financial assets | | 129,568 | 104,370 | 87,710 |
| Non-financial assets | | | | |
| Land & buildings | 3.2A | 14,873 | 17,047 | 15,769 |
| Property, plant and equipment | 3.2A | 1,076 | 1,662 | 2,807 |
| Intangibles | 3.2A | 71,061 | 73,780 | 80,922 |
| Other non-financial assets | 3.2B | 6,006 | 4,211 | 6,991 |
| Total non-financial assets | | 93,016 | 96,700 | 106,489 |
| Assets held for sale | | 1,350 | 1,350 | - |
| Total assets | | 223,934 | 202,420 | 194,199 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 3.3A | 28,010 | 23,457 | 17,883 |
| Unearned premiums | 3.3B | 21,839 | 21,619 | 21,311 |
| Other payables | 3.3C | 6,019 | 5,895 | 5,119 |
| Total payables | | 55,868 | 50,971 | 44,313 |
| Provisions | | | | |
| Employee provisions | 6.1A | 68,669 | 68,444 | 59,415 |
| Gross outstanding claims | 3.4A | 18,897 | 13,290 | 16,798 |
| Other provisions | 3.4B | 3,217 | 2,918 | 2,502 |
| Total provisions | | 90,783 | 84,652 | 78,715 |
| Total liabilities | | 146,651 | 135,623 | 123,028 |
| Net assets | | 77,283 | 66,797 | 71,171 |
| EQUITY | | | | |
| Contributed equity | | 250,693 | 217,849 | 250,426 |
| Reserves | | 11,793 | 9,789 | 10,592 |
| Accumulated deficit | | (185,203) | (160,841) | (189,847) |
| Total equity | | 77,283 | 66,797 | 71,171 |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---------------------------------------|-------|------------------|------------------|------------------------------|
| CONTRIBUTED EQUITY | | | | |
| Opening balance | | 217,849 | 204,047 | 217,849 |
| Adjusted opening balance | | 217,849 | 204,047 | 217,849 |
| Transactions with owners | | | | |
| Contributions by owners | | | | |
| Equity injection - Appropriation | | 19,562 | 485 | 19,295 |
| Departmental capital budget | | 13,282 | 13,317 | 13,282 |
| Total transactions with owners | | 32,844 | 13,802 | 32,577 |
| Closing balance as at 30 June | | 250,693 | 217,849 | 250,426 |
| RETAINED EARNINGS | | | | |
| Opening balance | | (160,841) | (158,222) | (166,736) |
| Adjustment for errors | | 3 | - | - |
| Adjusted opening balance | | (160,838) | (158,222) | (166,736) |
| Comprehensive income | | | | |
| Deficit for the period | | (24,365) | (6,442) | (23,111) |
| Total comprehensive income | | (24,365) | (6,442) | (23,111) |
| Transfers between equity components | | - | 3,823 | - |
| Closing balance as at 30 June | | (185,203) | (160,841) | (189,847) |
| ASSET REVALUATION RESERVE | | | | |
| Opening balance | | 9,789 | 10,592 | 10,592 |
| Adjusted opening balance | | 9,789 | 10,592 | 10,592 |
| Comprehensive income | | | | |
| Other comprehensive income | | 2,004 | 3,020 | - |
| Total comprehensive income | | 2,004 | 3,020 | - |
| Transfers between equity components | | - | (3,823) | - |
| Closing balance as at 30 June | | 11,793 | 9,789 | 10,592 |

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

| | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---------------------------------------|-----------------|----------------|------------------------------|
| TOTAL EQUITY | | | |
| Opening balance | 66,797 | 56,417 | 61,705 |
| Adjustment for errors | 3 | - | - |
| Adjusted opening balance | 66,800 | 56,417 | 61,705 |
| Comprehensive income | | | |
| Deficit for the period | (24,365) | (6,442) | (23,111) |
| Other comprehensive income | 2,004 | 3,020 | - |
| Total comprehensive income | (22,361) | (3,422) | (23,111) |
| Transactions with owners | | | |
| Contributions by owners | | | |
| Equity injection - Appropriation | 19,562 | 485 | 19,295 |
| Departmental capital budget | 13,282 | 13,317 | 13,282 |
| Total transactions with owners | 32,844 | 13,802 | 32,577 |
| Closing balance as at 30 June | 77,283 | 66,797 | 71,171 |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

Accounting Policy

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Other Distributions to Owners

The Financial Reporting Rule (FRR) require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

DEPARTMENT OF VETERANS' AFFAIRS CASH FLOW STATEMENT

for the period ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget \$'000 |
|---|-------|-----------------|-----------------|------------------------------|
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Appropriations | | 293,782 | 297,876 | 316,792 |
| Rendering of services | | 8,300 | 9,512 | 50,816 |
| Net premium revenue | | 42,762 | 42,144 | 2,801 |
| Insurance agency revenue received | | 2,818 | 2,851 | - |
| Reinsurance and other recoveries | | 507 | 2,563 | - |
| Interest | | 1,252 | 856 | - |
| Net GST received | | 8,045 | 7,715 | 9,741 |
| Total cash received | | 357,466 | 363,517 | 380,150 |
| Cash used | | | | |
| Employees | | 195,517 | 201,419 | 188,837 |
| Suppliers | | 131,566 | 109,308 | 143,094 |
| Income tax paid - competitive neutrality | | 268 | 317 | - |
| Claim payments | | 28,392 | 29,989 | 37,100 |
| Reinsurance premiums | | 7,055 | 7,441 | - |
| Acquisition costs | | 366 | 425 | - |
| Fire brigade and emergency services contributions | | 1,143 | 1,527 | - |
| Section 74 receipts transferred to the Official Public Account | | 7,222 | 8,627 | 8,142 |
| Total cash used | | 371,529 | 359,053 | 377,173 |
| Net cash from operating activities | | (14,063) | 4,464 | 2,977 |
| INVESTING ACTIVITIES | | | | |
| Cash received | | | | |
| Investments realised | | 6,563 | 6,344 | - |
| Total cash received | | 6,563 | 6,344 | - |
| Cash used | | | | |
| Purchase of leasehold improvements | | 825 | 6,870 | - |
| Purchase of property, plant and equipment | | 318 | 400 | - |
| Purchase of intangibles | | 15,422 | 4,785 | 32,577 |
| Purchase of investments | | 10,077 | 9,966 | 2,800 |
| Total cash used | | 26,642 | 22,021 | 35,377 |
| Net cash used by investing activities | | (20,079) | (15,677) | (35,377) |
| FINANCING ACTIVITIES | | | | |
| Cash received | | | | |
| Contributed equity | | 32,844 | 13,802 | 32,577 |
| Total cash received | | 32,844 | 13,802 | 32,577 |
| Net cash from financing activities | | 32,844 | 13,802 | 32,577 |
| Net increase/(decrease) in cash held | | (1,298) | 2,589 | 177 |
| Cash and cash equivalents at the beginning of the reporting period | | 7,711 | 5,122 | 4,289 |
| Cash and cash equivalents at the end of the reporting period | 3.1A | 6,413 | 7,711 | 4,466 |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

DEPARTMENT OF VETERANS' AFFAIRS
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

| | Notes | 2017 \$'m | 2016 \$'m | Original Budget \$'m |
|---|-------|-----------------|-----------------|----------------------------|
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee benefits | 2.1A | 9 | 8 | 10 |
| Personal benefits | 2.1B | 6,356 | 7,584 | 6,134 |
| Health care payments ¹ | 2.1C | 5,286 | 5,823 | 5,146 |
| Grants | 2.1D | 6 | 8 | 7 |
| Payments to Australian War Memorial | | 43 | 42 | 43 |
| Other expenses | 2.1E | 48 | 32 | - |
| Total expenses | | 11,748 | 13,497 | 11,340 |
| Income | | | | |
| Non-taxation revenue | | | | |
| Recoveries | 2.2A | 18 | 29 | 20 |
| Health reimbursements | | 2 | 1 | - |
| Total non-taxation revenue | | 20 | 30 | 20 |
| Total income | | 20 | 30 | 20 |
| Net cost of services | | 11,728 | 13,467 | 11,320 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Revaluations transferred from reserves | | 104 | 36 | - |
| Total other comprehensive income | | 104 | 36 | - |
| Total comprehensive loss | | (11,624) | (13,431) | (11,320) |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.2.

¹The original budget figure (\$5,146m) from the PBS is reclassified from "Other Expenses" to "Health Care Payments".

DEPARTMENT OF VETERANS' AFFAIRS
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2017

| | Notes | 2017 \$'m | 2016 \$'m | Original Budget \$'m |
|---|-------|----------------|----------------|----------------------------|
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 4.1A | 77 | 47 | 46 |
| Receivables | 4.1B | 79 | 111 | 86 |
| Equity accounted investments | 4.1C | 1,430 | 1,319 | 1,270 |
| Total financial assets | | 1,586 | 1,477 | 1,402 |
| Non-financial assets | | | | |
| Buildings | 4.2A | 5 | 5 | 5 |
| Total non-financial assets | | 5 | 5 | 5 |
| Total assets administered on behalf of Government | | 1,591 | 1,482 | 1,407 |
| LIABILITIES | | | | |
| Payables | | | | |
| Personal benefits payables | 4.3A | 173 | 150 | - |
| Health care payables | 4.3B | 47 | 60 | - |
| Grants payables | | - | - | 1 |
| Suppliers payables | | 49 | 38 | 33 |
| Total payables | | 269 | 248 | 34 |
| Provisions | | | | |
| Employee provisions | 6.1B | 2 | 2 | 2 |
| Personal benefits provisions | 4.4A | 7,099 | 6,737 | 5,829 |
| Health care provisions | 4.4B | 4,090 | 3,431 | 2,694 |
| Total provisions | | 11,191 | 10,170 | 8,525 |
| Total liabilities administered on behalf of Government | | 11,460 | 10,418 | 8,559 |
| Net liabilities | | (9,869) | (8,936) | (7,152) |

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.2.

**DEPARTMENT OF VETERANS' AFFAIRS
ADMINISTERED RECONCILIATION SCHEDULE**
for the period ended 30 June 2017

| | 2017 \$'m | 2016 \$'m |
|--|----------------|----------------|
| Opening assets less liabilities as at 1 July | (8,936) | (6,615) |
| Net (cost of)/contribution by services | | |
| Income | 20 | 30 |
| Expenses | | |
| Payments to eligible persons, their dependants and other providers | (11,705) | (13,455) |
| Payments to Australian War Memorial | (43) | (42) |
| Other comprehensive income | | |
| Revaluations transferred from reserves | 104 | 36 |
| Transfers (to)/from the Australian Government | | |
| Appropriation transfers from Official Public Account (OPA) | | |
| Administered assets and liabilities appropriations (Australian War Memorial) | 7 | 7 |
| Annual appropriations | | |
| Payments to other entities | 100 | 89 |
| Payments to Australian War Memorial | 43 | 42 |
| Special appropriations (unlimited) | | |
| Payments to eligible persons, their dependants and other providers | 10,589 | 11,042 |
| Special accounts | 12 | 23 |
| Appropriation transfers to OPA | | |
| Transfers to OPA | (59) | (69) |
| Special accounts | (1) | (24) |
| Closing assets less liabilities as at 30 June | (9,869) | (8,936) |

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by DVA for use by the Government rather than DVA is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by DVA on behalf of the Government and reported as such in the Administered Cash Flow Statement and in the Administered Reconciliation Schedule.

**DEPARTMENT OF VETERANS' AFFAIRS
ADMINISTERED CASH FLOW STATEMENT**
for the period ended 30 June 2017

| | Notes | 2017 \$'m | 2016 \$'m |
|---|-------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Net GST received | | 48 | 34 |
| Other | | 17 | 14 |
| Total cash received | | 65 | 48 |
| Cash used | | | |
| Payments to employees | | 9 | 8 |
| Personal benefits | | 5,989 | 6,159 |
| Health payments | | 4,653 | 4,912 |
| Grants | | 6 | 9 |
| Payments to Australian War Memorial | | 43 | 42 |
| Other | | 19 | 28 |
| Total cash used | | 10,719 | 11,158 |
| Net cash used by operating activities | | (10,654) | (11,110) |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Payments to Australian War Memorial | | 7 | 7 |
| Total cash used | | 7 | 7 |
| Net cash used by investing activities | | (7) | (7) |
| Net decrease in cash held | | (10,661) | (11,117) |
| Cash and cash equivalents at the beginning of the reporting period | | 47 | 46 |
| Cash from Official Public Account | | | |
| Appropriations | | 10,739 | 11,179 |
| Special Accounts | | 12 | 32 |
| Total cash from the official public account | | 10,751 | 11,211 |
| Cash to Official Public Account | | | |
| GST Transferred to Official Public Account | | (47) | (34) |
| Appropriations | | (12) | (35) |
| Special Accounts | | (1) | (24) |
| Total cash to official public account | | (60) | (93) |
| Cash and cash equivalents at the end of the reporting period | 4.1A | 77 | 47 |

The above statement should be read in conjunction with the accompanying notes.

Notes to and forming part of the financial statements

Overview

Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting Rule) (FRR) 2015* for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars for departmental accounts and the nearest million dollars for administered accounts, unless otherwise specified.

The financial statements of Defence Service Homes Insurance Scheme (DSHIS) are consolidated into DVA's financial statements. In this process, all intra-entity transactions and balances are eliminated. For further details refer to Note 1.1C.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new accounting standards, revised standards, amending standards and/or interpretations that were issued prior to the signing of the statements by the Secretary and the Chief Finance Officer, and are applicable to the current reporting period did not have a material effect on DVA's financial statements.

The following change in accounting standards and interpretations has an impact on DVA's financial statements in the current financial year:

- AASB 2015-6 Amendments to Australian Accounting Standards AASB 124 Related Party Disclosures – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

Future Australian Accounting Standard requirements

The following new standards will have a disclosure impact only in future reporting periods:

- AASB 2015-7 Amendments to Australian Accounting Standards AASB 116 Property, Plant and Equipment – Fair Value Disclosures of Not-for-Profit Public Sector Entities
- AASB 16 Leases (preceded by AASB 117 Leases)
- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

Taxation

DVA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Competitive Neutrality

DVA provides administrative services for the Defence Home Ownership Assistance Scheme and the Defence Home Owner Scheme. The Defence Home Ownership Assistance Scheme is subject to the Australian Government's Competitive Neutrality Policy. The fees charged cover DVA's anticipated costs in providing the service to the Department of Defence and were subject to Competitive Neutrality charges. Under Competitive Neutrality arrangements, DVA is required to make Australian Income Tax Equivalent payments to the Government, in addition to payments for FBT and GST. The amount paid during 2016-17 is disclosed in the Statement of Comprehensive Income.

The amounts have been calculated as being payable to the Australian Government in the form of company income tax under the Income Tax Assessment Act if it had applied. These amounts have been paid or are payable by DVA to the Official Public Account.

Notes to and forming part of the financial statements

Foreign Currency

Transactions denominated in a foreign currency are converted to Australian dollars at the exchange rate at the date of the transaction. Foreign currency receivables and payables are converted to Australian dollars at the exchange rates current as at balance date. Associated currency gains and losses are not material.

Events after the Reporting Period

Departmental

There were no subsequent events between balance date and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of DVA.

Administered

There were no subsequent events between balance date and signing of the financial statements that had the potential to significantly affect the ongoing structure and financial activities of DVA.

Comparative Figures and Prior Period Adjustments

The changes in the reporting requirements of special accounts have resulted in an adjustment of \$9 million between "Cash and cash equivalents" and "Receivables" in the administered financial statements for the prior period. The following notes are affected accordingly:

- 4.1A Cash and cash equivalents: from \$38 million to \$47 million;
- 4.1B Receivables: from \$120 million to \$111 million;
- Administered Cash Flow Statement: Special Accounts (Cash from OPA) from \$23 million to \$32 million.

Breaches of Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law.

For 2016-17, DVA conducted a section 83 compliance review to identify any new special accounts, changes to legislation, system changes or business activity changes which may impact on the previously identified section 83 control framework. None were detected.

A financial quantification of potential breaches of section 83 was performed by DVA. This review identified that potential breaches were \$19.75 million for 2016-17 financial year, comprising:

- \$1.1 million in residential aged care payments from the reconciliation of data received from the Department of Human Services (DHS);
- \$17 million identified through the DVA debt register;
- \$0.2 million identified through DVA's internal testing of transactions; and
- \$1.45 million identified through other review processes.

Further details of the 2016-17 section 83 review are provided in Table A below.

DVA's Audit and Risk Committee and Financial Statements Sub-Committee formed a view that DVA had reviewed its section 83 risk in a manner consistent with the published policy statements from the Department of Finance.

DVA will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible. Where possible, future changes to procedures and amendments to legislation will continue to be progressed to reduce the risk of non-compliance to an acceptably low level across all programs.

Notes to and forming part of the financial statements

Table A – 2016-17 Summary

| Appropriations identified as subject to conditions | Expenditure in 2016-17 | Review complete? (Yes/No) | Breaches identified to 30 June 2017 | | Potential breaches to date yet to be resolved | | Remedial action taken or proposed ¹ |
|--|------------------------|---------------------------|-------------------------------------|-------------|---|--------------------------|--|
| | \$'000 | | Were any breaches identified? | Total \$000 | Yes/No | Indicative extent \$'000 | |
| SPECIAL APPROPRIATIONS | | | | | | | |
| <i>Veterans' Entitlements Act 1986</i> | 9,912,957 | Yes | No | N/A | Yes | 19,574 | D,S |
| <i>Safety, Rehabilitation and Compensation Act 1988</i> | 181,823 | Yes | No | N/A | Yes | 66 | D |
| <i>Military Rehabilitation and Compensation Act 2004</i> | 449,694 | Yes | No | N/A | Yes | 112 | D |

¹ L= legislative change; S= systems change; P=planned; M=made (e.g. SM, or LP); D=debt recovery

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

1. Financial Performance

This section analyses the financial performance of DVA for 30 June 2017.

1.1. Expenses

| | 2017 | 2016 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Note 1.1A: Employee Benefits | | |
| Wages and salaries | 144,608 | 142,572 |
| Superannuation | | |
| Defined contribution plans | 10,248 | 9,101 |
| Defined benefit plans | 18,816 | 18,099 |
| Leave and other entitlements | 17,616 | 23,079 |
| Separation and redundancies | 2,865 | 1,658 |
| Payroll tax equivalent (competitive neutrality) | 49 | 49 |
| Other employee benefits | 2,012 | 2,435 |
| Total employee benefits | 196,214 | 196,993 |

Accounting Policy

Accounting policies for employee related expenses is contained in the People and Relationships, section 6.1.

Note 1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|--|----------------|---------------|
| Information technology and communication | 38,443 | 30,386 |
| Claim processing fees | 10,255 | 12,382 |
| Lease expenses | 7,206 | 7,993 |
| Consultants | 15,727 | 3,365 |
| Contractors | 14,570 | 12,171 |
| Travel | 5,365 | 4,744 |
| Training and development | 2,392 | 2,438 |
| Postage and office requisition | 5,644 | 4,120 |
| Printing and publications | 1,673 | 1,183 |
| Other | 1,889 | 1,315 |
| Total goods and services supplied or rendered | 103,164 | 80,097 |

| | | |
|--|----------------|---------------|
| Goods supplied | 6,396 | 9,812 |
| Services rendered | 96,768 | 70,285 |
| Total goods and services supplied or rendered | 103,164 | 80,097 |

Other suppliers

| | | |
|-------------------------------|----------------|----------------|
| Operating lease rentals | 21,020 | 25,706 |
| Workers compensation expenses | 4,727 | 3,850 |
| Total other suppliers | 25,747 | 29,556 |
| Total suppliers | 128,911 | 109,653 |

Leasing commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows

| | | |
|--|---------------|---------------|
| Within 1 year | 22,941 | 21,403 |
| Between 1 to 5 years | 45,372 | 43,700 |
| More than 5 years | 21,522 | 6,282 |
| Total operating lease commitments (gross) | 89,835 | 71,384 |

Note: Commitments are GST inclusive where relevant.

Notes to and forming part of the financial statements

| |
|---|
| Accounting Policy |
| <u>Leases</u> |
| Property lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets. |
| Lease payments are subject to regular fixed increases and are in accordance with upward movements in the Consumer Price Index. Leases for DVA access centres are periods of up to 3 years. The majority of DVA's other lease holdings are for periods of up to ten years. |

| | | |
|---|----------------|---------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Note 1.1C: Insurance Activities | | |
| Underwriting revenue | | |
| Premium received | <u>43,272</u> | 42,997 |
| Total premium revenue | <u>43,272</u> | 42,997 |
| Less: Reinsurance expense | <u>(6,945)</u> | (7,427) |
| Net premium revenue | <u>36,327</u> | 35,570 |
| Underwriting expenses | | |
| Claims expense | 33,999 | 24,923 |
| Less: Reinsurance and other recoveries | <u>(1,767)</u> | (212) |
| Net claims expense | <u>32,232</u> | 24,711 |
| Fire brigade and emergency services contributions | 1,764 | 1,451 |
| Acquisition costs | <u>366</u> | 425 |
| Total underwriting expenses | <u>34,362</u> | 26,587 |
| Other operating expenses¹ | <u>7,224</u> | 6,336 |
| Underwriting result | <u>(5,259)</u> | 2,647 |
| Investment revenue | | |
| Investment income realised | - | 140 |
| Interest - deposits | <u>1,493</u> | 1,218 |
| Total investment revenue | <u>1,493</u> | 1,358 |
| Insurance agency revenue | | |
| Insurance agency commission | <u>2,810</u> | 2,846 |
| Total insurance agency revenue | <u>2,810</u> | 2,846 |

¹The expenses are included in Notes 1.1A and 1.1B and are reproduced here solely for the purpose of presenting the underwriting result.

Net claims incurred table

| | 2017 | | | 2016 | | |
|--|---------------|--------------|---------------|--------------|-------------|--------|
| | Current year | Prior years | Total | Current year | Prior years | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross incurred ¹ | 30,080 | 3,919 | 33,999 | 20,053 | 4,867 | 24,920 |
| Less: Reinsurance and other recoveries | (1,630) | (137) | (1,767) | (20) | (189) | (209) |
| Net claims incurred | 28,450 | 3,782 | 32,232 | 20,033 | 4,678 | 24,711 |

¹Claims are not subject to discount.

Building insurance claims are typically resolved within one year. No claims development table is required under AASB 1023 *General Insurance Contracts* 17.7.1 (b) (iii) for lines of business typically resolved within one year.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Notes to and forming part of the financial statements

Accounting Policy

Insurance Activities

The Defence Service Homes Insurance Scheme (DSHIS) forms part of the operations of the Health & Community Services Division of DVA. The objective of DSHIS is to provide domestic building insurance in accordance with the *Defence Service Homes Act 1918* and associated Regulations. The operations and objectives of DSHIS are controlled by DVA. The continued existence of DSHIS in its present form is dependent on Government policy.

Underwriting Provisions

Unearned Premiums

The provision for unearned premiums represents the estimated proportion of premiums written in the current year relating to cover provided in the subsequent years. DSHIS's system allows for the unearned proportion to be calculated for each individual policy in accordance with *AASB 1023 General Insurance Contracts*.

Revenue in Advance

DSHIS recognises revenue in advance where the revenue has been received prior to the period in which the revenue relates. DSHIS recognises revenue in advance at nominal value.

Reinsurance Arrangements

DSHIS purchases reinsurance each year for dwelling per risk, catastrophe risk and legal liability risk. Premium ceded to reinsurers is recognised as an expense and is measured at nominal value in accordance with the pattern of reinsurance service received.

Commissions Received Revenue

Commissions received revenue is recognised when it becomes due to DSHIS.

1.2. Own-Source Income and Gains

| | 2017 | 2016 |
|--------------------|--------|--------|
| Own-Source Revenue | \$'000 | \$'000 |

Note 1.2A: Rendering of Services

| | | |
|------------------------------------|--------------|--------------|
| Rendering of services | 7,256 | 8,759 |
| Total rendering of services | 7,256 | 8,759 |

Accounting Policy

Revenue from rendering of services is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to DVA.

The stage of completion of contracts at the reporting date is determined by reference to the proportion of costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Rendering of Services are related to administrative fee and management fee for Defence Home Owner Scheme (DHOS) and Defence Home Ownership Assistance Scheme (DHOAS).

Note 1.2B: Other Revenue

| | | |
|---|--------------|--------------|
| Resources received free of charge - ANAO audit fee | 731 | 798 |
| Resources received free of charge - DHS ICT Shared Services | 4,330 | 1,291 |
| Total resources received free of charge | 5,061 | 2,089 |

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Notes to and forming part of the financial statements

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that DVA does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1. Administered - Expenses

| | 2017 | 2016 |
|---|--------------|--------------|
| | \$'m | \$'m |
| Note 2.1A: Employee Benefits | | |
| Wages and salaries | 8 | 7 |
| Superannuation | | |
| Defined contribution plans | 1 | 1 |
| Total employee benefits | 9 | 8 |
| Note 2.1B: Personal Benefits | | |
| Direct | | |
| Income support | 2,330 | 2,487 |
| Defence widow/ers support | 1,561 | 1,669 |
| Disability support | 1,530 | 1,551 |
| Military compensation | 527 | 439 |
| Military compensation - movement in provision | 362 | 1,405 |
| Children education scheme | 14 | 15 |
| Other | 32 | 18 |
| Total personal benefits | 6,356 | 7,584 |

Accounting Policy

Payments to eligible veterans, their war widows, widow(ers) and dependants are made in accordance with the *Veterans' Entitlements Act 1986* (VEA) and associated legislation. Payments to eligible serving and former serving members of the Defence Force are made in accordance with the *Military Rehabilitation and Compensation Act 2004* (MRCA) and the *Safety, Rehabilitation and Compensation Act 1988* (SRCA). Each of these three Acts imposes an obligation on eligible recipients to disclose to DVA information about financial and personal circumstances that affect their entitlement to benefits. In the absence of this obligation, the cost of delivery of DVA's services would increase as a result of the requirement to verify information provided by eligible recipients in relation to these benefits.

Unreported changes in circumstances can lead to incorrect payment, even if no deliberate fraud is intended. However, risks associated with relying on voluntary disclosure by customers are mitigated by a comprehensive risk management plan which minimises the potential for incorrect payment by subjecting customers to a variety of review processes. Risks of any non-compliance with statutory conditions on payments from appropriations are explained in the Overview.

While DVA acts promptly to address material risks as they emerge, DVA accepts that a small proportion of non-compliance may go undetected. However, given the above risk management strategy DVA is satisfied that the incidence of incorrect payment is not material in terms of total payments, and that the financial statements materially reflect the activities of DVA's administered program.

Notes to and forming part of the financial statements

| | 2017 \$'m | 2016 \$'m |
|---|--------------|--------------|
| Note 2.1C: Health Care Payments | | |
| Indirect | | |
| Hospital services | 1,488 | 1,528 |
| Community care and support | 1,319 | 1,398 |
| General medical consultation and services | 808 | 809 |
| Counselling and other health services | 576 | 568 |
| Pharmaceutical benefits | 306 | 337 |
| Military compensation - health | 124 | 103 |
| Military compensation - movement in provision | 665 | 1,080 |
| Total health care payments | 5,286 | 5,823 |
| Note 2.1D: Grants | | |
| Private sector | | |
| Non-profit organisations | | |
| Assistance to other compensation for veterans and dependants | | |
| Payments to ex-service organisations | 4 | 4 |
| Community care and support | | |
| Veteran and community | 2 | 2 |
| War graves and commemorations | | |
| Commemorative activities | - | 2 |
| Total grants | 6 | 8 |
| Note 2.1E: Other Expenses | | |
| War graves and commemorations | 40 | 25 |
| Gallipoli-related activities | 4 | 5 |
| Other expenses | 4 | 2 |
| Total other expenses | 48 | 32 |

2.2. Administered - Income

| | 2017 \$'m | 2016 \$'m |
|------------------------------|--------------|--------------|
| Revenue | | |
| Note 2.2A: Recoveries | | |
| Personal benefits | 13 | 11 |
| Overseas health payments | 5 | 17 |
| Overseas pension payments | - | 1 |
| Total recoveries | 18 | 29 |

Accounting Policy

Administered revenues relate to ordinary activities performed by DVA on behalf of the Australian Government. As such, administered appropriations are not revenues of DVA, which oversees distribution or expenditure of the funds as directed.

Revenues mainly arise from recoveries of health payments and pension payments, which are recognised at their nominal amount due less any impairment losses. Collectability of debts is reviewed at the end of the reporting period. Impairment allowances are made when collection of the debt is judged to be less, rather than more, likely.

Notes to and forming part of the financial statements

3. Financial Position

This section analyses the DVA's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

3.1. Financial Assets

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3.1A: Cash and Cash Equivalents | | |
| Cash at bank | 3,771 | 5,540 |
| Cash at bank (DSHIS special accounts) | 2,642 | 2,171 |
| Total cash and cash equivalents | 6,413 | 7,711 |
| Note 3.1B: Trade and Other Receivables | | |
| Goods and services receivables | 840 | 1,335 |
| Total goods and services receivables | 840 | 1,335 |
| Appropriations receivables | | |
| Appropriations receivable | 42,055 | 22,121 |
| Total appropriations receivables | 42,055 | 22,121 |
| Other receivables | | |
| Statutory receivables ¹ | 1,687 | 601 |
| Salary recoveries | 281 | 265 |
| Other | 633 | 449 |
| Total other receivables | 2,601 | 1,315 |
| Total trade and other receivables (net) | 45,496 | 24,771 |

Credit terms for goods and services were within 30 days (2016: 30 days).

¹Includes amounts owing from June 2017 Business Activity Statement and GST amounts on accrued expenses as at 30 June 2017.

Accounting Policy

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Note 3.1C: Premiums and Recoveries Receivable

| | | |
|---|---------------|---------------|
| Premiums receivable | 13,440 | 12,662 |
| Reinsurance and other recoveries receivable | 2,050 | 571 |
| Total premiums and recoveries receivable | 15,490 | 13,233 |
| Total premiums and recoveries receivable (net) | 15,490 | 13,233 |

No indicators of impairment were found for premiums and recoveries receivable. Receivables past 90 days are not considered impaired as premiums are cancelled after this period if not paid.

Accounting Policy

Reinsurance Receivables

Reinsurance receivables are recorded at discounted estimated value on paid claims and incurred claims not yet paid and recognised as a reduction in the claims expense.

Note 3.1D: Investments

| | | |
|--------------------------|---------------|---------------|
| Deposits | 62,169 | 58,655 |
| Total investments | 62,169 | 58,655 |

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Notes to and forming part of the financial statements

3.2. Non-Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

| Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles for 2017 | | | | | | |
|--|----------------|--|--|---|---|-----------------|
| | Land \$'000 | Buildings - leasehold improvements \$'000 | Other property, plant & equipment \$'000 | Computer software internally developed \$'000 | Computer software purchased \$'000 | Total \$'000 |
| As at 1 July 2016 | | | | | | |
| Gross book value | - | 17,047 | 3,325 | 175,336 | 13,787 | 209,495 |
| Accumulated depreciation/amortisation and impairment | - | - | (1,663) | (103,388) | (11,955) | (117,006) |
| Total as at 1 July 2016 | - | 17,047 | 1,662 | 71,948 | 1,832 | 92,489 |
| Additions | | | | | | |
| Purchase or internally developed | - | 825 | 318 | 15,422 | - | 16,565 |
| Revaluations recognised in net cost of services | - | 2,004 | - | - | - | 2,004 |
| Revaluation increments | - | 121 | - | - | - | 121 |
| Impairments recognised in net cost of services | - | - | - | (96) | - | (96) |
| Depreciation/amortisation | - | (5,123) | (903) | (18,047) | - | (24,073) |
| Other Movements | - | (1) | 1 | 493 | (491) | 2 |
| Disposals | - | - | - | - | - | - |
| Other | - | - | (2) | - | - | (2) |
| Total as at 30 June 2017 | - | 14,873 | 1,076 | 69,720 | 1,341 | 87,010 |
| Total as at 30 June 2017 represented by | | | | | | |
| Gross book value | - | 15,054 | 3,602 | - | - | 18,656 |
| Fair value | - | 81 | - | - | - | 81 |
| Work in progress | - | - | - | - | - | - |
| Internally developed – in progress | - | - | - | 13,143 | - | 13,143 |
| Internally developed – in use | - | - | - | 177,523 | - | 177,523 |
| Purchased software | - | - | - | - | 12,900 | 12,900 |
| Accumulated depreciation/amortisation and impairment | - | (262) | (2,526) | (120,946) | (11,559) | (135,293) |
| Total as at 30 June 2017 | - | 14,873 | 1,076 | 69,720 | 1,341 | 87,010 |

Notes to and forming part of the financial statements

Accounting Policy

Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment (PP&E) are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,000 (with the exception of leasehold improvements where the threshold is \$50,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are material in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make-good' provisions in property leases taken up by DVA where there exists an obligation to restore the property to its original condition. These costs are included in the value of DVA's leasehold improvements with a corresponding provision for the 'make-good' recognised.

Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depend upon the volatility of movements in market values for the relevant assets. DVA's property, plant and equipment were last valued by independent valuers as at 30 June 2014. A full revaluation was performed by independent valuers as at 30 June 2017.

Revaluation adjustments are made on an asset class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Fair value for each class of asset are determined as shown below:

| Asset class | Fair value |
|-----------------------------|---|
| Land | Market selling price |
| Leasehold improvements | Depreciated replacement cost |
| Property, plant & equipment | Market selling price and depreciated replacement cost |

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to DVA using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

| Asset Class | 2017 | 2016 |
|------------------------------------|--|--|
| Buildings - Leasehold improvements | Lesser of estimated life or unexpired lease period | Lesser of estimated life or unexpired lease period |
| PP&E - Plant and furniture | 7-15 years | 7-15 years |
| PP&E - Office equipment | 1-12 years | 1-12 years |
| PP&E - Computer equipment | 1-12 years | 1-12 years |

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Notes to and forming part of the financial statements

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the assets recoverable amount is estimated and an impairment adjustment made if the assets recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the assets. Where the future economic benefit of an asset is not primarily dependent on the assets ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Intangibles

DVA's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of DVA's software is usually 2-17 years (2015-16: 2-17 years).

All software assets were assessed for indications of impairment as at 30 June 2017.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Note 3.2B: Other Non-Financial Assets | | |
| Prepayments | | |
| Information technology | 3,237 | 1,600 |
| Fire brigade and emergency services contributions | 344 | 965 |
| Rental agreements | 1,221 | 857 |
| Health care processing | 648 | 596 |
| Other prepayments | 556 | 193 |
| Total other non-financial assets | 6,006 | 4,211 |

No indicators of impairment were found for other non-financial assets.

Notes to and forming part of the financial statements

| 3.3. Payables | | |
|--|---------------|--------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Note 3.3A: Suppliers | | |
| Trade creditors and accruals | 20,297 | 14,132 |
| Lease Incentive | 7,713 | 9,325 |
| Total suppliers | 28,010 | 23,457 |
| Settlement is usually made within 30 days. | | |
| Note 3.3B: Unearned Premiums | | |
| Unearned premiums | 21,315 | 21,037 |
| Premium received in advance | 455 | 521 |
| Insurance agency revenue received in advance | 69 | 61 |
| Total unearned premiums | 21,839 | 21,619 |
| Accounting Policy | | |
| <u>Unearned Premiums</u> | | |
| The provision for unearned premiums represents the estimated proportion of premiums written in the current year relating to cover provided in the subsequent year. DSHIS's system allows for the unearned proportion to be calculated for each individual policy in accordance with AASB 1023 <i>General Insurance Contracts</i> . | | |
| <u>Revenue in Advance</u> | | |
| Revenue in advance is recognised where the revenue has been received prior to the period in which the revenue relates. DSHIS recognises revenue in advance at nominal value. | | |
| Note 3.3C: Other Payables | | |
| Wages and Salaries | 1,330 | 716 |
| Superannuation | 227 | 106 |
| Separation and redundancies | 852 | 1,099 |
| Operating leases straight-lining | 3,244 | 3,498 |
| Reinsurance premiums | 366 | 476 |
| Total other payables | 6,019 | 5,895 |

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Notes to and forming part of the financial statements

3.4. Provisions

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3.4A: Gross Outstanding Claims | | |
| Gross outstanding claims | 18,897 | 13,290 |
| Less: reinsurer's liability | (2,050) | (571) |
| Net outstanding claims | 16,847 | 12,719 |
| Outstanding claims expected to be settled | | |
| No more than 12 months | 16,227 | 11,710 |
| More than 12 months | 620 | 1,009 |
| Net outstanding claims | 16,847 | 12,719 |

DSHS has incurred claims during 2016-17 for which recoveries have and will be made in accordance with reinsurance treaties, which were in force at the date of loss. The effect of these treaties is taken into account in calculating the outstanding claims.

In determining the gross claims outstanding, the actuary has applied a prudential margin of 11% (2016: 11%), to a central estimate of the expected present value of future payments for claims incurred of \$18,896,640 (2016: \$13,290,030), resulting in a risk margin component of \$1,872,640 (2016: \$1,317,030).

Accounting Policy

Liability Adequacy Test and Unexpired Risk Liability

AASB 1023 *General Insurance Contracts* requires the application of a liability adequacy test upon unearned premiums. Where this test indicates that DSHS's unearned premiums are insufficient to cover the expected future claims under the policies associated with those premiums, the difference is recognised in the Statement of Comprehensive Income as an Unexpired Risk Liability. The result of this test indicates that DSHS unearned premiums are sufficient to cover expected future claims on unexpired policies at 30 June 2017 and as such, DSHS has recognised no movement (2016: nil) and an unexpired risk liability of nil (2016: nil). The probability of adequacy applied in the test is different to the probability of adequacy adopted in determining the outstanding claims liability. No specific guidance exists for the risk margin to be used in determining the adequacy of premium liabilities. The use of the 75% basis as a regulatory benchmark in Australia, is consistent with market practices.

DSHS has not taken into account the income from invested retained surpluses or agency commissions which are used to subsidise costs associated with the building insurance policy.

DSHS's unadjusted unearned premium liability as at 30 June 2017 was \$21,315,000 (2016: \$21,037,000) and future cash flows relating to future claims under the risk associated with those premiums as advised by DSHS's independent actuaries was \$19,470,00 (2016: \$18,121,000).

Outstanding Claims

The provision for outstanding claims has been determined on a case by case approach in respect of all claims reported. The liability for outstanding claims includes claims incurred but not yet paid, incurred but not reported (IBNRs), and incurred but not enough reported (IBNERs). The provision includes the expected administration costs of settling those claims. A report on the adequacy of the provision was prepared by independent actuaries as at 30 June 2017. The methods used to assess the outstanding liability were Projected Case Estimates (PCE) and Payment Per Claims Incurred (PPCI). This methodology meets Actuarial Standard PS 300 *Valuation of General Insurance Claims*.

Actuarial Methods

The methodology for the estimation of the net outstanding claims provision as at 30 June 2017 consists of:

- Predicting future claim payment cash flows in respect of claims incurred prior to 30 June 2017. Separate predictions by claim type (Liability, Catastrophe and Other) are made in respect of each combination of accident quarter and financial quarter of payment. The future cash flow predictions are derived from several actuarial models of the various claim processes. That is, actuarial models are constructed for numbers of claims reported, average payments per claim incurred, development of case estimates and payments as a proportion of case estimates. The results of the models are blended based on their individual characteristics to produce a single estimate of the outstanding claims.
- Initially all estimates are made in 30 June 2017 dollars, but subsequently are increased to allow for inflation from that date to the date of payment.

Notes to and forming part of the financial statements

c) Liability for outstanding claims is estimated by:

- discounting these inflated claim payments to allow for investment return at risk free rates;
- adjusting for the effect of GST; and
- adding an allowance to provide for associated claims administration expenses.

d) Gross and net liabilities are derived by making adjustments for both third party recoveries and reinsurance recoveries.

e) The estimate of liability is increased by a prudential margin.

Actuarial Assumptions

The following assumptions have been made in determining the net outstanding claims provision as at 30 June 2017:

- a) Inflation rates: 3.37% for 2016-17;
- b) Discount rates: 1.63% for 2016-17;
- c) Claims administration expenses (CAE): 5% of gross outstanding claims liability;
- d) Superimposed inflation: approximately 6.1% p.a. in the actuarial model with explicit superimposed inflation assumption;
- e) Prudential margin: 11% of central estimate (including CAE) of outstanding claims liability for 75% probability of sufficiency;
- f) Number of claims for the 2016-17 accident year: approximately 8,378; and
- g) Average claim size (in actual values) for the 2016-17 accident year (net of all recoveries): approximately \$3,728.

The following assumptions were made in determining the net outstanding claims provision as at 30 June 2016:

- a) Inflation rates: 3.37% for 2015-16;
- b) Discount rates: 1.64% for 2015-16;
- c) Claims administration expenses (CAE): 5% of gross outstanding claim payments;
- d) Superimposed inflation: approximately 6.1% p.a. in the actuarial model with explicit superimposed inflation assumption;
- e) Prudential margin: 11% of central estimate (including CAE) of liability for 75% probability of sufficiency;
- f) Number of claims for the 2015-16 accident year: approximately 7,346; and
- g) Average claim size (in actual values) for the 2015-16 accident year (net of all recoveries): approximately \$3,377.

Process for Determining Assumptions

The process for determining each of the assumptions is as follows:

- a) Inflation rates: are taken as an average of CPI (housing) and AWE inflation expectations which are based on internal and external forecast of future rate;
- b) Discount rates: derived from a yield curve fitted to the actual yields on Commonwealth Government bonds as at 30 June 2017;
- c) Claims administration expenses: assumed based on industry experience;
- d) Superimposed inflation: derived from actuarial models based on the long term average of past experience for all non-catastrophe claims;
- e) Prudential margin: selected based on analysis of historical variability within the portfolio;
- f) Number of claims in 2016/17 accident year: derived from actuarial models of past claim reporting patterns; and
- g) Average claim size (in actual values) for 2016/17 accident year: derived as an outcome of all the actuarial models blended to form adopted estimates of outstanding claims and hence total ultimate costs and average claim sizes.

Insurance Risk Management

Insurance risk management policies and practices are disclosed at Note 7.2E – Risk Management.

Process for Determining Risk Margin

The risk margin required for a 75% level of sufficiency has been estimated using various statistical modelling techniques applied to the claim data. An actuarial model (the "chain ladder") has been fitted to 10,000 simulated claim data sets to determine 10,000 estimates of the outstanding claims and hence an approximate distribution of those amounts. The analysis is on the basis prescribed by the Australian Prudential Regulation Authority (APRA) in that it ignores asset risk but takes into account liability risk, including the inflation risk.

Notes to and forming part of the financial statements

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 3.4B: Other Provisions | | |
| Provision for restoration obligations | 3,217 | 2,918 |
| Total other provisions | 3,217 | 2,918 |

Reconciliation of other provisions

| | Provision for restoration on leased property \$'000 |
|--|---|
| As at 1 July 2016 | 2,918 |
| Additional provisions made | 241 |
| Unwinding of discount or change in discount rate | 58 |
| Total as at 30 June 2017 | 3,217 |

DVA currently has 20 agreements for the leasing of premises which have provisions requiring DVA to restore the premises to their original condition at the conclusion of the lease. DVA has made a provision to reflect the present value of this obligation.

Notes to and forming part of the financial statements

4. Assets and Liabilities Administered on Behalf of the Government

This section analyses assets used to conduct its operations and the operating liabilities incurred as a result DVA does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered - Financial Assets

| | 2017 | 2016 |
|---|------------|------------|
| | \$'m | \$'m |
| Note 4.1A: Cash and Cash Equivalents | | |
| Cash on hand or on deposit | 56 | 38 |
| Cash in special accounts | 21 | 9 |
| Total cash and cash equivalents | 77 | 47 |
| Note 4.1B: Receivables | | |
| Pensions ¹ | 50 | 54 |
| Statutory receivables ² | 4 | 5 |
| Other receivables | 29 | 55 |
| Total receivables (gross) | 83 | 114 |
| Less Impairment allowance | | |
| Pensions | (4) | (3) |
| Total impairment allowance | (4) | (3) |
| Total receivables (net) | 79 | 111 |

¹DVA recovers overpayments of pensions in accordance with relevant legislative requirements.

²Includes amounts owing from June 2017 Business Activity Statement and GST amounts on accrued expenses as at 30 June 2017.

Reconciliation of the Impairment Allowance

Movements in relation to 2017

| | Pensions | Other receivables | Total |
|---|----------|-------------------|----------|
| | \$'m | \$'m | \$'m |
| As at 1 July 2016 | 3 | - | 3 |
| Increase recognised in net cost of services | 1 | - | 1 |
| Total as at 30 June 2017 | 4 | - | 4 |

Movements in relation to 2016

| | Pensions | Other receivables | Total |
|---------------------------------|----------|-------------------|----------|
| | \$'m | \$'m | \$'m |
| As at 1 July 2015 | 4 | - | 4 |
| Amounts written off | (1) | - | (1) |
| Total as at 30 June 2016 | 3 | - | 3 |

Accounting Policy

Receivables

Where receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised through the statement of comprehensive income.

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| | 2017 \$'m | 2016 \$'m |
|--|--------------|--------------|
| Note 4.1C: Equity Accounted Investments | | |
| Investment in Commonwealth authorities | | |
| Australian War Memorial ¹ | 1,430 | 1,319 |
| Total investments accounted for using the equity method | 1,430 | 1,319 |

¹The value shown for the Australian War Memorial is at fair value and is based upon the audited net asset position as at 30 June 2017.

The Commonwealth owns 100% of the investment in the Australian War Memorial whose principal activity is to commemorate the sacrifice of those Australians who have died in war. It does this by assisting Australians to remember, interpret and understand the Australian experience of war and its enduring impact on Australian society.

Accounting Policy

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments, other than those held for sale are classified as available-for-sale and are measured at their fair value as at 30 June 2017. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entities as at end of reporting period.

4.2. Administered - Non-Financial Assets

Note 4.2A: Reconciliation of the Opening and Closing Balances of Buildings

| Reconciliation of the opening and closing balances of buildings for 2017 | | |
|--|-------------------|---------------|
| | Buildings \$'m | Total \$'m |
| As at 1 July 2016 | | |
| Gross book value | 5 | 5 |
| Accumulated depreciation and impairment | - | - |
| Total as at 1 July 2016 | 5 | 5 |
| Additions | | |
| Purchase or internally developed | - | - |
| Total as at 30 June 2017 | 5 | 5 |
| Total as at 30 June 2017 represented by | | |
| Gross value | | |
| Fair value | - | - |
| Work in progress | 5 | 5 |
| Accumulated depreciation and impairment | - | - |
| Total as at 30 June 2017¹ | 5 | 5 |

¹The \$5 million administered non-financial asset is related to the initial cost of the Sir John Monash Centre, appropriated to DVA in 2014-15. In accordance with the Government decision, Department of Defence provides capital funding for the construction of the Sir John Monash Centre over financial years from 2015-16 to 2018-19. Once the project is completed, the total asset balance of approximately \$88.5 million will be transferred to DVA's ledger.

The fair value measurement of the financial and non-financial assets are disclosed in the above notes.

Notes to and forming part of the financial statements

| 4.3. Administered - Payables | | |
|---|--------------|--------------|
| | 2017 | 2016 |
| | \$'m | \$'m |
| Note 4.3A: Personal Benefits Payables | | |
| Direct | | |
| Pension accruals | 173 | 150 |
| Total personal benefits payables | 173 | 150 |
| Accounting Policy | | |
| Pension and compensation payments are paid in arrears following an entitlement period and any amounts determined as payable but unpaid as at 30 June 2017 are included as Administered Personal Benefits Payable. | | |
| Note 4.3B: Health Care Payables | | |
| Indirect | | |
| Health services | 47 | 60 |
| Total health care payables | 47 | 60 |
| 4.4. Administered - Provisions | | |
| | 2017 | 2016 |
| | \$'m | \$'m |
| Note 4.4A: Personal Benefit Provisions | | |
| Military compensation | 7,099 | 6,737 |
| Total personal benefit provisions | 7,099 | 6,737 |
| Personal benefit provisions expected to be settled | | |
| No more than 12 months | 496 | 412 |
| More than 12 months | 6,603 | 6,325 |
| Total personal benefit provisions | 7,099 | 6,737 |
| Note 4.4B: Health Care Provisions | | |
| Military compensation | 3,855 | 3,191 |
| Outstanding Treatment Accounts System (TAS) claims | 160 | 161 |
| Repatriation Pharmaceutical Benefits Scheme (RPBS) | 16 | 24 |
| Hospitals | 59 | 55 |
| Total health care provisions | 4,090 | 3,431 |
| Total health care provisions expected to be settled | | |
| No more than 12 months | 354 | 338 |
| More than 12 months | 3,736 | 3,093 |
| Total personal benefit provisions | 4,090 | 3,431 |

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Notes to and forming part of the financial statements

| | Personal benefits | Health care | | | |
|---------------------------------|-----------------------|-----------------------|------------------------|-----------|-----------|
| | Military compensation | Military compensation | Outstanding TAS claims | RPBS | Hospitals |
| | \$'m | \$'m | \$'m | \$'m | \$'m |
| As at 1 July 2016 | 6,737 | 3,191 | 161 | 24 | 55 |
| Actuarial changes in provisions | 557 | 903 | - | - | - |
| Increase in provisions | 681 | 303 | 160 | 16 | 59 |
| Claims paid during the year | (498) | (111) | (161) | (24) | (55) |
| Unwinding of discount | 112 | 63 | - | - | - |
| Change in interest rate | (489) | (494) | - | - | - |
| As at 30 June 2017 | 7,099 | 3,855 | 160 | 16 | 59 |

Accounting Policy

Military Compensation Provision

The military compensation provision represents an estimate of the present value of future payments in respect of claims under the *Military Rehabilitation and Compensation Act 2004* (MRCA) and the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) arising from service rendered before 30 June 2017. These claims may not be reported until many years after the event and subsequent payments for income support, health and rehabilitation services can extend over a long period of time. The injury profile within the schemes creates dynamic expenditure patterns. Some injuries can be of a temporary nature and give rise to a short term obligation for compensation while others may result in long term entitlements. Historically, expenditure has been highest in the earlier years after the incident giving rise to the claim for compensation, however the on-going entitlement to income support and treatment means that the liability has a long tail with payments expected to be made for the next 50 or more years. Entitlements are still being paid by DVA for dependants of World War 1 veterans, World War 2 veterans and their dependants.

Many sources of uncertainty exist when estimating a "long tail" provision. There are some inherent sources of uncertainty which arise from:

- differences between the actuarial models, methods and assumptions used to estimate the provision and the underlying claims process;
- historical data which may be inaccurate, incomplete or exhibit volatile claims trends;
- differences between the economic and environmental conditions assumed to prevail in future and actual outcomes; and
- the random element in the claims process whereby claim frequency, timing and magnitude cannot be determined with certainty, even if the model and its parameters are accurate.

There are also a range of factors which can complicate the process of setting assumptions, including:

- changing trends in long term incapacity exit rates;
- changes in service delivery which may accelerate or slow down the development and recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment; and
- medical and technological developments.

In the case of the military compensation provisions, there are also specific sources of uncertainty arising from the nature of the schemes and the data available:

- the longer lag time between injury and claim, compared with other workers' compensation schemes, presents difficulties in setting assumptions for recent accident years;
- the very long tail in payments means that the estimate of the liability is particularly sensitive to changes in the discount rate;
- the move from SRCA to MRCA is likely to have distorted the claims experience over the transition period, with a jump in SRCA claims immediately prior to closure and markedly lower than expected numbers of MRCA claims in the first few years of its operation;
- the higher level of operational deployments of the Australian defence forces for most of the last decade and a half has also almost certainly led to some distortion of claims reporting; and

- MRCA is far from fully mature with experience available for analysis limited to a maximum of twelve and a half years after the injury date. This needs to be compared with SRCA experience which indicates that payments can extend out to 50 years or more after the injury. While it is necessary to rely on SRCA experience for these later development years in setting many MRCA assumptions, there is increasingly compelling evidence that the claims experience under the two schemes may not be consistent for some heads of damage.

All of these factors create uncertainty around the assumptions adopted for future claims and the resulting estimate of the provision.

For SRCA, the 2017 liability estimate was very close to what was projected last year, with the difference on a constant 6% discount rate basis, amounting to less than 1%. When disaggregated by individual heads of damage, the variances were somewhat larger, and the closeness of the overall result should not be interpreted as indicating certainty about future outcomes. In particular, the trajectory of future claim numbers under SRCA remains subject to considerable uncertainty.

For MRCA, significant uncertainty arises not only from the difficulty of setting assumptions for an immature scheme in a changing operational environment, but also from the limitations of the data available for analysis. In particular, the fact that payments are recorded by individual rather than the injury giving rise to the payment and that a substantial proportion of medical and other care transactions are now made using a repatriation health card, means that approximations need to be made that add uncertainty to the estimation process. This uncertainty is likely to be an ongoing feature of the MRCA provision into the future. Given the short history of the scheme and the distortions in experience as a result of deployments over the last decade and a half, the estimate of the liability necessarily relies on SRCA experience in setting assumptions regarding the development of claims at durations for which there is no MRCA data. However, as noted above, there is increasing evidence that the experience may be different under the two schemes, and MRCA data is now being used to set assumptions for the development years where experience is available.

The estimate of the MRCA liability as at 2017 derived from the 2016 valuation is around 20% higher than was projected last year (on a constant 6% discount rate basis). The 2016 liability estimate included a \$500m margin to allow for the possibility that the data to June 2015, on which the estimate was based, did not adequately represent the latest experience for permanent impairment and medical outlays. Analysis of more recent data, suggests this was a substantial underestimate of the potential impact of the changes in experience on the liability. Both of these heads of damage have seen very high growth in outlays over the last few years. Assumptions underpinning the 2017 liability estimate have been based on unit record data to 31 December 2016 and are thus more contemporaneous than was the case in 2016 and no additional margin has been included. However, the size and persistence of the growth in MRCA outlays remains a very substantial source of uncertainty around the MRCA liability estimate. Furthermore, it will be a number of years before any significant stabilisation becomes apparent in the data. As such, the present uncertainty will persist. For MRCA, the additional uncertainty associated with the immaturity of the scheme and the distortions in early claims experience will be a feature of the analysis for a decade or more. The scheme liabilities will continue to be reviewed annually while the experience remains unstable.

The value of the provision represents the estimate of the present value of expected future payments against claims incurred (though potentially not reported) at the reporting date. The estimation of the liability in respect of claims which have not yet been received by DVA is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to DVA, where more information about the claim event is likely to be available. However, the nature of the compensation provided, including long term income support and lifetime coverage of relevant medical costs, means that there remains substantial uncertainty around even the latter category of claims.

The military compensation provision is recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

The Australian Government Actuary (AGA) was engaged to provide an estimate of the provision as at 30 June 2017 for the estimated cost of claims incurred, but not necessarily reported, at the reporting date.

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For the purpose of estimating the provisions the different types of obligations are categorised and labelled as heads of damage. AGA analyses the experience under six heads of damage:

- incapacity payments, split between short term and long term payments;
- permanent impairment, including non-economic loss;
- medical;
- rehabilitation;
- death; and
- other payments, split between medical and legal expenses on the one hand and attendant and household care services on the other.

In calculating the estimated cost of future claims, a variety of estimation techniques are used, generally based upon statistical analyses of historical experience. Implicitly the valuation assumes that the development pattern of the current and future claims will be consistent with the trends apparent in recent experience.

Assumptions

The 30 June 2017 liability estimates are based on the results of the full valuation of the Military Compensation Scheme as at 30 June 2016. This valuation drew on unit record data to 31 December 2016 in setting assumptions. The following key assumptions are made in calculating the provision:

- numbers of new incapacity episodes are based on observed claim rates and survival rates are used to project the duration of these episodes, including the proportion of claimants who will progress to long term status. The assumed survival rates vary by age;
- the incapacity exit rates (the rates at which people who have been in receipt of incapacity payments for more than twelve months will exit from payment) vary by age at commencement and have been set by reference to observed rates of exit over the three calendar years from 2014 to 2016;
- SRCA data can be used as the starting point in setting assumptions for MRCA at durations where MRCA experience is not yet available or is unreliable, but MRCA experience should be used where it is available. This is a key difference from the approach taken in previous years where MRCA assumptions were based on SRCA experience with modifications;
- transition probabilities that take account of the individual histories of usage of medical services for up to four years previously can be used to project the number of MRCA claimants who will have medical expenditure in future years
- an allowance is made for payment inflation at rates higher than general price inflation (superimposed inflation) for most heads of damage as shown below;
- where there has been a sustained growth in usage rates, this is generally assumed to continue in the short term, though at a declining rate;
- payments will be made over an extended period (over 50 years); and
- future payments are discounted using interest rates based on a yield curve derived from the yields on Commonwealth bonds of various durations as at 30 June 2017 and extrapolated over the expected payment period (over 50 years);

In accordance with the accounting standards, the provision is calculated by discounting future payments using a yield curve derived from the yields on Commonwealth bonds of various durations as at 30 June 2017. The interest rates forming the yield curve vary from 1.6% in year 1 to a forward rate of 4.6% beyond year 40. These rates are higher than the comparable rates in 2016 (1.5% in year 1 to 3.9% beyond year 40) and this results in a reduction in the provision of almost \$1 billion.

This reverses the experience of the previous two years, where falling yields have led increases of over \$700m between 2014 and 2015 and \$1.4 billion between 2015 and 2016. The use of the yield curve for discounting purposes is likely to result in continuing volatility in the estimated provision. The impact of these movements and other movements in the provision is reflected in the Administered Statement of Comprehensive Income.

Superimposed inflation represents an estimate of how costs are estimated to increase over and above normal inflation rates. For example, while the legislation provides for permanent impairment payments to be indexed in line with the CPI, in practice average payments for SRCA have grown substantially faster. DVA has therefore allowed for a margin over the standard CPI assumption of 2.5% growth per annum for most heads of damage.

The estimates of the combined nominal rates of inflation (that is, normal inflation plus superimposed inflation) for each head of damage are below:

- short-term incapacity payments – 4.0% (2015-16: 4.0%);
- permanent impairment and non-economic loss (SRCA) – 5.0% (2015-16: 5.0%);
- permanent impairment (MRCA) – 2.5% (2015-16: 2.5%);
- medical – 4.0% (2015-16: 4.0%);
- rehabilitation (SRCA) – 5.0% (2015-16: 5.0%);
- rehabilitation (MRCA) – 4.0% (2015-16: 4.0%);
- death (SRCA) – 4.0% (2015-16: 4.0%);
- death (MRCA) – 2.5% (2015-16: 2.5%);
- other (Medical) (SRCA) – 5.0% (2015-16: 5.0%);
- other (Legal) (SRCA) – 3.0% (2015-16: 3.0%);
- other (Medical) (SRCA) – 6.0% (2015-16: 3.0%);
- other (Legal) (SRCA) – 3.0% (2015-16: 3.0%);
- other (Medical and Legal) (MRCA) – 6.0% (2015-16: 6.0%); and
- other (Household and Attendant Care) – 4.0% (2015-16: 4.0%).

Account Adjustments

The actuary obtains a balance date estimate for the current year by applying roll-forward factors to a full valuation at 30 June of the preceding financial year. Adjustments are identified to the balances of the provision previously reported.

The adjustments for the last two years are explained below:

Reconciliation of Provision

| | 2017 | 2016 |
|--|---------------|--------------|
| | \$m | \$m |
| Projected Liability at beginning of financial year | 9,928 | 7,443 |
| <i>Changes in estimated liability of head of damage</i> | | |
| Incapacity | 325 | (37) |
| Permanent impairment (PI) / non-economic loss | 221 | 139 |
| Medical | 867 | 211 |
| Attendant care and household services/ Medical examinations | 7 | 38 |
| Other | 41 | (5) |
| | 1,461 | 346 |
| Revised Projected Liability at beginning of financial year | 11,388 | 7,789 |
| <i>Roll forward adjustment</i> | | |
| Notional premiums | 983 | 601 |
| Payments | (610) | (512) |
| Imputed interest | 175 | 148 |
| Projected Liability at 30 June before change in interest rate | 11,937 | 8,026 |
| Change in interest rate | (983) | 1,401 |
| Projected Liability at 30 June | 10,954 | 9,428 |
| Additional liability margin (PI & Medical) | - | 500 |
| Reported Liability at 30 June | 10,954 | 9,928 |

The movement in the liability is the net effect of changes in modelling and assumptions as a result of analysis of new data that was not available as at 30 June 2016, the allowance for liabilities incurred or met over 2016-17 and the impact of the increase in yields between 30 June 2016 and 30 June 2017.

In terms of modelling and assumption changes, the major factors are:

- an increase in forecast incapacity costs of \$325m in total across both SRCA and MRCA, due primarily to a changed approach to modelling incapacity which has resulted in an increase in the estimated number of future incapacity episodes. Lower than expected payment inflation rates have partially offset the impact of higher numbers;

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- an increase in the permanent impairment liability for MRCA of \$209m, as a result of basing claim rates on MRCA experience rather than adjusted SRCA experience (note that \$221m in the table above covers both MRCA and SRCA); and
- an increase in the MRCA medical liability of \$932m, primarily attributable to the implementation of a transition probability approach for simulating whether claimants will have medical expenditure in future years (note that \$867m in the table above covers both MRCA and SRCA).

It should be noted that the estimate of the liability at the beginning of each year has been calculated using the yield curve for Commonwealth Government securities that applied at that time. Similarly, the notional premium and interest cost are calculated using the yield curve applying at the opening balance date.

Discount Rate

The provision is calculated by the AGA as the discounted value of future cashflows. Cashflows are assumed to extend over a period of more than 50 years and, as a result, the estimate of the provision is very sensitive to the interest rate used for discounting. The choice of discount rate, while not affecting the projected future cash flows themselves, will alter the present value assigned to those cash flows, and hence the estimate of the liability.

Since 2012-13 DVA has adopted a yield curve derived from the yield of Commonwealth bonds of varying duration, for the purposes of discounting estimated future cashflows. For the preparation of the 2015-16 Financial Statements, DVA has used a yield curve derived from the yields on Commonwealth Government securities as at 30 June 2016.

If the yield curve as at 30 June 2016 (rolled forward to 2017) continued to be used the liability would increase to \$11,937m. Alternatively if the long term discount rate used in the 2016 actuarial review (6.0%) was used, the estimated liability at 30 June 2017 would reduce to \$7,816m.

Sensitivity Analysis

Given the changes in experience observed over recent years, there is necessarily considerable uncertainty around the assumptions to be adopted. This is particularly the case in respect of the three biggest heads of damage: incapacity, permanent impairment and medical expenditure. The AGA has provided some advice on the sensitivity of the liability estimate to some of the key assumptions for these heads of damage.

Incapacity

Exit rates from incapacity declined substantially over the decade to 2014. There has been a slight increase in exit rates over the two subsequent years but they remain well below the rates that applied a decade ago. To illustrate the sensitivity of the liability to relatively small changes in exit rates, a scenario incorporating higher exit rates has been modelled. Under this scenario, it is assumed that 10% fewer short term recipients aged less than 50 will reach the 12 month duration and transition to long term status, while exit rates for long term recipients aged less than 35 will increase by 20%. The estimated liability for incapacity payments under this scenario reduces by around 8%, from \$4,556m to \$4,178m.

Permanent Impairment

While the claim rates for MRCA permanent impairment have been increased based on the experience over the 2015 and 2016 calendar years, the cashflows projected by AGA for 2016-17 were still around 10% lower than the actual outlays for the year. Allowing for a further increase in claim rates, in line with the growth that has been observed over the last decade, brings the projected expenditure for the year to within \$5m of the actual outcome. This has the effect of increasing the liability by around 10%, from \$1,509m to \$1,652m.

Accrued Component of Medical Liabilities

The approach to modelling the MRCA medical head of damage relies on an assumption around the proportion of future outlays for claimants with at least one incident predating the valuation date that relate to those incidents. That is, it is assumed that a proportion of future expenditure for those claimants will relate to incidents after the valuation date and, hence, does not form part of the accrued liability. However, the available data does not support attribution of MRCA expenditure to individual claims and there is thus significant uncertainty around this assumption. Assuming that all of the future expenditure relates to claims already incurred, which provides an

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upper bound on the sensitivity to this assumption, results in an increase in the MRCA medical liability of around 12%, from \$2,644m to \$2,955m.

Veterans' Entitlement Act 1986 (VEA)

No provision is calculated for future payments under the VEA as this Act differs in nature from both MRCA and SRCA.

Outstanding Treatment Accounts System (TAS) claim provision

The Outstanding TAS claims provision is an estimate of the liability outstanding for payment of eligible treatment claims on the TAS as at 30 June 2016. An estimation methodology has been applied for calculating the approximate amount of outstanding claims which will be paid in future years. This provision is not discounted as all amounts are expected to be paid within the next financial year.

Repatriation Pharmaceutical Benefits Scheme (RPBS) provision

The RPBS provision is an estimate of the liability outstanding for payment of eligible claims on the RPBS as at 30 June 2016. An estimation methodology has been applied for calculating the amount of outstanding claims which will be paid in future years. This provision is not discounted as all amounts are expected to be paid within the next financial year.

Provisions for payments to hospitals

A provision has been made for outstanding eligible hospital payments. Due to the uniqueness of each state's approach to the delivery of health care services in public institutions there is an element of uncertainty in the provision. Specifically, DVA funds veteran services in the state public hospital sector on the basis of estimating the expected cost, advancing funds based on that estimate and then receiving data after services have been provided. The data may be received well after the services have been delivered and is a consequence of the delays in the information flows from state health departments and ongoing contract management issues, which may give rise to adjustments. DVA attempts to mitigate the uncertainty through analysis of prior year trends and monitoring price movements for diagnostic related groups. This gives DVA confidence that the uncertainty is kept within manageable bounds and will not cause any material misstatement.

This provision is not discounted as all amounts are expected to be paid within the next financial year.

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5. Funding

This section identifies DVA's funding structure.

5.1. Appropriations

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

| | Annual appropriation ¹ \$'000 | Adjustments to appropriation ² \$'000 | Total appropriation \$'000 | Appropriation applied in 2017 (current and prior years) \$'000 | Variance ³ \$'000 |
|-------------------------------------|---|---|-------------------------------|---|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 306,494 | 7,222 | 313,716 | (303,321) | 10,395 |
| Capital Budgets ⁴ | 13,282 | - | 13,282 | (10,566) | 2,716 |
| Other services | 19,562 | - | 19,562 | (12,740) | 6,822 |
| Equity | 339,338 | 7,222 | 346,560 | (326,627) | 19,933 |
| Total departmental | | | | | |
| Administered | | | | | |
| Ordinary annual services | 108,653 | - | 108,653 | (79,131) | 29,522 |
| Administered items | 42,720 | - | 42,720 | (42,720) | - |
| Payments to Australian War Memorial | 7,154 | - | 7,154 | (7,154) | - |
| Other services | 158,527 | - | 158,527 | (129,005) | 29,522 |
| Total administered | | | | | |

1. In accordance with Section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the access to the following funds is to be permanently withheld.

(a) In 2015-16, \$0.211 million funds were quarantined from the Administered Appropriations Act 3 as a result of the Movement of Funds process. They were related to the War Graves and Commemorations program.

(b) In 2016-17, \$1.117 million funds were quarantined from the Administered Appropriations Act 1 as a result of the Movement of Funds process. They were related to the War Graves and Commemorations program.

2. The adjustments to appropriation of \$7,222 million were related to the PGPA Act Section 74 receipts for 2016-17.

3. The variance of the ordinary annual services predominately reflects timing differences associated with the payment of beneficiaries and suppliers. The variance of the Departmental Capital Budgets and Equity is due to the timing of investment activities.

4. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5) and Supply Act (No.1). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

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Note 5.1A: Annual Appropriations ('Recoverable GST exclusive') (continued)

Annual Appropriations for 2016

| | Annual appropriation ¹ \$'000 | Adjustments to appropriation ² \$'000 | Total appropriation \$'000 | Appropriation applied in 2016 (current and prior years) \$'000 | Variance ³ \$'000 |
|-------------------------------------|---|---|-------------------------------|---|---------------------------------|
| Departmental | | | | | |
| Ordinary annual services | 303,097 | 8,627 | 311,724 | (302,115) | 9,609 |
| Capital Budgets ⁴ | 13,317 | - | 13,317 | (8,007) | 5,310 |
| Other services | | | | | |
| Equity | 1,189 | - | 1,189 | (1,189) | - |
| Total departmental | 317,603 | 8,627 | 326,230 | (311,311) | 14,919 |
| Administered | | | | | |
| Ordinary annual services | | | | | |
| Administered items | 88,663 | - | 88,663 | (71,988) | 16,675 |
| Payments to Australian War Memorial | 44,073 | - | 44,073 | (42,473) | 1,600 |
| Other services | | | | | |
| Administered assets and liabilities | - | - | - | (2,117) | (2,117) |
| Payments to Australian War Memorial | 7,472 | - | 7,472 | (7,472) | - |
| Total administered | 140,208 | - | 140,208 | (124,050) | 16,158 |

1. In accordance with Section 51 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the access to the following funds is to be permanently withheld.

(a) In 2014-15, \$0.704 million funds were quarantined from the Departmental Appropriations Act 2 as a result of the Movement of Funds process in relation to the Information Technology Infrastructure program. (b) In 2014-15, \$1.507 million funds were quarantined from the Administered Appropriations Act 1 as a result of the Movement of Funds process. They were mostly related to the Veterans' Disability Support program. In 2015-16, \$4.113 million funds were quarantined from the Administered Appropriations Act 1 as a result of the Movement of Funds process. They were related to the War Graves and Commemorations program. (c) In 2014-15, \$4.520 million funds were quarantined from the Administered Appropriations Act 1 and \$0.869 million funds were quarantined from the Administered Appropriations Act 3. They were all related to the return of unspent appropriations.

2. The adjustments to appropriation of \$8.627 million were related to the PGPA Act Section 74 receipts for 2015-16.

3. The variance of the ordinary annual services predominately reflects timing differences associated with the payment of beneficiaries and suppliers. The variance of the Departmental Capital Budgets is due to the timing of investment activities.

4. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No. 1.3.5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

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Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when DVA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Departmental | | |
| Appropriation Act (No. 1) 2015-16 ¹ | - | 11,201 |
| Appropriation Act (No. 1) 2015-16 (DCB) | - | 7,472 |
| Appropriation Act (No. 3) 2015-16 | - | 11,159 |
| Appropriation Act (No. 1) 2016-17 ¹ | 31,305 | - |
| Appropriation Act (No. 1) 2016-17 (DCB) | 4,654 | - |
| Appropriation Act (No. 2) 2016-17 | 6,555 | - |
| Appropriation Act (No. 3) 2016-17 | 153 | - |
| Appropriation Act (No. 4) 2016-17 | 267 | - |
| Supply Act (No. 1) 2016-17 (DCB) | 5,534 | - |
| Total departmental | 48,468 | 29,832 |
| Administered | | |
| Appropriation Act (No. 2) 2014-15 | 179 | 179 |
| Appropriation Act (No. 1) 2015-16 | 2,149 | 2,465 |
| Appropriation Act (No. 3) 2015-16 | 362 | 1,036 |
| Appropriation Act (No. 1) 2016-17 | 9,077 | - |
| Appropriation Act (No. 3) 2016-17 | 4,972 | - |
| Total administered | 16,739 | 3,680 |

¹Departmental: *Appropriation Act (No. 1) 2016-17* includes closing cash balance of \$6,413,000. *Appropriation Act (No. 1) 2015-16* includes closing cash balances of \$7,711,000.

Note 5.1C: Special Appropriations ('Recoverable GST exclusive')

| | Appropriation applied | |
|---|-----------------------|-------------------|
| | 2017 \$'000 | 2016 \$'000 |
| Authority | | |
| <i>Veterans' Entitlements Act 1986</i> , s.199, Administered | 9,912,957 | 10,445,571 |
| <i>Papua New Guinea (Members of the Forces Benefits) Act 1957</i> , s.84A, Administered | 11 | 36 |
| <i>Defence Service Homes Act 1918</i> , s.41, Administered | 837 | 1,078 |
| <i>Safety, Rehabilitation and Compensation Act 1988</i> , s.160, Administered | 181,823 | 158,887 |
| <i>Military Rehabilitation and Compensation Act 2004</i> , s.423, Administered | 449,694 | 380,268 |
| <i>Australian Participants in British Nuclear Tests (Treatment) Act 2006</i> , s.49, Administered | 371 | 345 |
| <i>Compensation (Japanese Internment) Act 2001</i> , s.5, Administered | - | 25 |
| Investment of public money: <i>Public Governance, Performance and Accountability Act 2013</i> , s.58, Departmental and Administered | 11,547 | 11,476 |
| Total | 10,557,240 | 10,997,686 |

Notes to and forming part of the financial statements

Note 5.1D: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

| | Department of Social Services | Department of Defence |
|----------------|----------------------------------|--------------------------|
| | \$'000 | \$'000 |
| 2017 | | |
| Total receipts | 51,081 | 73,721 |
| Total payments | (50,999) | (73,506) |
| | | |
| | Department of Social Services | Department of Defence |
| | \$'000 | \$'000 |
| 2016 | | |
| Total receipts | 53,365 | 74,899 |
| Total payments | (53,363) | (74,633) |

DVA is authorised by the Department of Social Services (DSS) to make payments on behalf of DSS in relation to DSS pensions.

DVA is authorised by the Department of Defence to make payments under *Defence (Home Loans Assistance) Act 1990* and *Defence Home Ownership Assistance Scheme Act 2008*.

Payments are made from appropriations administered by other agencies. The related revenue, expense, assets, liabilities and cash flows are disclosed in the financial statements of the relevant government agency which is responsible for the outcomes to which the items relate.

Notes to and forming part of the financial statements

5.2. Special Accounts

Note 5.2A: Special Accounts ('Recoverable GST exclusive')

| | Australians at War Special Account (Special Public Money) ¹ | | Military Death Claim Compensation Special Account (Special Public Money) ² | | Defence Service Homes Insurance Account (Departmental) ³ | | Services for Other Entities and Trust Moneys Special Account - Department of Veterans' Affairs ⁴ | | Anzac Centenary Public Fund Special Account ⁵ | |
|---|---|------------|--|----------------|--|-----------------|---|--------------|--|-----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance brought forward from previous period | 289 | 265 | 165 | 145 | 2,171 | 2,412 | 216 | 218 | 9,399 | 10,955 |
| Increases | | | | | | | | | | |
| Royalties received | 6 | 24 | - | - | - | - | - | - | - | - |
| Realised investments | - | - | 1,590 | 1,730 | 6,563 | 6,344 | - | - | - | - |
| Premiums received | - | - | 35 | 44 | 42,762 | 42,143 | - | - | - | - |
| Other receipts | - | - | 26 | 48 | 4,697 | 6,731 | 73 | 147 | 12,137 | 22,594 |
| Total increases | 6 | 24 | 1,651 | 1,822 | 54,022 | 55,218 | 73 | 147 | 12,137 | 22,594 |
| Available for payments | 295 | 289 | 1,816 | 1,967 | 56,193 | 57,630 | 289 | 365 | 21,536 | 33,549 |
| Decreases | | | | | | | | | | |
| Departmental | | | | | | | | | | |
| Claim payments | - | - | - | - | (28,392) | (29,988) | - | - | - | - |
| Reinsurance premiums paid | - | - | - | - | (7,055) | (7,441) | - | - | - | - |
| Other payments | - | - | - | - | (8,027) | (8,064) | - | - | - | - |
| Total departmental | - | - | - | - | (43,474) | (45,493) | - | - | - | - |
| Special Public Money | | | | | | | | | | |
| Payments made for ad-hoc requests | - | - | (5) | (3) | - | - | - | - | - | - |
| Payments made to beneficiaries on attaining 18 years of age | - | - | (262) | (289) | - | - | - | - | - | - |
| PGPA Act section 58 investments | - | - | (1,470) | (1,510) | (10,077) | (9,966) | - | - | - | - |
| Other payments made | (295) | - | - | - | - | - | (119) | (149) | (670) | (24,150) |
| Total special public money | (295) | - | (1,737) | (1,802) | (10,077) | (9,966) | (119) | (149) | (670) | (24,150) |
| Total decreases | (295) | - | (1,737) | (1,802) | (53,551) | (55,459) | (119) | (149) | (670) | (24,150) |
| Total balance carried to the next period | - | 289 | 79 | 165 | 2,642 | 2,171 | 170 | 216 | 20,866 | 9,399 |
| Balance represented by: | | | | | | | | | | |
| Cash held in entity bank accounts | - | 289 | 79 | 165 | 2,642 | 2,171 | 170 | 216 | - | - |
| Cash held in the Official Public Account | - | - | - | - | - | - | - | - | 20,866 | 9,399 |
| Total balance carried to the next period | - | 289 | 79 | 165 | 2,642 | 2,171 | 170 | 216 | 20,866 | 9,399 |

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- 1. Appropriation:** *Public Governance, Performance and Accountability Act 2013, s. 78*
Establishing Instrument: *Financial Management and Accountability Determination 2006/72*
Purpose: For promoting 'Australians at War' documentary and educate the community about Australia's wartime heritage.
 This account is non-interest bearing.
 This account closed on 1 April 2017.
- 2. Appropriation:** *Public Governance, Performance and Accountability Act 2013, s. 78*
Establishing Instrument: *Financial Management and Accountability Determination 2005/07*
Purpose: Administration of Death Claim Compensation amounts on behalf of dependants of a Defence Force member after the member's death.
 This account is non-interest bearing.
- 3. Appropriation:** *Public Governance, Performance and Accountability Act 2013, s. 80*
Establishing Instrument: *Defence Service Homes Act 1918, s. 40*
Purpose: To make all payments by the Commonwealth in connection with its activities as insurer under *Defence Service Homes Act 1918, s. 40*.
- 4. Appropriation:** *Public Governance, Performance and Accountability Act 2013, s. 78*
Establishing Instrument: *Financial Management and Accountability (Establishment of SOETM Special Account - DVA) Determination 2012/10*
Purpose: To receive donations from veterans and others for the purposes of maintaining and improving OAWG facilities as either specified by the donor or for other general purposes.
 This account is non-interest bearing and was established on 26 June 2012 by the *Financial Management and Accountability (Establishment of SOETM Special Account - DVA) Determination 2012/10*.
- 5. Appropriation:** *Public Governance, Performance and Accountability Act 2013, s. 78*
Establishing Instrument: *Financial Management and Accountability (Anzac Centenary Public Fund Special Account) Determination 2013/02*
Purpose: To receive gifts or contributions of money to provide funding for events, projects, initiatives and activities relating to the Anzac Centenary.
 This account is non-interest bearing.

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5.3. Contribution Account

The Contribution account contains moneys on behalf of the Repatriation Commission under section 200 of the *Veterans' Entitlements Act 1986*.

| Contribution Account | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Establishing Instrument - <i>Veterans' Entitlements Act 1986</i> | | |
| Purpose: To record and retain balances of monies received as contributions under section 200 of the <i>Veterans' Entitlements Act 1986</i> . | | |
| Opening balance | 194 | 215 |
| Receipts | 2 | 3 |
| Other payments | (70) | (24) |
| Closing balance | 126 | 194 |
| Represented by: | | |
| Cash | 126 | 194 |
| Total | 126 | 194 |

Notes to and forming part of the financial statements

6. People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

6.1. Employee Provisions

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Note 6.1A: Employee Provisions | | |
| Annual leave | 20,081 | 20,047 |
| Long service leave | 48,236 | 48,170 |
| Other employee provisions | 352 | 227 |
| Total employee provisions | 68,669 | 68,444 |
| Employee provisions expected to be settled | | |
| No more than 12 months | 18,893 | 18,373 |
| More than 12 months | 49,776 | 50,071 |
| Total employee provisions | 68,669 | 68,444 |

| | \$'m | \$'m |
|--|----------|----------|
| Note 6.1B: Administered - Employee Provisions | | |
| Leave | 2 | 2 |
| Total employee provisions | 2 | 2 |

Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DVA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2017. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion, inflation and enterprise agreement.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. DVA recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

DVA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

DVA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. DVA accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2017 represents outstanding contributions.

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6.2. Key Management Personnel Remuneration

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Short-term employee benefits | 2,095,866 | 2,024,729 |
| Post-employment benefits | 328,118 | 295,915 |
| Other long-term employee benefits | 226,057 | 224,147 |
| Total key management personnel remuneration expenses¹ | 2,650,041 | 2,544,791 |

The total number of senior management personnel that are included in the above table is 7. (2016: 8)

¹The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

6.3. Related Party Disclosures

Related party relationships

The entity is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister (The Minister for the Department of Veterans' Affairs) and Executive.

In accordance with AASB 124, and for the purpose of related party disclosures in the financial statements, key management personnel (KMP) for the Department include any of the following and their close family members:

- The Minister
- The Secretary
- Those staff reporting directly to the Secretary
 - Deputy Secretary/Chief Operating Officer
 - Deputy President
 - Commissioner
 - First Assistant Secretary, Commemorations & War Graves
 - Chief Finance Officer
 - Assistant Secretary, Provider Engagement and Assurance/General Manager, Defence Service Homes Insurance Scheme
- Close family members of the key management personnel
- Organisations in which the KMP have controlling interests.

Transactions with related parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there no related party transactions to be separately disclosed.

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7. Managing Uncertainties

This section analyses how DVA manages financial risks within its operating environment.

7.1. Contingent Assets and Liabilities

Note 7.1A: Departmental - Contingent Assets and Liabilities

| | Indemnities | | Total | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Contingent liabilities | | | | |
| Balance from previous period | 35,024 | 27,995 | 35,024 | 27,995 |
| Re-measurement | (780) | 7,029 | (780) | 7,029 |
| Total contingent liabilities | 34,244 | 35,024 | 34,244 | 35,024 |
| Net contingent liabilities | 34,244 | 35,024 | 34,244 | 35,024 |

Quantifiable Contingencies

The indemnity of \$34,244,000 (2016: \$35,024,000) represents the net assets of Defence Service Homes Insurance Scheme being an indemnity offered to policy holders by the Australian Government under the *Defence Service Homes Act 1918*.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

7.1B Administered – Contingent Assets and Liabilities

Quantifiable Administered Contingencies

DVA has no contingent liabilities in respect of claims for damages/costs (2016: nil). A small number of claims for damages were outstanding at 30 June 2017. The possible losses relating to these claims have been insured by Comcare or are provided for in the Military Compensation provision (Note 4.4).

Unquantifiable Administered Contingencies

As at 30 June 2017 DVA had a number of legal claims against it that DVA is defending which could give rise to gains or losses. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

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7.2. Financial Instruments

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Note 7.2A: Categories of Financial Instruments | | | |
| Financial Assets | | | |
| Held-to-maturity investments | | | |
| Investments | 3.1D | 62,169 | 58,655 |
| Total held-to-maturity investments | | 62,169 | 58,655 |
| Loans and receivables | | | |
| Cash and cash equivalents | 3.1A | 6,413 | 7,711 |
| Trade receivables | 3.1B | 840 | 1,335 |
| Premiums and recoveries receivables | 3.1C | 15,490 | 13,233 |
| Other receivables | 3.1B | 633 | 449 |
| Total loans and receivables | | 23,376 | 22,728 |
| Total financial assets | | 85,545 | 81,383 |
| Financial Liabilities | | | |
| Financial liabilities measured at amortised cost | | | |
| Payables - suppliers | 3.3A | 20,297 | 14,132 |
| Gross outstanding claims | 3.4A | 18,897 | 13,290 |
| Other payables - reinsurance premiums | 3.3C | 366 | 476 |
| Total financial liabilities measured at amortised cost | | 39,560 | 27,898 |
| Total financial liabilities | | 39,560 | 27,898 |

Accounting Policy

Financial Assets

DVA classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments
- available-for-sale financial assets; and
- loans and receivables.

This classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

No financial assets were classified during the year.

Effective Interest Method

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

- have been acquired principally for the purpose of selling in the near future;
- are derivatives that are not designated and effective as a hedging instrument; or
- are parts of an identified portfolio of financial instruments that DVA manages together and has a recent actual pattern of short-term profit-taking.

Assets in this category are classified as current assets.

Financial assets at fair value through the statement of comprehensive income are stated at fair value, with any resultant gain or loss recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income incorporates any interest earned on the financial asset.

Held-to-Maturity Investments

Notes to and forming part of the financial statements

Non derivative financial assets with fixed or determinable payments and fixed maturity dates that DVA has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in the statement of comprehensive income. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in surplus and deficit for the period.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial Liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, which interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Note 7.2B: Net Gains or Losses from Financial Assets | | | |
| Held-to-maturity investments | | | |
| Interest revenue | 1.1C | 1,493 | 1,218 |
| Net gains on held-to-maturity investments | | 1,493 | 1,218 |
| Financial assets at fair value through profit or loss | | | |
| Investment revenue | 1.1C | - | 140 |
| Net gains on financial assets at fair value through profit or loss | | - | 140 |
| Net gains on financial assets | | 1,493 | 1,358 |

Net income/expense from financial assets not at fair value through the profit or loss is nil (2016: nil).

Note 7.2C: Net Gains or Losses from Financial Liabilities

There was no income or expense from financial liabilities (2016: nil).

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DEPARTMENT OF VETERANS' AFFAIRS

Notes to and forming part of the financial statements

Note 7.2D: Risk Management

Insurance Risks

The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of the outstanding claims provision in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payments will exceed the carrying amount of the provision established.

Note 7.2E: Sensitivity to Insurance Risk

TABLE A: Analysis of sensitivity of 30 June 2017 net provision to various changes in assumptions

| Item | Amount | | Change from final estimate | | | | Note |
|--|----------------|----------------|----------------------------|-----------|----------------|-----------|------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2017 % | 2016 \$'000 | 2016 % | |
| Net liability, including prudential margin | 17,759 | 13,326 | - | - | - | - | (a) |
| Inflation +1% | 17,791 | 13,366 | 32 | 0.2 | 40 | 0.3 | (b) |
| Inflation -1% | 17,729 | 13,286 | (30) | -0.2 | (40) | -0.3 | (b) |
| Discount +1% | 17,674 | 13,258 | (85) | -0.5 | (68) | -0.5 | (c) |
| Discount -1% | 17,846 | 13,395 | 87 | 0.5 | 69 | 0.5 | (c) |
| Superimposed inflation in PPCI models +1% per qtr | 17,791 | 13,382 | 32 | 0.2 | 56 | 0.4 | (d) |
| Superimposed inflation in PPCI models - 1% per qtr | 17,727 | 13,270 | (32) | -0.2 | (56) | -0.4 | (d) |
| 10% more IBNR claims in PPCI models | 17,857 | 13,394 | 98 | 0.6 | 68 | 0.5 | (e) |
| 10% less IBNR claims in PPCI models | 17,661 | 13,258 | (98) | -0.6 | (68) | -0.5 | (e) |

Notes:

(a) Net provisions, including prudential margin:

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Estimated gross outstanding claims | 20,645 | 14,372 |
| Less: Estimated outstanding recoveries | 2,886 | 1,046 |
| Net outstanding claims (incl GST and claims administration) | 17,759 | 13,326 |
| Less: GST | 1,749 | 1,081 |
| Net outstanding claims (incl claims administration expense) | 16,010 | 12,245 |

Equivalent net provision derived by:

- (b) adding/ subtracting 1% p.a. to each future assumed inflation rate.
- (c) adding/ subtracting 1% p.a. to each future assumed discount rate.
- (d) adding/ subtracting 1% to superimposed inflation assumption.
- (e) increasing/ reducing Incurred But Not Reported (IBNR) claims in each of the Payment Per Claims Incurred (PPCI) models by 10%.

This table has been revised to improve the transparency of the reconciliation of net outstanding claims.

Notes to and forming part of the financial statements

Underwriting risks

Selection and pricing of risks

Risks insured are limited to dwelling houses owned by persons eligible under the *Defence Service Homes Act 1918*. Insurance policies are written in accordance with local management practices and regulations within each jurisdiction taking into account DVA's underwriting standards.

Pricing of risks is controlled by use of in-house pricing models relevant to the market in which DVA operates. Experienced underwriters and actuaries maintain historical pricing and claims analysis and these are combined with a knowledge of current developments in the market.

Concentration risk

DVA manages exposure to concentration risk by issuing policies across all Australian locations. Reinsurance is purchased to reduce potential exposure to catastrophe losses.

Claims management and claims provisioning risk

DVA's approach to determining the outstanding claims provision and the related sensitivities are set out in Note 1.1C Insurance Activities and 7.2E Sensitivity to Insurance Risk.

DVA seeks to ensure the adequacy of its outstanding claims provision by reference to the following controls:

- experienced claims managers work with underwriters on coverage issues and operate within the levels of delegation issued to them in respect of the settlement of claims;
- processes exist to ensure that all claims advices are captured and updated on a timely basis and with a realistic assessment of the ultimate claims cost; and
- the aggregate outstanding claims provision for DVA is reviewed by an external actuary annually.

Despite the rigour involved in the establishment and review of the outstanding claims provision, the provision is subject to significant uncertainty for the reasons set out in Note 1.1C.

Reinsurance counterparty risk

DVA reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. DVA's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of DVA's reinsurance management strategy,
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses, and
- exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a Standard & Poor's credit rating of A- or above. Credit risk exposures are calculated regularly and compared with authorised credit limits, and the arrangements discontinued from the day the counterparties' credit rating falls below A-. DVA currently has no receivables with reinsurance counterparties below A-.

Notes to and forming part of the financial statements

| 7.3. Administered – Financial Instruments | | | |
|---|--------------|--------------|--------------|
| | | 2017 | 2016 |
| | | \$'m | \$'m |
| Note 7.3A: Categories of Financial Instruments | | | |
| Financial Assets | Notes | | |
| Loans and receivables | | | |
| Cash and cash equivalents | 4.1A | <u>77</u> | <u>47</u> |
| Total loans and receivables | | <u>77</u> | <u>47</u> |
| Available-for-sale financial assets | | | |
| Investments in Commonwealth entities | 4.1C | <u>1,430</u> | <u>1,319</u> |
| Total available-for-sale financial assets | | <u>1,430</u> | <u>1,319</u> |
| Total financial assets | | <u>1,507</u> | <u>1,366</u> |
| Financial Liabilities | | | |
| Financial liabilities measured at amortised cost | | | |
| Health care payables | 4.3B | <u>47</u> | <u>60</u> |
| Other payables | | <u>49</u> | <u>38</u> |
| Total financial liabilities measured at amortised cost | | <u>96</u> | <u>98</u> |
| Total financial liabilities | | <u>96</u> | <u>98</u> |

Notes to and forming part of the financial statements

7.4. Fair Value Measurement

Accounting Policy

DVA engaged an independent valuer to conduct a full revaluation of all non-financial assets at 30 June 2017. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different to the fair value. Comprehensive valuations are carried out at least once every three years. The valuer provided written assurance to DVA that the models developed are in compliance with *AASB 13 Fair Value Measurement*. DVA conducted an independent assessment of the indicators of fair value, including a review of relevant industry and Australian Bureau of Statistics indices, Reserve Bank of Australia bond rates and applicable market prices to ensure the requirements of *AASB 13 Fair Value Measurement* were met.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

DVA's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Note 7.4A: Fair Value Measurement

| | Fair value measurements at the end of the reporting period | |
|---|--|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Non-financial assets | | |
| Leasehold improvements | 14,873 | 17,047 |
| Property, plant and equipment | 1,076 | 1,662 |
| Total non-financial assets | 15,949 | 18,709 |
| Total fair value measurements of assets in the statement of financial position | 15,949 | 18,709 |

A single non-financial asset was measured at fair value on a non-recurring basis as at 30 June 2017 \$1,350,000 (2016: \$1,350,000) as DVA has declared this asset as held for sale. DVA controls a property at Greenslopes, Queensland. The property is subject to a Heritage Code and identified as a "Heritage Place – Cultural", in the Brisbane City Council Plan, which restricts the development potential of the property. This restriction is not regarded as being entity specific and would transfer to a market participant in a hypothetical transaction. The added value of the improvements is considered negligible with asbestos contamination impairing the building asset.

DVA's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

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Notes to and forming part of the financial statements

8. Other Information

This section provides other disclosures relevant to DVA's financial information environment for the year.

8.1. Explanations of Major Departmental Budget Variances

Explanations are provided for major variances between actual results and the original budget. Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% for departmental; and
- the variance between budget and actual is greater than 2% for administered; or
- an item below this threshold but is considered important for the readers' understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of DVA.

| Explanation of major variances | Affected line items (and schedule) |
|---|---|
| Trade and other receivables is higher than budget \$29.2 million, and largely reflects appropriations receivable relating to capital funding, delays in project activity (\$17.1 million), and timing of payment to suppliers (\$10.1 million). | Cash and cash equivalents and Trade and other receivables (Statement of Financial Position) |
| The variance of \$13.7 million for land and buildings, property, plant and equipment, intangibles and the related depreciation and amortisation is a result of timing of capital projects. | Land and buildings (Statement of Financial Position), Changes in asset revaluation surplus (Statement of Comprehensive Income), Equity Reserves (Statement of Financial Position), Depreciation and amortisation (Statement of Comprehensive Income), Property, Plant and Equipment and Intangibles (Statement of Financial Position) |
| Other non-financial assets are lower than original budget (\$1.0 million) and is a result of timing of information technology and rental prepayments. | Other non-financial assets (Statement of Financial Position) |
| No budget was provided against the land, reclassified in the prior year to assets held for sale. | Assets held for sale (Statement of Financial Position) |
| The suppliers cost is higher than budget \$10.1 million which reflects the additional costs associated with project related work and increase in the ICT infrastructure cost. | Suppliers (Statement of Financial Position) |
| Claims expenses were higher than budget due to several small storms, plus the Cyclone Debbie catastrophe which occurred in March 2017. The budget only included three moderate events. | Claims expense (Statement of Comprehensive Income), Claim payments (Cash Flow Statement) |
| DVA received unbudgeted IT resources free of charge from DHS to the value of \$4.3 million. | Other revenue (Statement of Comprehensive Income), Rendering of services (Cash Flow Statement) |
| Employee provision is \$9.2 million above the original budget due to budgeting for reductions in FTEs. This was further impacted by the increase in oncosts as a result of the actuary review. | Employee provision (Statement of Financial Position) |
| The outstanding claims provision is higher than budget (\$2.1 million) due to the catastrophe event discussed above. The budget included three moderate catastrophe events totalling \$3.0 million. | Gross outstanding claims (Statement of Financial Position) |
| Interest rates continue to remain at record lows and have impacted on the investment revenue earned by the Scheme. | Investments revenue (Statement of Comprehensive Income), Purchase of investments (Cash Flow Statement) |

Notes to and forming part of the financial statements

8.2. Explanations of Major Administered Budget Variances

Explanations are provided for major variances between actual results and the original budget. Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% for departmental; and
- the variance between budget and actual is greater than 2% for administered; or
- an item below this threshold but is considered important for the readers' understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of DVA.

| Explanation of major variances | Affected line items (and schedule) |
|---|---|
| <p>The variance of \$222 million is mainly related to the movements for the following personal benefits programs:</p> <p>- <i>Adjustment to the Military Rehabilitation and Compensation Acts - Income Support and Compensation.</i> The increase of \$165 million reflects the military compensation liability provision adjustment calculated by the Australian Government Actuary (AGA) outlined at Note 4.4A.</p> <p>- <i>Military Rehabilitation and Compensation Acts - Income Support and Compensation.</i> More claims were processed compared to what was predicted due to the size of the cohort increasing, greater knowledge of entitlements and claims processing time improvements. This has led to increased expenditure of \$104 million.</p> | <p>Personal Benefits (Administered Schedule of Comprehensive Income)</p> |
| <p>The variance of \$140 million is mainly related to the movements for the following health care programs:</p> <p>- <i>Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision - Health and Other Care Services.</i> The increase of \$585 million reflects the military compensation liability provision adjustment calculated by the AGA outlined at Note 4.4B.</p> <p>- <i>Veterans' Hospital Services.</i> There was a \$121 million underspend due to a declining treatment population and the impact of the introduction of the National Efficient Price (NEP) methodology set by the Independent Hospital Pricing Authority (IHPA).</p> <p>- <i>Veterans' Community Care and Support.</i> There was a \$155 million underspend mainly due to Residential Care. This is consistent with the decreasing number of veteran clients in residential aged care.</p> <p>- <i>General Medical Consultations and Services.</i> There was a \$31 million underspend due to a decline in the population and fewer Local Medical Officer Consultation related items processed compared with what was predicted.</p> <p>- <i>Veterans' Pharmaceuticals Benefits.</i> There was a \$32 million underspend due to a decline in the treatment population combined with the ongoing impact of reduction in prices for the Pharmaceuticals Benefits items.</p> <p>- <i>Veterans' Counselling and Other Health Services.</i> There was an underspend of \$42 million mainly due to Travel for Treatment. This was a result of the implementation of new contracts with taxi and hire car providers which have lower fare structures than previously estimated.</p> | <p>Health care payments (Administered Schedule of Comprehensive Income)</p> |
| <p>The increase of \$31 million includes an additional cash drawdown that occurred on 30 June 2017, as well as the recognition of special accounts balances as cash resulting from changes in the special accounts reporting requirements during the current financial year.</p> | <p>Cash and cash equivalents (Administered Statement of Financial Position)</p> |

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DEPARTMENT OF VETERANS' AFFAIRS

Notes to and forming part of the financial statements

| | |
|--|--|
| The decrease of \$7 million is primarily driven by the reduction of cash advances to the Repatriation Pharmaceutical Benefits Scheme in the current year in relation to pharmaceutical and medical payments made to clients. | Receivables (Administered Statement of Financial Position) |
| The increase of \$160 million primarily reflects the increase in the net asset position of the Australian War Memorial as at 30 June 2017. | Equity accounted investments (Administered Statement of Financial Position); Revaluations transferred from reserves (Administered Statement of Comprehensive Income) |
| The variance is mainly related to the adjustment to the military compensation provisions calculated by the AGA as outlined in Note 4.4. | Provisions and payables (Administered Statement of Financial Position) |

Defence Service Homes Insurance Scheme

Financial Statements 2016-2017

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Veterans' Affairs

Opinion

In my opinion, the financial statements of the Defence Service Homes Insurance Scheme for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Defence Service Homes Insurance Scheme as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Defence Service Homes Insurance Scheme, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and General Manager;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Defence Service Homes Insurance Scheme in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Defence Service Homes Insurance Scheme, the Secretary of the Department of Veterans' Affairs is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Accountable Authority is also responsible for such internal control as the Accountable Authority determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Authority is responsible for assessing the Defence Service Homes Insurance Scheme's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Accountable Authority is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Peter Kerr
Executive Director
Delegate of the Auditor-General
Canberra
7 September 2017

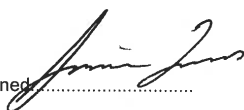
REPATRIATION COMMISSION
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DEPARTMENT OF VETERANS' AFFAIRS

Statement by the Accountable Authority and General Manager

The accompanying financial statements of the Defence Service Homes Insurance Scheme for the year ended 30 June 2017 have been prepared in accordance with section 50B of the *Defence Service Homes Act 1918* which requires the financial statements to be prepared in such form as determined by the Minister for Finance. The Minister for Finance has approved the form of the financial statements as specified in the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* for reporting periods ending on or after 1 July 2015 with certain exceptions as per the Notes to and forming part of the financial statements.

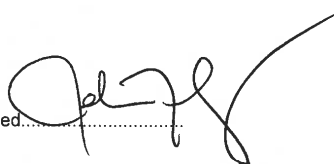
In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) with exemptions as per the Notes to and forming part of the financial statements, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Defence Service Homes Insurance Scheme will be able to pay its debts as and when they fall due.

Signed 

Simon Lewis PSM
Secretary, Department of Veterans' Affairs

7 September 2017

Signed 

John Fely
General Manager, Defence Service Homes Insurance Scheme

7 September 2017

Defence Service Homes Insurance Scheme
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

| | | 2017 | 2016 | Original Budget 2017 |
|--|-------|----------------|---------------|----------------------------|
| | Notes | \$'000 | \$'000 | \$'000 |
| NET COST OF SERVICES | | | | |
| Claims expense | | | | |
| Claims expense | | 33,999 | 24,920 | 28,000 |
| Less: Reinsurance and other recoveries | 3.1A | (1,767) | (209) | - |
| Net claims expense | | 32,232 | 24,711 | 28,000 |
| Premium revenue | | | | |
| Insurance premium revenue | | 43,272 | 42,997 | 43,000 |
| Less: Reinsurance expense | | (6,945) | (7,427) | (7,000) |
| Net premium revenue | | 36,327 | 35,570 | 36,000 |
| Operating expense | | | | |
| Employee benefits equivalent | 1.1A | 3,632 | 3,225 | 4,150 |
| Fire brigade and emergency services contributions | | 1,764 | 1,451 | 1,500 |
| Suppliers | 1.1B | 3,517 | 3,036 | 3,275 |
| Amortisation | | 75 | 75 | 75 |
| Acquisition costs | | 366 | 425 | |
| Total operating expense | | 9,354 | 8,212 | 9,000 |
| Underwriting result | | (5,259) | 2,647 | (1,000) |
| Own-Source Income | | | | |
| Own-source revenue | | | | |
| Commissions received | 1.2A | 2,810 | 2,846 | 3,000 |
| Revaluation of investments at fair value through profit or loss | 1.2B | - | 140 | - |
| Interest | 1.2C | 1,493 | 1,218 | 1,700 |
| Resources received free of charge | 1.2D | 56 | 58 | 55 |
| Total own-source revenue | | 4,359 | 4,262 | 4,755 |
| Total own-source income | | 4,359 | 4,262 | 4,755 |
| Net contribution by/(cost of) services | | (900) | 6,909 | 3,755 |
| Revenue from Government | 1.2E | 120 | 120 | 120 |
| Surplus/(Deficit) attributable to the Australian Government | | (780) | 7,029 | 3,875 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income/(loss) attributable to the Australian Government | | (780) | 7,029 | 3,875 |

The above statement should be read in conjunction with the accompanying notes.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Defence Service Homes Insurance Scheme
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

| | | 2017 | 2016 | Original Budget |
|-----------------------------------|-------|---------------|---------------|-----------------|
| | Notes | \$'000 | \$'000 | 2017 \$'000 |
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 2.1A | 2,642 | 2,171 | 2,454 |
| Trade and other receivables | 2.1B | 16,294 | 13,814 | 14,686 |
| Investments | 2.1C | 62,169 | 58,655 | 60,693 |
| Total financial assets | | 81,105 | 74,640 | 77,833 |
| Non-financial assets | | | | |
| Intangibles | 2.2A | 305 | 380 | 305 |
| Other non-financial assets | 2.2B | 392 | 1,089 | 1,066 |
| Total non-financial assets | | 697 | 1,469 | 1,371 |
| Total assets | | 81,802 | 76,109 | 79,204 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 2.3A | 6,456 | 5,666 | 5,350 |
| Unearned revenue | 3.1C | 21,839 | 21,619 | 21,311 |
| Other payables | 2.3B | 366 | 510 | 500 |
| Total payables | | 28,661 | 27,795 | 27,161 |
| Provisions | | | | |
| Gross claims outstanding | 3.1B | 18,897 | 13,290 | 16,798 |
| Total provisions | | 18,897 | 13,290 | 16,798 |
| Total liabilities | | 47,558 | 41,085 | 43,959 |
| Net assets | | 34,244 | 35,024 | 35,245 |
| EQUITY | | | | |
| Retained surplus | | 34,244 | 35,024 | 35,245 |
| Total equity | | 34,244 | 35,024 | 35,245 |

The above statement should be read in conjunction with the accompanying notes.

Defence Service Homes Insurance Scheme
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

| | 2017 | 2016 | Original Budget |
|---|---------------|---------------|-----------------|
| | \$'000 | \$'000 | 2017 \$'000 |
| TOTAL EQUITY | | | |
| Opening balance | | | |
| Balance carried forward from previous period | 35,024 | 27,995 | 31,370 |
| Adjustment for errors | - | - | - |
| Adjustment for changes in accounting policies | - | - | - |
| Adjusted opening balance | 35,024 | 27,995 | 31,370 |
| Comprehensive income | | | |
| Surplus/(Deficit) for the period | (780) | 7,029 | 3,875 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | (780) | 7,029 | 3,875 |
| Total comprehensive income attributable to Australian Government | (780) | 7,029 | 3,875 |
| Closing balance at 30 June | 34,244 | 35,024 | 35,245 |
| Closing balance attributable to Australian Government | 34,244 | 35,024 | 35,245 |

The above statement should be read in conjunction with the accompanying notes.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Defence Service Homes Insurance Scheme

CASH FLOW STATEMENT

for the period ended 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 | Original Budget 2017 \$'000 |
|---|-------|----------------|----------------|--------------------------------------|
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Premiums received | | 42,762 | 42,144 | 42,000 |
| Commissions received | | 2,818 | 2,851 | 2,801 |
| Interest | | 1,252 | 856 | 1,000 |
| Net GST received | | - | 122 | - |
| Receipts from Government | | 120 | 120 | 120 |
| Reinsurance and other recoveries | | 507 | 2,560 | - |
| Total cash received | | 47,459 | 48,653 | 45,921 |
| Cash used | | | | |
| Claim payments | | 28,392 | 29,986 | 28,000 |
| Employees | | 3,632 | 3,225 | 3,900 |
| Suppliers | | 2,651 | 2,668 | 2,100 |
| Fire brigade and emergency services contributions | | 1,143 | 1,527 | 1,600 |
| Reinsurance premiums | | 7,055 | 7,441 | 7,500 |
| Net GST paid | | 235 | - | - |
| Acquisition costs | | 366 | 425 | - |
| Total cash used | | 43,474 | 45,272 | 43,100 |
| Net cash from/(used by) operating activities | | 3,985 | 3,381 | 2,821 |
| INVESTING ACTIVITIES | | | | |
| Cash received | | | | |
| Investments realised | | 6,563 | 6,344 | - |
| Total cash received | | 6,563 | 6,344 | - |
| Cash used | | | | |
| Purchase of investments | | 10,077 | 9,966 | 2,800 |
| Total cash used | | 10,077 | 9,966 | 2,800 |
| Net cash from/(used by) investing activities | | (3,514) | (3,622) | (2,800) |
| Net increase in cash held | | 471 | (241) | 21 |
| Cash and cash equivalents at the beginning of the reporting period | | 2,171 | 2,412 | 2,433 |
| Cash and cash equivalents at the end of the reporting period | 2.1A | 2,642 | 2,171 | 2,454 |

The above statement should be read in conjunction with the accompanying notes.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

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Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

Overview

Objectives of Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (the Scheme) forms part of the operations of the Health and Community Services Division of the Department of Veterans' Affairs (the Department). The objective of the Scheme is to provide domestic building insurance in accordance with the *Defence Service Homes Act 1918* and Regulations.

The Scheme operates under the control of the Secretary of the Department of Veterans' Affairs.

The continued existence of the Scheme in its present form is dependent on Government policy.

Basis of Preparation of the Financial Statements

The financial statements are required by Section 42 of Schedule 1 of the *Public Governance, Performance and Accountability Act 2013* and Section 50B of the *Defence Service Homes Act 1918*. The financial statements are general purpose financial statements.

The statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* for reporting periods ending on or after 1 July 2015 except where any disclosures and formats required under the Financial Reporting Rule are inconsistent with the requirements of AASB 1023 *Accounting for General Insurance Contracts*, then AASB 1023 prevails; and
- Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the PGPA Rule, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the Scheme or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the statement of comprehensive income, when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Scheme has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The value of outstanding claims and estimated future claims on unexpired premiums has been estimated by an independent actuary. The actuary has used the methods and assumptions detailed in note 3.1B.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

New Australian Accounting Standards

All new accounting standards, revised standards, amending standards and/or interpretations that were issued prior to the signing of the statements by the Secretary and General Manager, and are applicable to the current reporting period did not have a material effect on the Scheme's financial statements.

The following change in accounting standards and interpretations has an impact on the Scheme's financial statements in the current financial year:

- AASB 2015-6 Amendments to Australian Accounting Standards AASB 124 Related Party Disclosures – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

Future Australian Accounting Standards

The following new standards will have a disclosure impact only in future reporting periods:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

Taxation

The Defence Service Homes Insurance Scheme is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses, liabilities and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

Events After the Reporting Period

There were no events occurring after balance date that had a material impact on the financial statements.

Deferred Acquisition Costs

A portion of acquisition costs relating to unearned premium revenue can be deferred in recognition that it represents future benefits to the Scheme. Deferred acquisition assets must have a probability of future economic benefit and be able to be reliably measured. The Scheme does not have the data or reporting to reliably measure the value of this asset, therefore it does not take up a deferred acquisition asset.

The Scheme has chosen not to recognise deferred acquisition costs or assets due to the complexity involved and the amounts being immaterial.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1. Financial Performance

This section analyses the financial performance of DSHIS for the year ended 2017.

1.1. Expenses

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Note 1.1A: Employee benefits equivalent | | |
| Wages and salaries | 3,080 | 2,729 |
| Superannuation | | |
| Defined contribution plans | 280 | 231 |
| Defined benefit plans | 258 | 239 |
| Leave and other entitlements | 14 | 26 |
| Total employee benefits | 3,632 | 3,225 |

Accounting Policy

Salary, Wages and Superannuation

The Scheme's salaries, wages, superannuation, long service leave and annual leave are paid by the Department, and the Scheme repays the Department as a supplier on 30 day terms. Any salaries, wages, superannuation, long service leave and annual leave unpaid as at 30 June 2017 are recorded as unpaid supplier expenses.

All long service and annual leave liabilities are recorded by the Department of Veterans' Affairs.

Staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or a superannuation scheme of their choice.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. The liability is reported by the Department of Finance as an administered item.

The Department makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Scheme's employees.

Note 1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|--|--------------|--------------|
| Consultants | 742 | 140 |
| Contractors | 1,795 | 1,941 |
| Travel | 53 | 70 |
| IT services | 595 | 616 |
| Other | 332 | 269 |
| Total goods and services supplied or rendered | 3,517 | 3,036 |
| Goods supplied | 80 | 92 |
| Services rendered | 3,437 | 2,944 |
| Total goods and services supplied or rendered | 3,517 | 3,036 |

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

1.2. Own-Source Income and Gains

| Own-Source Revenue | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Note 1.2A: Commissions received | | |
| Insurance agency commission | 2,810 | 2,846 |
| Total commissions received | 2,810 | 2,846 |

Accounting Policy

Commissions received revenue is recognised when it becomes due to the Scheme.

Note 1.2B: Revaluation of investments at fair value through profit or loss

| | | |
|--|----------|------------|
| Change in market value | - | - |
| Interest revenue realised | - | 140 |
| Total revaluation of investments at fair value through profit or loss | - | 140 |

Note 1.2C: Interest

| | | |
|-----------------------|--------------|--------------|
| Deposits | 1,493 | 1,218 |
| Total Interest | 1,493 | 1,218 |

In 2016 DSHIS brought the management of investments in-house. The portfolio consists of term deposits and negotiable certificates of deposit. Previously, funds were in a managed fund with UBS and any gain/loss on investment was recognised at fair value through profit or loss (Note 1.2B).

Note 1.2D: Resources received free of charge

| | | |
|--|-----------|-----------|
| Remuneration of auditors | 56 | 58 |
| Total resources received free of charge | 56 | 58 |

Accounting Policy

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements.

Note 1.2E: Revenue from Government

| | | |
|--------------------------------------|------------|------------|
| Interest appropriations | 120 | 120 |
| Total revenue from Government | 120 | 120 |

Accounting Policy

Amounts appropriated are recognised as revenue when the Scheme gains control of the appropriation. The Scheme receives appropriation revenue for interest equivalency payments.

REPATRIATION COMMISSION
MILITARY REHABILITATION AND COMPENSATION COMMISSION
DEPARTMENT OF VETERANS' AFFAIRS

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2. Financial Position

This section analyses the DSHIS's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1. Financial Assets

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| <u>Note 2.1A: Cash and cash equivalents</u> | | |
| Cash at bank | 2,642 | 2,171 |
| <i>Total cash and cash equivalents</i> | 2,642 | 2,171 |
| <u>Note 2.1B: Trade and other receivables</u> | | |
| Goods and services receivables | | |
| Premiums receivable | 13,440 | 12,662 |
| Other receivables | | |
| GST receivable | 201 | - |
| Recoveries receivable | 2,050 | 571 |
| Interest receivable | 603 | 362 |
| Other receivable | - | 219 |
| <i>Total trade and other receivables</i> | 16,294 | 13,814 |

Receivables past 90 days are not considered impaired as policies are cancelled after this period if not paid.

Note 2.1C: Investments

| | | |
|---------------------------------|---------------|---------------|
| Deposits | 62,169 | 58,655 |
| <i>Total investments</i> | 62,169 | 58,655 |

Monies invested in term deposits and negotiable certificates of deposit with various approved institutions under Section 58 of the *Public Governance, Performance and Accountability Act 2013*.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of intangibles

Reconciliation of the opening and closing balances of intangibles for 2017

| | Intangibles \$'000 |
|--|-----------------------|
| As at 1 July 2016 | |
| Gross book value | 4,088 |
| Accumulated amortisation and impairment | (3,708) |
| Total as at 1 July 2016 | 380 |
| Amortisation expense | (75) |
| Total as at 30 June 2017 | 305 |
| Total as at 30 June 2017 represented by | |
| Gross book value | 4,088 |
| Accumulated amortisation and impairment | (3,783) |
| Total as at 30 June 2017 | 305 |

No intangibles are expected to be sold or disposed of within the next 12 months.

Accounting Policy

The Scheme's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the Scheme's software is 10 years (2015-16: 10 years).

Impairment

All intangible assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Scheme were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for intangible assets at fair value or intangibles at cost.

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Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the year ended 30 June 2017

| | 2017 | 2016 |
|---|------------|--------------|
| | \$'000 | \$'000 |
| Note 2.2B: Other non-financial assets | | |
| Prepaid fire brigade and emergency services contributions | 344 | 965 |
| Other prepayments | 48 | 124 |
| Total other non-financial assets | 392 | 1,089 |

No indicators of impairment were found for other non-financial assets.

Accounting Policy

Fire Brigade and Emergency Services Contributions

In New South Wales, fire brigade and emergency services contributions received or receivable from policy holders are included in premiums. A liability for fire brigade, emergency services and other charges is recognised on business written to the reporting date, regardless of whether assessments have been issued by the appropriate authority. Levies and charges payable by the Scheme are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as unearned revenue.

2.3. Payables

| | 2017 | 2016 |
|-----------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 2.3A: Suppliers | | |
| Trade creditors | 4,202 | 4,014 |
| Accrued expenses | 2,254 | 1,652 |
| Total suppliers | 6,456 | 5,666 |

Settlement is usually made net 30 days.

Note 2.3B: Other payables

| | | |
|-----------------------------|------------|------------|
| Reinsurance premiums | 366 | 476 |
| GST payable | - | 34 |
| Total other payables | 366 | 510 |

Settlement is usually made net 30 days.

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

3. Insurance underwriting activities

This section describes DSHS's insurance underwriting activities.

3.1. Insurance underwriting activities

| | 2017 | 2016 |
|--|--------------|------------|
| | \$'000 | \$'000 |
| Note 3.1A: Reinsurance and other recoveries | | |
| Reinsurance recoveries | 1,416 | 28 |
| Other recoveries | 351 | 181 |
| Total reinsurance and other recoveries | 1,767 | 209 |

Accounting Policy

Reinsurance Receivables

Reinsurance receivables are recorded at discounted estimated value on paid claims and incurred claims not yet paid and recognised as a reduction in the claims expense.

Note 3.1B: Claims outstanding

| | | |
|-------------------------------|---------------|---------------|
| Gross claims outstanding | 18,897 | 13,290 |
| Less: reinsurers liability | (2,050) | (571) |
| Net claims outstanding | 16,847 | 12,719 |

The Scheme has incurred claims during 2016-17 for which recoveries have and will be made in accordance with reinsurance treaties, which were in force at the date of loss.

In determining the gross claims outstanding, the actuary has applied a prudential margin of 11% (2016: 11%), to a central estimate of the expected present value of future payments for claims incurred of \$18,896,640 (2016: \$13,290,030), resulting in a risk margin component of \$1,872,640 (2016: \$1,317,030).

No unexpired risk liability is necessary for 2017 as there is no deficiency.

Accounting Policy

Liability Adequacy Test and Unexpired Risk Liability

AASB 1023 General Insurance Contracts requires the application of a liability adequacy test upon unearned premiums. Where this test indicates that the Scheme's unearned premiums are insufficient to cover the expected future claims under the policies associated with those premiums, the difference is recognised in the Statement of Comprehensive Income as an Unexpired Risk Liability. The result of this test indicates that the Scheme's unearned premiums are sufficient to cover expected future claims on unexpired policies at 30 June 2017 and as such, the Scheme has recognised no movement (2016: nil) and an unexpired risk liability of nil (2016: nil). The probability of adequacy applied in the test is different to the probability of adequacy adopted in determining the outstanding claims liability. No specific guidance exists for the risk margin to be used in determining the adequacy of premium liabilities. The use of the 75% basis as a regulatory benchmark in Australia, is consistent with market practices.

The Scheme has not taken into account the income from invested retained surpluses or agency commissions which are used to subsidise costs associated with the building insurance policies.

The Scheme's unadjusted unearned premium liability as at 30 June 2017 was \$21,315,000 (2016: \$21,037,000) and future cash flows relating to future claims under the risk associated with those premiums as advised by the Scheme's independent actuaries was \$19,470,000 (2016: \$18,121,000).

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

Accounting Policy

Outstanding Claims

The provision for outstanding claims has been determined on a case by case approach in respect of all claims reported. The liability for outstanding claims includes claims incurred but not yet paid, incurred but not reported (IBNRs), and incurred but not enough reported (IBNERs). The provision includes the expected administration costs of settling those claims. A report on the adequacy of the provision was prepared by independent actuaries (PricewaterhouseCoopers) as at 30 June 2017. The methods used to assess the outstanding liability were Projected Case Estimates (PCE) and Payment Per Claims Incurred (PPCI). This methodology meets Actuarial Standard PS 300 *Valuation of General Insurance Claims*.

Actuarial Methods

The methodology for the estimation of the net outstanding claims provision as at 30 June 2017 consists of:

- Predicting future claim payment cash flows in respect of claims incurred prior to 30 June 2017. Separate predictions by claim type (Liability, Catastrophe and Other) are made in respect of each combination of accident quarter and financial quarter of payment. The future cash flow predictions are derived from several actuarial models of the various claim processes. That is, actuarial models are constructed for numbers of claims reported, average payments per claim incurred, development of case estimates and payments as a proportion of case estimates. The results of the models are blended based on their individual characteristics to produce a single estimate of the outstanding claims.
- Initially all estimates are made in 30 June 2017 dollars, but subsequently are increased to allow for inflation from that date to the date of payment.
- Liability for outstanding claims is estimated by:
 - discounting these inflated claim payments to allow for investment return at risk free rates;
 - adjusting for the effect of GST; and
 - adding an allowance to provide for associated claims administration expenses.
- Gross and net liabilities are derived by making adjustments for both third party recoveries and reinsurance recoveries.
- The estimate of liability is increased by a prudential margin.

Actuarial Assumptions

The following assumptions have been made in determining the net outstanding claims provision as at 30 June 2017:

- **Inflation rates:** 3.37% for 2016-17;
- **Discount rates:** 1.63% for 2016-17;
- **Claims administration expenses (CAE):** 5% of gross outstanding claims liability;
- **Superimposed inflation:** approximately 6.1% p.a. in the actuarial model with explicit superimposed inflation assumptions;
- **Prudential margin:** 11% of net central estimate (including CAE) of outstanding claims liability for 75% probability of sufficiency;
- **Number of claims for the 2016-17 accident year:** approximately 8,378; and
- **Average claim size (in actual values) for the 2016-17 accident year (net of all recoveries):** approximately \$3,728.

The following assumptions have been made in determining the net outstanding claims provision as at 30 June 2016:

- **Inflation rates:** 3.37% for 2015-16;
- **Discount rates:** 1.64% for 2015-16;
- **Claims administration expenses (CAE):** 5% of gross outstanding claims liability;
- **Superimposed inflation:** approximately 6.1% p.a. in the actuarial model with explicit superimposed inflation assumptions;
- **Prudential margin:** 11% of net central estimate (including CAE) of outstanding claims liability for 75% probability of sufficiency;
- **Number of claims for the 2015-16 accident year:** approximately 7,346; and
- **Average claim size (in actual values) for the 2015-16 accident year (net of all recoveries):** approximately \$3,377.

Process for Determining Assumptions

The process for determining each of the assumptions is as follows:

- **Inflation rates:** are taken as an average of CPI (housing) and AWE inflation expectations which are based on internal and external forecasts of future rates;

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

- **Discount rates:** derived from a yield curve fitted to the actual yields on Commonwealth Government bonds as at 30 June 2017;
- **Claims administration expenses:** assumed based on industry experience;
- **Superimposed inflation:** derived from actuarial models based on the long term average of past experience for all non-catastrophe claims;
- **Prudential margin:** selected based on analysis of estimated historical variability within the portfolio;
- **Number of claims in 2016-17 accident year:** derived from actuarial models of past claim reporting patterns;
- **Average claim size (in actual values) for 2016-17 accident year:** derived as an outcome of all the actuarial models blended to form adopted estimates of outstanding claims and hence total ultimate claim costs and average claim sizes.

Insurance Risk Management

Insurance risk management policies and practices are disclosed at Note 6.3 – Risk management.

Process for Determining Risk Margin

The risk margin required for a 75% level of sufficiency has been estimated using various statistical modelling techniques applied to the claim data. An actuarial model (the "chain ladder") has been fitted to 10,000 simulated claim data sets to determine 10,000 estimates of the outstanding claims and hence an approximate distribution of those amounts. The analysis is on the basis prescribed by Australian Prudential Regulation Authority (APRA) in that it ignores asset risk but takes into account liability risk, including inflation risk.

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3.1C: Unearned revenue | | |
| Unearned premiums | 21,770 | 21,558 |
| Insurance agency revenue received in advance | 69 | 61 |
| Total unearned revenue | 21,839 | 21,619 |

Accounting Policy

Unearned Revenue

Unearned premiums represents the estimated proportion of premiums written in the current year relating to cover provided in the subsequent year. The Scheme's system allows for the unearned proportion to be calculated for each individual policy in accordance with AASB 1023 *General Insurance Contracts*.

Revenue in Advance

Revenue in advance is recognised where the revenue has been received prior to the period in which the revenue relates. The Scheme recognises revenue in advance at nominal value.

Note 3.1D: Net claims incurred

| | 2017 | | | 2016 | | |
|--|---------------|--------------|---------------|---------------|--------------|---------------|
| | Current year | Prior years | Total | Current year | Prior years | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross incurred* | 30,080 | 3,919 | 33,999 | 20,053 | 4,867 | 24,920 |
| Less: Reinsurance and other recoveries | (1,630) | (137) | (1,767) | (20) | (189) | (209) |
| Net claims incurred | 28,450 | 3,782 | 32,232 | 20,033 | 4,678 | 24,711 |

*Claims are not subject to discount

Building insurance claims are typically resolved within one year. No claims development table is required under AASB 1023 17.7.1 (b) (iii) for lines of business typically resolved within one year.

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4. Funding

This section identifies DSHIS's funding structure.

4.1. Appropriations

Note 4.1A: Special appropriations applied ('recoverable GST exclusive')

| Authority | Appropriation applied | |
|---|-----------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| <i>Public Governance, Performance and Accountability Act 2013 s58, Departmental</i> | | |
| <i>Purpose: To make all payments by the Commonwealth in connection with its activities as an insurer under the Defence Service Homes Act 1918</i> | | |
| | 10,077 | 9,966 |
| Total special appropriations applied | 10,077 | 9,966 |

4.2. Special Accounts

Note 4.2A: Special accounts (recoverable GST exclusive)

| | Defence Service Homes Insurance Account | |
|---|---|-----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Balance brought forward from previous period | 2,171 | 2,412 |
| Premiums received | 42,762 | 42,143 |
| Other receipts | 4,697 | 6,731 |
| Investments credited to the special account | 6,563 | 6,344 |
| Total increases | 54,022 | 55,218 |
| Available for payments | 56,193 | 57,630 |
| Decreases | | |
| Departmental | | |
| Claim payments | (28,392) | (29,988) |
| Reinsurance premiums paid | (7,055) | (7,441) |
| Other payments | (8,027) | (8,064) |
| PGPA Act section 58 investments | (10,077) | (9,966) |
| Total departmental | (53,551) | (55,459) |
| Total decreases | (53,551) | (55,459) |
| Total balance carried to the next period | 2,642 | 2,171 |
| Balance represented by: | | |
| Cash held in entity bank accounts | - | - |
| Cash held in the Official Public Account | 2,642 | 2,171 |
| Total balance carried to the next period | 2,642 | 2,171 |

Appropriation: Public Governance, Performance and Accountability Act 2013, s80

Establishing Instrument: Defence Service Homes Act 1918, s40

Purpose: To make all payments by the Commonwealth in connection with its activities as insurer under *Defence Service Homes Act 1918*, s40.

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5. People and Relationships

5.1. Related Party Disclosures

Related party relationships:

DSHIS is an Australian Government controlled entity. Related parties to DSHIS are Key Management Personnel, who are the General Manager DSHIS and Secretary of Department of Veterans' Affairs.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by DSHIS, it has been determined that there are no related party transactions to be separately disclosed.

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6. Managing Uncertainties

This section analyses how DSHIS manages financial risks within its operating environment.

6.1. Contingent Assets and Liabilities

Quantifiable Contingencies

The Scheme had no quantifiable contingencies as at 30 June 2017 (nil at 30 June 2016).

Unquantifiable Contingencies

The Scheme had no unquantifiable contingencies as at 30 June 2017 (nil at 30 June 2016).

6.2. Financial instruments

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Note 6.2A: Categories of financial instruments | | |
| Financial Assets | | |
| Held-to-maturity investments | | |
| Investments | 62,169 | 58,655 |
| Total held-to-maturity investments | 62,169 | 58,655 |
| Loans and receivables | | |
| Cash and cash equivalents | 2,642 | 2,171 |
| Trade and other receivables | 16,093 | 13,595 |
| Total loans and receivables | 18,735 | 15,766 |
| Total financial assets | 80,904 | 74,421 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| Trade creditors | 6,456 | 5,666 |
| Other payables | 366 | 510 |
| Outstanding claims | 18,897 | 13,290 |
| Total financial liabilities measured at amortised cost | 25,719 | 19,466 |
| Total financial liabilities | 25,719 | 19,466 |

Accounting Policy

Financial Assets

The Scheme classifies its financial assets as held-to-maturity investments.

Held-to-Maturity Investments

Non derivative financial assets with fixed or determinable payments and fixed maturity dates that the Scheme has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

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Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Financial Liabilities

Other Financial Liabilities

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). For outstanding claims, refer to Note 3.1B.

| | 2017 \$'000 | 2016 \$'000 |
|--|---------------------|---------------------|
| <u>Note 6.2B: Net gains or losses on financial assets</u> | | |
| Held-to-maturity investments | | |
| Interest revenue | 1,493 | 1,218 |
| Net gains on held-to-maturity investments | <u>1,493</u> | <u>1,218</u> |
| Financial assets at fair value through profit and loss | | |
| Interest revenue | - | 140 |
| Change in fair value | - | - |
| Net gains on financial assets at fair value through profit and loss | <u>-</u> | <u>140</u> |
| Net gains on financial assets | <u><u>1,493</u></u> | <u><u>1,358</u></u> |

The net income/expense from financial assets not at fair value through profit and loss is nil (2016: nil).

Note 6.2C: Net gains or losses on financial liabilities

There was no income or expense from financial liabilities (2016: nil).

Note 6.2D: Financial assets reclassified

During the year there has been no financial assets that have been reclassified.

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6.3. Risk Management

Insurance risk

The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of the outstanding claims provision in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payments will exceed the carrying amount of the provision established.

Note 6.3A: Sensitivity to insurance risk

TABLE A: Analysis of sensitivity of 30 June 2017 net provision to various changes in assumptions*

| Item | Amount | Amount | Change from final estimate | | Change from final estimate | | Note |
|--|----------------|----------------|----------------------------|-----------|----------------------------|-----------|------|
| | 2017 \$'000 | 2016 \$'000 | 2017 \$'000 | 2017 % | 2016 \$'000 | 2016 % | |
| Net liability, including prudential margin | 17,759 | 13,326 | - | 0.0 | - | 0.0 | (a) |
| Inflation +1% | 17,791 | 13,366 | 32 | 0.2 | 40 | 0.3 | (b) |
| Inflation -1% | 17,729 | 13,286 | (30) | -0.2 | (40) | -0.3 | (b) |
| Discount +1% | 17,674 | 13,258 | (85) | -0.5 | (68) | -0.5 | (c) |
| Discount -1% | 17,846 | 13,395 | 87 | 0.5 | 69 | 0.5 | (c) |
| Superimposed inflation +1% | 17,791 | 13,382 | 32 | 0.2 | 56 | 0.4 | (d) |
| Superimposed inflation -1% | 17,727 | 13,270 | (32) | -0.2 | (56) | -0.4 | (d) |
| 10% more IBNR claims in PPCI models | 17,857 | 13,394 | 98 | 0.6 | 68 | 0.5 | (e) |
| 10% less IBNR claims in PPCI models | 17,661 | 13,258 | (98) | -0.6 | (68) | -0.5 | (e) |

*Figures extracted from PricewaterhouseCoopers report (Table 36), Defence Service Homes Insurance Scheme Outstanding Claims Liability as at 30 June 2017

Notes: (a) Net provision, including prudential margin.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Estimated Gross Outstanding Claims | 20,645 | 14,372 |
| less: Estimated Outstanding Recoveries | 2,886 | 1,046 |
| Net Outstanding claims (incl GST and claims administration expense) | 17,759 | 13,326 |
| less: GST | 1,749 | 1,081 |
| Net Outstanding claims (incl claims administration expense) | 16,010 | 12,245 |

Equivalent net provision derived by:

- (b) adding/subtracting 1% p.a. to each future assumed inflation rate.
- (c) adding/subtracting 1% p.a. to each future assumed discount rate.
- (d) adding/subtracting 1% to superimposed inflation assumption.
- (e) increasing/reducing IBNR claims in each of the PPCI models by 10%.

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Underwriting risks

Selection and pricing of risks

Risks insured are limited to dwelling houses owned by persons eligible under the *Defence Service Homes Act 1918*. Insurance policies are written in accordance with local management practices and regulations within each jurisdiction taking into account the Scheme's underwriting standards.

Pricing of risks is controlled by use of in-house pricing models relevant to market in which the Scheme operates. Experienced underwriters and actuaries maintain historical pricing and claims analysis and this is combined with a knowledge of current developments in the market.

Concentration risk

The Scheme manages exposure to concentration risk by issuing policies across all Australian locations. Reinsurance is purchased to reduce potential exposure to catastrophe losses.

Claims management and claims provisioning risk

The Scheme's approach to determining the outstanding claims provision and the related sensitivities are set out in note 3.1B.

The Scheme seeks to ensure the adequacy of its outstanding claims provision by reference to the following controls:

- Experienced claims managers work with underwriters on coverage issues and operate within the levels of delegation issued to them in respect of the settlement of claims.
- Processes exist to ensure that all claims advices are captured and updated on a timely basis and with a realistic assessment of the ultimate claims cost.
- The aggregate outstanding claims provision for the Scheme is reviewed by an external actuary annually.

Despite the rigour involved in the establishment and review of the outstanding claims provision, the provision is subject to significant uncertainty for the reasons set out in note 3.1B.

Reinsurance counterparty risk

The Scheme reinsures a portion of risks underwritten to control exposure to insurance losses, reduce volatility and protect capital. The Scheme's strategy in respect of the selection, approval and monitoring of reinsurance arrangements is addressed by the following protocols:

- Treaty or facultative reinsurance is placed in accordance with the requirements of the Scheme's reinsurance management strategy.
- Reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses.
- Exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

Strict controls are maintained over reinsurance counterparty exposures. Reinsurance is placed with counterparties that have a Standard & Poor's credit rating of A- or above. Credit risk exposures are calculated regularly and compared with authorised credit limits, and the arrangements discontinued from the day the counterparty's Credit rating falls below A-. The Scheme currently has no receivables with reinsurance counterparties below A-.

Accounting Policy

Reinsurance Arrangements

The Scheme purchases reinsurance each year for dwelling per risk, catastrophe risk and legal liability risk. Premium ceded to reinsurers is recognised as an expense and is measured at nominal value in accordance with the pattern of reinsurance service received.

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7. Other Information

This section provides other disclosures relevant to DSHIS's financial information environment for the year.

7.1. Explanations of Major Budget Variances

The following tables provide a comparison between the 2016-17 Portfolio Budget Statements (PBS) budget and the final financial outcome in the 2016-17 financial statements. The Budget is not audited.

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- the variance between budget and actual is greater than 2% of the relevant category (Income, Expenses and Equity totals); or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

| Explanation of major variances | Affected line items (and statement) |
|--|---|
| <u>Claims</u> Claims expenses were higher than budget due to several small storms, plus the Cyclone Debbie catastrophe which occurred in March 2017. The budget only included three moderate events. The Cyclone Debbie event was over \$5m and has resulted in reinsurance recoveries. | <i>Claims expense (Statement of Comprehensive Income), Claim payments (Cash Flow Statement)</i> |
| <u>Outstanding Claims Provision</u> The outstanding claims provision is higher than budget (\$2.1m) due to the catastrophe event discussed above. The budget included three moderate catastrophe events totalling \$3.0m. | <i>Gross claims outstanding (Statement of Financial Position)</i> |
| <u>Underwriting Result</u> As discussed above, the underwriting result was severely impacted by Cyclone Debbie. | <i>Underwriting result (Statement of Comprehensive Income)</i> |
| <u>Reinsurance Recoveries</u> Due to Cyclone Debbie DSHIS is able to recover \$1.972m from its reinsurance program which has been taken up under Trade and other receivables. | <i>Reinsurance and other recoveries (Statement of Comprehensive Income), Trade and other receivables (Statement of Financial Position)</i> |
| <u>Investments</u> Due to a benign claims experience in 2015-16, and the beginning of 2016-17, DSHIS was able to invest surplus cash in 2016-17. | <i>Interest (Statement of Comprehensive Income), Purchase of investments (Cash Flow Statement)</i> |
| <u>Staffing</u> Due to limited recruitment, DSHIS has been unable to fill all vacant positions. These have been filled by Labour Hires (4 as at 30 June 2017). This has resulted in an underspend in employee expenses and an overspend in suppliers (Contractors). | <i>Employee benefits equivalent, Suppliers (Statement of Comprehensive Income), Employees, Suppliers (Cash Flow Statement)</i> |
| <u>Interest Rates</u> Interest rates continue to remain at record lows and have impacted on the investment revenue earned by the Scheme. | <i>Revaluation of investments at fair value through profit or loss (Statement of Comprehensive Income), Purchase of investments (Cash Flow Statement)</i> |
| <u>Suppliers</u> DSHIS contributes towards DVA's running costs each year. The payment to DVA was \$0.109m higher than budgeted. This is due to an increase in the proportion of DSHI to DVA staff (FTE and contractors) in 2016-17. | <i>Suppliers (Statement of Comprehensive Income), Suppliers (Statement of Financial Position), Suppliers (Cash Flow Statement)</i> |


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| Explanation of major variances | Affected line items (and statement) |
|--|---|
| <u>Fire Brigade Contributions</u> Fire brigade and emergency services contributions are calculated by the NSW Government. Due to the NSW Government announcing the removal of the ESL contributions DSHI removed the collection of ESL on all policies from 1 July 2017 which significantly reduced the deferred fire services contributions held which are reported under 2.2B Other non-financial assets. | <i>Fire brigade and emergency services contributions (Statement of Comprehensive Income), Fire brigade and emergency services contributions (Cash Flow Statement), Other non-financial assets (Statement of Financial Position)</i> |
| <u>Other Payables</u> Due to the projected premium being slightly lower than budgeted the reinsurance adjustment premium for 2016-17 was lower than budgeted. | <i>Other payables (Statement of Financial Position)</i> |



A First World War veteran is fitted with an artificial leg at the No. 2 Australian Auxiliary Hospital in Southall, England, in May 1919. (AWM D00571)

Appendixes



An amputee receives attention for his injury, Prince of Wales Hospital, June 2012. The Department of Veterans' Affairs provides ongoing health care to all veterans for service-related injuries and illness. (DVA 20120615_DVA_MF_Prince_of_Wales_Hospital)

Appendix A: Staffing overview

Tables A1 to A6 provide an overview of staffing in each DVA location, by classification, full-time or part-time status, and gender, for the past two financial years.

Total staff numbers in tables A1 to A4 exclude contractors, consultants and part-time statutory office holders. Included are:

- employees of the Department, including employees working in Defence Service Homes Insurance, Office of Australian War Graves, Repatriation Medical Authority, Veterans and Veterans Families Counselling Service and Veterans' Review Board
- full-time and part-time ongoing and non-ongoing employees and full-time statutory officers.

Tables A7 to A9 detail the salary ranges available for APS employees by classification level in 2016-17.

Table A1: Number of employees by classification and location at 30 June 2017

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|--------------|------------|------------|------------|-----------|-----------|------------|-----------|------------|--------------|
| APS 1 | 1 | 1 | – | – | – | – | 1 | 4 | 7 |
| APS 2 | 16 | 12 | 2 | 1 | 1 | 5 | 2 | 6 | 45 |
| APS 3 | 46 | 57 | 32 | 3 | 23 | 23 | 13 | 9 | 206 |
| APS 4 | 35 | 40 | 10 | 2 | 7 | 31 | 12 | 75 | 212 |
| APS 5 | 80 | 128 | 50 | 3 | 17 | 82 | 38 | 72 | 470 |
| APS 6 | 72 | 104 | 33 | 2 | 12 | 86 | 22 | 171 | 502 |
| EL 1 | 30 | 45 | 18 | 1 | 3 | 33 | 8 | 173 | 311 |
| EL 2 | 9 | 19 | 4 | 1 | – | 7 | 2 | 90 | 132 |
| GAPS | 1 | – | – | – | – | – | – | 13 | 14 |
| MO 3 | – | 1 | – | – | – | – | – | – | 1 |
| MO 4 | – | 1 | – | – | – | – | – | – | 1 |
| MO 6 | – | – | – | – | – | – | – | 1 | 1 |
| SES 1 | 1 | 1 | 1 | – | – | 1 | 1 | 17 | 22 |
| SES 2 | 2 | – | – | – | – | 1 | – | 5 | 8 |
| SES 3 | – | – | – | – | – | – | – | 1 | 1 |
| Statutory | 1 | – | – | – | – | – | – | 4 | 5 |
| Total | 294 | 409 | 150 | 13 | 63 | 269 | 99 | 641 | 1,938 |

APS = Australian Public Service, EL = Executive Level, GAPS = Graduate Australian Public Service, MO = Medical Officer, SES = Senior Executive Service, Statutory = Statutory Officer

Table A2: Number of employees by classification and location at 30 June 2016

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|--------------|------------|------------|------------|-----------|-----------|------------|------------|------------|--------------|
| APS 1 | 2 | 2 | – | – | – | – | 2 | 3 | 9 |
| APS 2 | 16 | 14 | 2 | 1 | 1 | 6 | 2 | 6 | 48 |
| APS 3 | 54 | 58 | 29 | 3 | 22 | 25 | 15 | 7 | 213 |
| APS 4 | 31 | 46 | 13 | 3 | 11 | 31 | 11 | 75 | 221 |
| APS 5 | 84 | 139 | 53 | 2 | 12 | 104 | 43 | 69 | 506 |
| APS 6 | 72 | 99 | 29 | 4 | 15 | 85 | 23 | 171 | 498 |
| EL 1 | 26 | 44 | 16 | 1 | 2 | 38 | 7 | 173 | 307 |
| EL 2 | 10 | 17 | 2 | 1 | 1 | 6 | 2 | 91 | 130 |
| GAPS | – | – | – | – | – | – | – | 18 | 18 |
| MO 3 | – | 1 | – | – | – | – | – | – | 1 |
| MO 4 | – | 1 | – | – | – | – | – | – | 1 |
| SES 1 | 1 | 1 | 1 | – | – | 1 | 1 | 15 | 20 |
| SES 2 | 1 | – | – | – | – | 1 | – | 6 | 8 |
| SES 3 | – | – | – | – | – | – | – | 1 | 1 |
| Statutory | 1 | – | – | – | – | – | – | 4 | 5 |
| Total | 298 | 422 | 145 | 15 | 64 | 297 | 106 | 639 | 1,986 |

APS = Australian Public Service, EL = Executive Level, GAPS = Graduate Australian Public Service, MO = Medical Officer, SES = Senior Executive Service, Statutory = Statutory Officer

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Table A3: Full-time and part-time employees by gender and location at 30 June 2017

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|------------------|------------|------------|------------|-----------|-----------|------------|-----------|------------|--------------|
| Full-time male | 117 | 120 | 58 | 4 | 18 | 106 | 34 | 245 | 702 |
| Full-time female | 146 | 237 | 78 | 8 | 30 | 121 | 53 | 324 | 997 |
| Part-time male | 5 | 2 | 2 | – | 2 | 10 | 2 | 11 | 34 |
| Part-time female | 26 | 50 | 12 | 1 | 13 | 32 | 10 | 61 | 205 |
| Total | 294 | 409 | 150 | 13 | 63 | 269 | 99 | 641 | 1,938 |

Table A4: Full-time and part-time employees by gender and location at 30 June 2016

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|------------------|------------|------------|------------|-----------|-----------|------------|------------|------------|--------------|
| Full-time male | 122 | 133 | 62 | 5 | 18 | 115 | 34 | 245 | 734 |
| Full-time female | 143 | 233 | 69 | 9 | 33 | 144 | 57 | 333 | 1,021 |
| Part-time male | 3 | 2 | – | – | 3 | 9 | 3 | 7 | 27 |
| Part-time female | 30 | 54 | 14 | 1 | 10 | 29 | 12 | 54 | 204 |
| Total | 298 | 422 | 145 | 15 | 64 | 297 | 106 | 639 | 1,986 |

Table A5: Non-ongoing employees by gender and location at 30 June 2017

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|--------------|-----------|-----------|-----------|----------|----------|-----------|-----------|-----------|------------|
| Male | 6 | 16 | 3 | – | 2 | 9 | 3 | 4 | 43 |
| Female | 13 | 43 | 13 | 2 | 4 | 19 | 8 | 15 | 117 |
| Total | 19 | 59 | 16 | 2 | 6 | 28 | 11 | 19 | 160 |

Table A6: Non-ongoing employees by gender and location at 30 June 2016

| | NSW | QLD | SA | NT | TAS | VIC | WA | ACT | Total |
|--------------|-----------|-----------|----------|----------|----------|-----------|-----------|-----------|------------|
| Male | 6 | 19 | 2 | 1 | 1 | 11 | 2 | 2 | 44 |
| Female | 14 | 39 | 7 | – | 4 | 23 | 8 | 8 | 103 |
| Total | 20 | 58 | 9 | 1 | 5 | 34 | 10 | 10 | 147 |

Table A7: Administrative and Executive Level salaries effective from 1 July 2016 to 30 June 2017

| APS structure | DVA broadband | Salary from 1 July 2016 to 12 January 2017 (\$) | Salary from 13 January 2017 (\$) |
|---------------|---------------|---|----------------------------------|
| APS 1 | DVA Band 1 | 44,867 | 45,764 |
| | | 46,049 | 46,970 |
| | | 47,231 | 48,176 |
| | | 48,746 | 49,721 |
| | | 50,260 | 51,265 |
| APS 2 | DVA Band 1 | 52,176 | 53,220 |
| | | 53,210 | 54,274 |
| | | 54,243 | 55,328 |
| | | 55,658 | 56,771 |
| | | 57,072 | 58,213 |
| APS 3 | DVA Band 2 | 58,897 | 60,075 |
| | | 59,871 | 61,068 |
| | | 60,661 | 61,874 |
| | | 61,965 | 63,204 |
| | | 63,269 | 64,534 |
| APS 4 | DVA Band 2 | 66,511 | 67,841 |
| | | 67,381 | 68,729 |
| | | 68,251 | 69,616 |
| | | 69,595 | 70,987 |
| | | 70,939 | 72,358 |
| APS 5 | DVA Band 2 | 74,149 | 75,632 |
| | | 74,671 | 76,164 |
| | | 75,194 | 76,698 |
| | | 76,234 | 77,759 |
| | | 77,274 | 78,819 |
| APS6 | DVA Band 3 | 81,497 | 83,127 |
| | | 83,952 | 85,631 |
| | | 86,405 | 88,133 |
| | | 89,473 | 91,262 |
| | | 92,542 | 94,393 |
| EL 1 | DVA Band 3 | 102,521 | 104,571 |
| | | 104,986 | 107,086 |
| | | 107,451 | 109,600 |
| | | 110,015 | 112,215 |
| | | 112,581 | 114,833 |
| EL 2 | DVA Band 4 | 123,640 | 126,113 |
| | | 127,056 | 129,597 |
| | | 130,473 | 133,082 |
| | | 134,818 | 137,514 |
| | | 139,164 | 141,947 |

APS = Australian Public Service, DVA = Department of Veterans' Affairs, EL = Executive Level

Table A8: Medical Officer salaries effective from 1 July 2016 to 30 June 2017

| APS structure | DVA broadband | Salary from 1 July 2016 to 12 January 2017 (\$) | Salary from 13 January 2017 (\$) |
|---------------|---------------|---|----------------------------------|
| MO 1 | MO Band 1 | 93,285 | 95,151 |
| | | 101,030 | 103,051 |
| | | 108,717 | 110,891 |
| | | 115,072 | 117,373 |
| | | 121,426 | 123,855 |
| MO 2 | MO Band 2 | 131,099 | 133,721 |
| | | 133,378 | 136,046 |
| | | 135,088 | 137,790 |
| | | 136,799 | 139,535 |
| | | 137,938 | 140,697 |
| MO 3 | MO Band 3 | 146,484 | 149,414 |
| | | 148,155 | 151,118 |
| | | 149,827 | 152,824 |
| | | 151,498 | 154,528 |
| | | 153,169 | 156,232 |
| MO 4 | MO Band 4 | 159,739 | 162,934 |
| | | 165,959 | 169,278 |
| | | 169,169 | 172,552 |
| | | 172,380 | 175,828 |
| | | 175,591 | 179,103 |

APS = Australian Public Service, DVA = Department of Veterans' Affairs, MO = Medical Officer

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Table A9: Transitional salaries effective from 1 July 2016 to 30 June 2017

| APS structure | Previous DVA designation | Salary from 1 July 2016 to 12 January 2017 (\$) | Salary from 13 January 2017 (\$) |
|---------------|-------------------------------|---|----------------------------------|
| APS 5 | Public Affairs Officer 1 | 74,149 | 75,632 |
| | | 77,274 | 78,819 |
| APS 6 | Public Affairs Officer 2 | 87,409 | 89,157 |
| | | 95,348 | 97,255 |
| EL 1 | Public Affairs Officer 3 | 117,850 | 120,207 |
| | | 125,311 | 127,817 |
| EL 2 | Senior Public Affairs Officer | 132,866 | 135,523 |
| | | 141,532 | 144,363 |
| APS 6 | Legal 1 | 84,211 | 85,895 |
| | | 88,841 | 90,618 |
| EL 1 | Legal 1 | 104,744 | 106,839 |
| | | 109,813 | 112,009 |
| | | 125,311 | 127,817 |
| EL 2 | Legal 2 | 134,969 | 137,668 |
| | | 142,716 | 145,570 |
| APS 6 | VVCS Professional | 81,931 | 83,570 |
| | | 83,952 | 85,631 |
| | | 86,405 | 88,133 |
| | | 89,473 | 91,262 |
| | | 92,542 | 94,393 |
| EL 1 | VVCS Professional | 104,743 | 106,838 |
| | | 112,581 | 114,833 |
| EL 2 | VVCS Professional | 117,203 | 119,547 |
| | | 123,640 | 126,113 |
| | | 132,866 | 135,523 |
| | | 134,818 | 137,514 |
| | | 139,164 | 141,947 |

APS = Australian Public Service, EL = Executive Level, VVCS = Veterans and Veterans Families Counselling Service

Appendix B: Resource summary tables

Table B1 Agency resource statement 2016-17

| | Actual available appropriation for 2016-17 \$'000 (a) | Payments made 2016-17 \$'000 (b) | Balance remaining 2016-17 \$'000 (a) - (b) |
|---|--|--|--|
| Ordinary annual services | | | |
| Departmental appropriation | | | |
| Departmental appropriation ¹ | 319,776 | 306,665 | 13,111 |
| Section 74 relevant agency receipts ¹ | 6,659 | 7,222 | (563) |
| Total | 326,435 | 313,887 | 12,548 |
| Administered expenses | | | |
| Outcome 1 | 49,972 | 41,415 | |
| Outcome 2 | 8,614 | 5,402 | |
| Outcome 3 | 48,950 | 48,777 | |
| Payments to corporate Commonwealth entities | 42,699 | 42,720 | |
| Total | 150,235 | 138,314 | |
| Total ordinary annual services | A 476,670 | 452,201 | |
| Other services | | | |
| Administered expenses | | | |
| Administered non-operating | | | |
| Payments to corporate Commonwealth entities - non-operating | 7,154 | 7,154 | |
| Total | 7,154 | 7,154 | |
| Departmental non-operating | | | |
| Equity injections | 19,562 | 12,740 | 6,822 |
| Total | 19,562 | 12,740 | 6,822 |
| Total other services | B 26,716 | 19,894 | |
| Total available annual appropriations | 503,386 | 472,095 | |
| Special appropriations | | | |
| Special appropriations limited by criteria/entitlement | | | |
| Outcome 1 | | | |
| <i>Papua New Guinea (Members of the Forces Benefits) Act 1957</i> | | 11 | |
| <i>Veterans' Entitlements Act 1986</i> | | 5,409,432 | |
| <i>Defence Service Homes Act 1918</i> | | 837 | |
| <i>Safety, Rehabilitation and Compensation Act 1988</i> | | 140,015 | |
| <i>Military Rehabilitation and Compensation Act 2004</i> | | 366,483 | |
| Total Outcome 1 | | 5,916,778 | |

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| | Actual available appropriation for 2016-17 \$'000 (a) | Payments made 2016-17 \$'000 (b) | Balance remaining 2016-17 \$'000 (a) - (b) |
|---|--|--|--|
| Outcome 2 | | | |
| <i>Veterans' Entitlements Act 1986</i> | | 4,503,525 | |
| <i>Safety, Rehabilitation and Compensation Act 1988</i> | | 41,808 | |
| <i>Military Rehabilitation and Compensation Act 2004</i> | | 83,211 | |
| <i>Australian Participants in British Nuclear Tests (Treatment) Act 2006</i> | | 371 | |
| Total Outcome 2 | | 4,628,915 | |
| Special appropriations limited by amount – Outcome 1 | | | |
| <i>Compensations (Japanese Internment) Act 2001</i> | | - | |
| Total special appropriations C | | 10,545,693 | |
| Total appropriations excluding Special Accounts | 503,386 | 11,017,788 | |
| Special Accounts | | | |
| Opening balance | 2,171 | | |
| Appropriation receipts | 120 | | |
| Non-appropriation receipts to Special Accounts | 47,000 | | |
| Payments made | | 43,474 | |
| Total Special Accounts D | 49,291 | 43,474 | |
| Total resourcing | 552,677 | 11,061,262 | |
| A+B+C+D | | | |
| Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or corporate Commonwealth entities through annual appropriations | 49,973 | 49,994 | |
| Total net resourcing for DVA | 502,704 | 11,011,268 | |

1 Does not include appropriation receivable and investment opening balance which were available for spending in 2016-17.

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Table B2 Expenses and resources for Outcome 1

| Outcome 1: Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) - (b) |
|---|--|---|---|
| Program 1.1: Veterans' Income Support and Allowances | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | - | - | - |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 2,321,941 | 2,329,596 | (7,655) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 89,792 | 58,589 | 31,203 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 11,349 | 5,426 | 5,923 |
| Total for Program 1.1 | 2,423,082 | 2,393,611 | 29,471 |
| Program 1.2: Veterans' Disability Support | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 18,080 | 17,021 | 1,059 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 1,520,790 | 1,515,465 | 5,325 |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 41,694 | 43,055 | (1,361) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 3,658 | 3,987 | (329) |
| Total for Program 1.2 | 1,584,222 | 1,579,528 | 4,694 |
| Program 1.3: Assistance to Defence Widow/ers and Dependants | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | - | - | - |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 1,559,435 | 1,561,710 | (2,275) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 14,390 | 11,959 | 2,431 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,527 | 1,107 | 420 |
| Total for Program 1.3 | 1,575,352 | 1,574,776 | 576 |

| Outcome 1: Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) – (b) |
|---|--|---|---|
| Program 1.4: Assistance and Other Compensation for Veterans and Dependants | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 8,102 | 6,926 | 1,176 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 13,686 | 30,112 | (16,426) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 14,799 | 25,442 | (10,643) |
| Special Accounts | 37,577 | 40,061 | (2,484) |
| Expenses not requiring appropriation in the Budget year | 1,033 | 2,356 | (1,323) |
| Total for Program 1.4 | 75,197 | 104,897 | (29,700) |
| Program 1.5: Veterans' Children Education Scheme | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 15,542 | 14,786 | 756 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 4,996 | 3,686 | 1,310 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 608 | 341 | 267 |
| Total for Program 1.5 | 21,146 | 18,813 | 2,333 |
| Program 1.6: Military Rehabilitation and Compensation Acts – Income Support and Compensation | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 8,441 | 5,971 | 2,470 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 476,825 | 520,148 | (43,323) |
| Special Accounts | 258 | 267 | (9) |
| Departmental expenses | | | |
| Departmental appropriation | 30,037 | 59,205 | (29,168) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,868 | 5,483 | (3,615) |
| Total for Program 1.6 | 517,429 | 591,074 | (73,645) |

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| Outcome 1: Maintain and enhance the financial wellbeing and self-sufficiency of eligible persons and their dependants through access to income support, compensation, and other support services, including advice and information about entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) - (b) |
|---|--|---|---|
| Program 1.7: Adjustment to Military Rehabilitation and Compensation Acts Liability Provision – Income Support and Compensation | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | - | - | - |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 265,500 | 361,500 | (96,000) |
| Departmental expenses | | | |
| Departmental appropriation | - | - | - |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | - | - | - |
| Total for Program 1.7 | 265,500 | 361,500 | (96,000) |
| Outcome 1 totals by appropriation type | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 50,165 | 44,704 | 5,461 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 5,892,677 | 5,957,031 | (64,354) |
| Special Accounts | 258 | 267 | (9) |
| Expenses not requiring appropriation in the Budget year | 265,500 | 361,500 | (96,000) |
| Departmental expenses | | | |
| Departmental appropriation | 195,708 | 201,936 | (6,228) |
| Special Accounts | 37,577 | 40,061 | (2,484) |
| Expenses not requiring appropriation in the Budget year | 20,043 | 18,701 | 1,342 |
| Total expenses for Outcome 1 | 6,461,928 | 6,624,200 | (162,272) |
| | 2015-16 | 2016-17 | |
| Average staffing level (number) | 1,029 | 1,214 | |

1 Full year budget, including any subsequent adjustment made to the 2016-17 Budget.

2 The actual expense totals may differ from the 2016-17 Financial Statements due to Special Accounts, Competitive Neutrality payments and rounding adjustments.

Table B3 Expenses and resources for Outcome 2

| Outcome 2: Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) – (b) |
|--|--|---|---|
| Program 2.1: General Medical Consultations and Services | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | - | - | - |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 800,293 | 806,743 | (6,450) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 8,169 | 8,903 | (734) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 50 | 824 | (774) |
| Total for Program 2.1 | 808,512 | 816,470 | (7,958) |
| Program 2.2: Veterans' Hospital Services | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | - | - | - |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 1,440,443 | 1,487,194 | (46,751) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 6,504 | 5,734 | 770 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 42 | 531 | (489) |
| Total for Program 2.2 | 1,446,989 | 1,493,459 | (46,470) |
| Program 2.3: Veterans' Pharmaceuticals Benefits | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | - | - | - |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 335,921 | 305,342 | 30,579 |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 1,854 | 3,458 | (1,604) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 11 | 320 | (309) |
| Total for Program 2.3 | (337,786) | 309,120 | 28,666 |

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| Outcome 2: Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) - (b) |
|--|--|---|---|
| Program 2.4: Veterans' Community Care and Support | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | 2,270 | 2,261 | 9 |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 1,386,879 | 1,317,607 | 69,272 |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 19,449 | 16,550 | 2,899 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,682 | 1,533 | 149 |
| Total for Program 2.4 | 1,410,280 | 1,337,950 | 72,330 |
| Program 2.5: Veterans' Counselling and Other Health Services | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | 6,344 | 3,384 | 2,960 |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 608,054 | 583,378 | 24,676 |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 33,776 | 33,180 | 596 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,910 | 3,073 | (1,163) |
| Total for Program 2.5 | 650,084 | 623,015 | 27,069 |
| Program 2.6: Military Rehabilitation and Compensation Acts - Health and Other Care Services | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | - | - | - |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 123,721 | 126,299 | (2,578) |
| Special Accounts | - | - | - |
| Departmental expenses | | | |
| Departmental appropriation | 15,270 | 18,862 | (3,592) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 489 | 1,747 | (1,258) |
| Total for Program 2.6 | 139,480 | 146,908 | (7,428) |

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| Outcome 2: Maintain and enhance the physical wellbeing and quality of life of eligible persons and their dependants through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) – (b) |
|--|--|---|---|
| Program 2.7: Adjustment to Military Rehabilitation and Compensation Acts Liability Provision – Health and Other Care Services | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | - | - | - |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 96,400 | 664,500 | (568,100) |
| Departmental expenses | | | |
| Departmental appropriation | - | - | - |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | - | - | - |
| Total for Program 2.7 | 96,400 | 664,500 | (568,100) |
| Outcome 2 totals by appropriation type | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Act No. 1) | 8,614 | 5,644 | 2,970 |
| Other services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | 4,695,311 | 4,626,562 | 68,749 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 96,400 | 664,500 | (568,100) |
| Departmental expenses | | | |
| Departmental appropriation | 85,022 | 86,687 | (1,665) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 4,184 | 8,028 | (3,844) |
| Total expenses for Outcome 2 | 4,889,531 | 5,391,421 | (501,890) |
| | | | |
| | 2015-16 | 2016-17 | |
| Average staffing level (number) | 686 | 521 | |

1 Full year budget, including any subsequent adjustment made to the 2016-17 Budget.

2 The actual expense totals may differ from the 2016-17 Financial Statements due to Special Accounts, Competitive Neutrality payments and rounding adjustments.

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Table B4 Expenses and resources for Outcome 3

| Outcome 3: Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service and sacrifice, preservation of Australia's wartime heritage, and official commemorations. | Budget¹ 2016-17 \$'000 (a) | Actual expenses 2016-17 \$'000 (b) | Variation 2016-17 \$'000 (a) – (b) |
|---|--|---|---|
| Program 3.1: War Graves and Commemorations | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | 18,253 | 42,369 | (24,116) |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | 64 | 119 | (55) |
| Departmental expenses | | | |
| Departmental appropriation | 17,215 | 24,046 | (6,831) |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,815 | 2,227 | (412) |
| Total for Program 3.1 | 37,347 | 68,761 | (31,414) |
| Program 3.2: Gallipoli Related Activities | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | 30,697 | 3,771 | 26,926 |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | 16,346 | 965 | 15,381 |
| Departmental expenses | | | |
| Departmental appropriation | 16,253 | 1,576 | 14,677 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 1,714 | 146 | 1,568 |
| Total for Program 3.2 | 65,010 | 6,458 | 58,552 |
| Outcome 3 totals by appropriation type | | | |
| Administered expenses | | | |
| Ordinary Annual Services (Appropriation Act No. 1) | 48,950 | 46,140 | 2,810 |
| Other Services (Appropriation Act No. 2) | - | - | - |
| Special appropriations | - | - | - |
| Special Accounts | 16,410 | 1,084 | 15,326 |
| Departmental expenses | | | |
| Departmental appropriation | 33,468 | 25,622 | 7,846 |
| Special Accounts | - | - | - |
| Expenses not requiring appropriation in the Budget year | 3,529 | 2,373 | 1,156 |
| Total expenses for Outcome 3 | 102,357 | 75,219 | 27,138 |
| | 2015-16 | 2016-17 | |
| Average staffing level (number) | 169 | 154 | |

¹ Full year budget, including any subsequent adjustment made to the 2016-17 Budget.

² The actual expense totals may differ from the 2016-17 Financial Statements due to Special Accounts, Competitive Neutrality payments and rounding adjustments.

Appendix C: Data Matching Program

The Data Matching Program is a program of computer matching of identity and income data held by certain government agencies, including DVA, to detect incorrect payments in the income support system.

The legal authority for the data matching is contained in the *Data-matching Program (Assistance and Tax) Act 1990* (Data-matching Act). The Office of the Australian Information Commissioner oversees the implementation of the Act through guidelines for the conduct of the Data Matching Program.

Section 12 of the Act requires participating agencies to provide annual and three-yearly reports to Parliament on the operation of the program. DVA's most recent three-yearly report was submitted in 2016 and the next one will be submitted in 2019.

This appendix focuses on the operation of the program within DVA in 2016-17.

For a full explanation of the progress of the Data Matching Program within DVA, this report should be read in conjunction with previous data-matching annual reports.

Program overview

The Data Matching Program identifies cases where there is a risk of incorrect payment through:

- detection of invalid tax file numbers (TFNs)
- identity matching, which detects fictitious or assumed identities
- payment matching, which detects people who may be in receipt of incorrect or dual payments from the same or different agencies, where the receipt of one payment precludes or limits payment of the other
- income matching, which detects instances where the income information disclosed to DVA differs from the income declared to the Australian Taxation Office (ATO).

Section 6 of the Data-matching Act allows agencies to conduct up to nine data-matching cycles in a year, with only one cycle in progress at a given time. Each data-matching cycle has six steps, as detailed in section 7 of the Act.

Five Australian Government departments participate in the program: DVA, the ATO, the Department of Education and Training, the Department of Human Services (DHS) and the Department of Social Services.

The ATO provides details of identity and tax data of people in receipt of income support payments for comparison with the details provided by the other agencies.

Data-matching investigations

This section provides a summary of how DVA acts on discrepancies identified through data matching.

Invalid tax file numbers

DVA actions all discrepancies found through detection of invalid tax file numbers by contacting the client and obtaining the correct number.

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Identity matching

DVA actions all discrepancies found through identity matching by correcting administrative errors, investigating anomalies that may potentially be fraudulent or seeking the correct identity details from the client and providing those details to the ATO so that the ATO can correct its records.

Payment matching

DVA runs payment matching in one data-matching cycle each year, solely to confirm the validity of the checks and balances conducted currently within the Department.

Income matching

Income matching is run in every cycle by the Department. Income discrepancies are selected during this process for further investigation.

Deselection of cases

There are no exclusions from data matching within the Department. However, deselection is applied to ensure that the same discrepant case is not picked up in more than one cycle each year.

Analysis

Discrepant cases are analysed before any investigation is undertaken to ensure the integrity of the data provided, to identify areas for improvement of selection, and to ensure all data-matching business rules are applied.

Investigations

All investigations of discrepancies involve examination of the client's DVA electronic records and then, if necessary, hard-copy records. Any administrative errors are corrected at this stage without the client needing to be contacted.

If the discrepancy remains after the initial checking, the client is sent correspondence in accordance with section 11 of the Data-matching Act, requesting further information and documentation to assist with the investigation. Clients are given 28 days under the Data-matching Act to comply, then a further seven days based on the *Evidence Act 1995*.

In cases where the initial investigation has revealed potential fraud, the investigator may apply subsection 11(4), and not send a section 11 letter as it may prejudice the effectiveness of an investigation into the possible commission of an offence.

Based on the information that the client provides, the payment rate is corrected and, where appropriate, overpayments are calculated, raised and recovered.

Further information may be obtained from Commonwealth, state or territory government or private agencies to help ascertain the correct client details.

The client's right to privacy is protected at all times by application of the Australian Privacy Principles (under the *Privacy Act 1988*), which governs the collection, storage, use and disclosure of personal information.

Actions under the Data-matching Act

This section contains information required by paragraphs 9(i) and 9(vi) of the Data-matching Program (Assistance and Tax) Guidelines.

Table C1 details the discrepancies in 2016-17, and the ensuing actions.

Table C1: Actions under the Data-matching Act

| Discrepancies and actions | 2016-17 |
|---|-----------|
| Total number of records read | 1,082,216 |
| Number of matches that resulted in discrepancies ¹ | 7,930 |
| Proportion of matches that resulted in discrepancies | 0.73% |
| Number of discrepancies referred for investigation | 2,571 |
| Number of discrepancies referred for investigation that resulted in a notice under section 11 of the Act being sent | 147 |
| Number of cases where the section 11 letter was followed up by action being undertaken ² | 131 |
| Proportion of discrepancies that resulted in action being taken | 1.65% |
| Proportion of discrepancies which did not proceed to action after a section 11 letter was sent | 10.88% |
| Number of overpayments raised ³ | 146 |
| Number of cases where debt was fully recovered ⁴ | 156 |
| Number of pensions cancelled, suspended or reduced | 145 |
| Number of pensions that were continued | 56 |
| Number of pensions that were increased | 9 |

Data-matching Act = *Data-matching Program (Assistance and Tax) Act 1990*

1 Discrepancies include those resulting from detection of invalid tax file numbers, identity matching, payment matching and income matching. The number of discrepancies does not represent the number of pensioners: more than one discrepancy may be detected in respect of the same pensioner.

2 Refers to the action set out in section 10 of the Act—a pension was reduced, cancelled, increased or continued.

3 Overpayments raised include some for cases where section 11 action took place in a previous financial year.

4 Figure includes debts fully recovered from previous financial years.

Prosecutions

Reviews of entitlement by the Department may bring to notice cases where an offence may have been committed under the *Veterans' Entitlements Act 1986*, the *Safety, Rehabilitation and Compensation Act 1988*, the *Military Rehabilitation and Compensation Act 2004*, the *Social Security Act 1991*, the *Criminal Code Act 1995*, or the *Crimes Act 1914*.

The Department's role in the prosecution process is to investigate cases where it appears an offence may have been committed and to forward these cases, if warranted, to the Commonwealth Director of Public Prosecutions (CDPP) for a decision as to whether prosecution action should proceed. Depending on the type of investigation required, a case may be referred to the Australian Federal Police for further investigation.

Any suspected fraud cases detected are referred to the Personnel, Security and Investigations Section within the People Services Branch for an initial case assessment, prioritisation and further action, if appropriate.

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Where sufficient evidence is obtained from an investigation, the Personnel, Security and Investigations Section makes recommendations to senior management on the appropriateness of referring the matter to the CDPP.

Table C2 details the prosecutions prompted by the Data Matching Program in 2016-17.

Table C2: Prosecutions prompted by the Data Matching Program

| Cases | 2016-17 |
|---|---------|
| Cases referred to the Personnel, Security and Investigations Section identified through data matching | 1 |
| Cases referred to the CDPP identified through data matching | – |
| Cases successfully prosecuted | – |
| Cases dismissed by the CDPP due to insufficient evidence or not in the public interest | – |
| Cases with the CDPP pending consideration | – |
| Cases still under investigation by the Personnel, Security and Investigations Section ¹ | 1 |
| Cases finalised by the Personnel, Security and Investigations Section without CDPP referral | 1 |

CDPP = Commonwealth Director of Public Prosecutions

1 Figures may include cases that were identified in previous financial years.

Costs and benefits

This section contains information required by paragraph 9(i) of the Data-matching Program (Assistance and Tax) Guidelines.

The Department's involvement in the program has shown substantial savings can be gained through comparison of data held by different agencies.

Expenses

Table C3 sets out the costs to DVA of operating the program in 2016-17.

Table C3: Costs to DVA of operating the program (\$)

| Costs | 2016-17 |
|---|----------------|
| Salary costs | 93,051 |
| Administrative overheads | 26,153 |
| Support costs for data-matching processing system | 1,547 |
| Total | 120,751 |

Projected savings

DVA calculates savings for clients whose payments are suspended, cancelled or reduced. For clients in receipt of a pension, it is assumed that they would have continued to receive the same rate of payment for 52 fortnights. These savings are in line with the methodology used by DHS to calculate savings.

Tables C4 and C5 set out the pension adjustments resulting in projected savings, and the total savings achieved in 2016-17. Table C6 shows savings achieved through the program in the past three years.

Table C4: Pension adjustments resulting in projected savings

| Pension adjustments | 2016-17 |
|--|------------|
| Number of pensions reduced | 122 |
| Number of pensions suspended/cancelled | 23 |
| Total | 145 |

Table C5: Total savings achieved through the Data Matching Program

| Detail | 2016-17 |
|--|--------------------|
| Number of pensions cancelled or reduced/suspended ¹ | 145 |
| Number of potential overpayments identified ² | 102 |
| Number of overpayments raised ³ | 146 |
| Number of debts fully recovered | 156 |
| Value of overpayments raised | \$997,939 |
| Debts waived or written off | -\$12,586 |
| Subtotal | \$985,353 |
| Value of projected savings | \$766,222 |
| Total gross savings | \$1,751,575 |
| Departmental expenses | -\$120,751 |
| Net savings | \$1,630,824 |

1 The number of cases that result in projected savings. Although a person's pension may be cancelled, reduced or suspended, an overpayment may not necessarily exist.

2 Where a case officer believes there may be an overpayment, a potential debt identifier is registered. The figure reflects the number of potential debts identified.

3 The discrepancy between the number of overpayments identified and the number of overpayments raised is due to several factors:

- Where a potential overpayment has been identified, further investigation may result in a determination that no debt existed.
- Debts may be raised and consequently recovered separately for both members of a couple.
- Overpayments raised during each financial year may have been identified in previous financial years.

Table C6: Cumulative savings achieved through the Data Matching Program (\$)

| Detail | 2014-15 | 2015-16 | 2016-17 |
|-------------------------------|-------------------|-------------------|-------------------|
| Value of overpayments raised | 1,033,967 | 1,236,951 | 997,939 |
| Debts waived or written off | -4,717 | -27,680 | -12,586 |
| Value of projected savings | 770,929 | 579,490 | 766,222 |
| <i>Total gross savings</i> | <i>1,800,179</i> | <i>1,788,761</i> | <i>1,751,575</i> |
| Departmental expenses | -195,961 | -171,598 | -120,751 |
| <i>Net savings</i> | <i>1,604,218</i> | <i>1,617,163</i> | <i>1,630,824</i> |
| Cumulative net savings | 28,914,928 | 30,532,091 | 32,162,915 |

Note: For full explanation of previous years' savings, this table should be read in conjunction with previous data-matching annual reports.

Appendix D: Advertising and market research

In 2016-17, DVA undertook advertising and market research to assist in the development of policy and programs, and to inform the public about services, entitlements and commemorative activities. DVA also placed tenders, public notices and recruitment advertisements. DVA did not undertake any major advertising campaigns or make any payments to creative advertising agencies or polling organisations.

The following tables report DVA's expenditure on market research, direct mail services and media advertising in accordance with section 311A of the *Commonwealth Electoral Act 1918*. Payments of less than \$13,000 have not been included.

Table D1: Payments to market research agencies in 2016-17

| Organisation | Service provided | Amount paid (including GST) (\$) |
|--------------------------------|--|--|
| ORIMA Research Pty Ltd | 2016 Client Satisfaction Survey | 220,370.20 ¹ |
| | Transition Taskforce Survey | 19,000.00 |
| Essence Communications Pty Ltd | Marketing approach to the Sir John Monash Centre | 75,000.00 |
| Inside Story | Marketing campaign to increase insurance sales | 39,022.50 ² |
| Kantar Public | Market research to inform former serving Australian Defence Force (ADF) members of the support services available to those who experienced physical or sexual abuse in the ADF | 42,000.00 |
| Total | | 395,392.70 |

1 Total amount of the contract over the four-year contract period (2014-17) was \$397,000.01.

2 Total amount of the contract over the two-year contract period (2016-18) was \$52,030.00.

Table D2: Payments to direct mail organisations in 2016-17

| Organisation | Service provided | Amount paid (including GST) (\$) |
|-------------------------------|--|--|
| National Mailing & Marketing | 2016 Remembrance Day poster | 34,530.00 |
| | 2016 Remembrance Day mail-out | 34,703.00 |
| | 2017 Anzac Day education mail-out | 29,181.00 |
| | 2017 Anzac Day poster mail-out | 42,133.00 |
| Independent Print Media Group | Vetaffairs newspaper packaging and lodgement | 49,818.61 |
| Total | | 190,365.61 |

Note: The amounts paid for these services relate to handling, sorting, packaging and related activities and do not include the costs of posting or producing distributed materials.

Table D3: Payments to media advertising agencies in 2016–17

| Organisation | Service provided | Amount paid (including GST) (\$) |
|-----------------|---|--|
| Dentsu Mitchell | Advertising, public notices and recruitment | 271,556.78 |
| Total | | 271,556.78 |

Note: 'Media advertising agencies' are the central agencies that place government campaign and non-campaign advertising in the media.

Appendix E: Carer recognition

The *Carer Recognition Act 2010* sets out the Statement for Australia's Carers, which establishes the principle that carers should have the same rights, choices and opportunities as other Australians. The Act also includes reporting and consultation obligations for certain Australian Public Service agencies.

Awareness and understanding

Section 7(1) of the Carer Recognition Act requires each public service agency to 'take all practicable measures to ensure that its employees and agents have an awareness and understanding of the Statement for Australia's Carers'.

The Department's employment policies articulate the requirement to make employees aware of their obligations under the Act.

The Department provides respite services to members of the veteran community and their carers through the Veterans' Home Care program. The program's procedure manuals for assessment agencies and service providers refer to the rights of carers and the Statement for Australia's Carers.

Information for carers is provided on the Department's public website, including links to the contact details for a range of carer services.

Human resource policies

Section 7(2) of the Carer Recognition Act requires each public service entity's internal human resource policies, so far as they may significantly affect an employee's caring role, to be developed with due regard for the Statement for Australia's Carers.

The Department supports staff with caring responsibilities and considers the principles contained in the statement when developing human resource policies.

The DVA Enterprise Agreement 2015-2018 provides access to a range of paid and unpaid leave as well as flexible working arrangements for employees who have to balance work and caring responsibilities. These provisions include personal leave for caring purposes, miscellaneous leave, flex time, and part-time work.

The Department's human resource practitioners support managers and employees who have caring responsibilities by assisting them to access relevant provisions under the enterprise agreement, resources from the Families At Work information service, and counselling services from the Employee Assistance Program.

Reflecting the principles

Section 8(1) of the Carer Recognition Act requires each public service care agency to 'take all practicable measures to ensure that it, and its employees and agents, take action to reflect the principles of the Statement for Australia's Carers in developing, implementing, providing or evaluating care supports'.

A carer awareness self-paced learning package is available for download from DVA's website as support material for all interested individuals and organisations, including contracted service providers. The package assists in understanding the issues and needs of carers, the Carer Recognition Act and how to comply with the legislation.

The Department's standard deed of agreement includes an obligation for contractors to comply with relevant laws and relevant Australian Government and departmental policies.

Consultation with carers

Section 8(2) of the Carer Recognition Act requires each public service care agency to 'consult carers, or bodies that represent carers, when developing or evaluating care supports'.

The Veterans' Affairs National Consultation Framework comprises national and state and territory forums. The national forums include the Ex-Service Organisation Round Table, which meets two to three times a year. The round table membership includes organisations that advocate for carers of veterans, such as The Partners of Veterans Association of Australia. Consultation focuses on policy, including carer issues policy; program matters; and the operations of the Department.

Appendix F: Work health and safety

DVA implements and maintains effective work health and safety (WHS) strategies and systems that promote continuous WHS improvement and a positive safety culture. Managing and promoting safety at work was a major focus in 2016-17.

DVA is committed to effective, open communication and works collaboratively—through WHS committees and staff advisory groups—to promote the health and wellbeing of employees, recognising that health and wellbeing initiatives assist in increasing morale, resilience and productivity.

The National Work Health and Safety Committee was established to ensure effective consultation between managers and staff in relation to health and safety. It meets on a quarterly basis and is supported by a network of state-based committees that also meet quarterly.

DVA's Executive demonstrates commitment to health, safety and wellbeing by:

- participating in health and safety committees
- resourcing preventive health, wellbeing and early intervention programs
- supporting strong networks of first aid officers, harassment contact officers, health and safety representatives and emergency wardens, and a range of consultative and reporting processes for raising health and safety concerns
- providing education, resources and support—including mandatory WHS training for new employees—to managers and staff
- ensuring that regular workplace hazard inspections are conducted jointly by managers and trained workplace health and safety representatives
- overseeing audit and assurance activities in rehabilitation case management and WHS.

Initiatives

DVA provided a range of services and activities to promote health, safety and wellbeing in 2016-17, including:

- training in Building Resilience; Transition to Retirement; Mental Health First Aid; Strengthened for Life; Accidental Counselling; Managing Sensitive Conversations; and Managing Unreasonable Complainants
- sessions on back care and the management of injuries in the workplace
- a network of human resource practitioners, across the Department, that supported the implementation of WHS policies and programs
- early intervention and rehabilitation management systems that assisted employees to stay at work by providing appropriate medical support for work related and non-work related illness and injury
- an employee assistance program that provided access to free and confidential counselling to support the psychological wellbeing of employees and their families
- the online Work/Life Links service, which provided free confidential information and assistance for employees and their immediate families on a range of childcare, aged care, health and support services
- annual flu vaccinations, eyesight and hearing tests, subsidies for eyeglasses, and computer software designed to encourage keyboard users to take rest breaks

- ergonomic assessments and ergonomic equipment to support employees maintaining safe working habits, including the assessment of new furniture needs during the refurbishment of DVA offices
- accredited training for health and safety representatives, harassment contact officers, first aid officers and emergency wardens
- an annual subsidy to encourage participation in fitness and healthy lifestyle activities.

Outcomes

As a result of the Department's WHS initiatives, in 2016-17:

- the number of workers compensation claims received was reduced by 39.1 per cent, and the number of claims accepted was reduced by 46.2 per cent
- employee awareness of workplace psychosocial risks and strategies to mitigate risks was improved
- resources and policies to support managers and employees were updated
- reporting mechanisms were improved to ensure legislative compliance
- employees took part in wellness activities
- the Department's focus on reporting hazards and mitigating risks to maintain a safe and healthy workplace was renewed.

Key results

In 2016-17:

- DVA had six notifiable incidents under Part 3 of the *Work Health and Safety Act 2011*
- no investigations were conducted and no notices were given under Part 5 or Part 10 of the *Work Health and Safety Act*
- 14 claims for workers compensation were received, compared with 23 claims in 2015-16
- seven claims for workers compensation were accepted, compared with 13 claims in 2015-16
- the workers compensation premium, \$3.268 million, represented 2.8 per cent of DVA's payroll.

Appendix G: Ecologically sustainable development and environmental performance

The following summary of DVA's environmental management activities and performance is provided in accordance with section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*.

Environmental commitment statement

DVA is committed to integrating environmental sustainability into its business. The Department's key commitments are to:

- comply with relevant legislation and policies
- minimise its carbon footprint
- use resources effectively
- continue to look for ways to minimise waste and reduce energy and resource consumption
- create a culture where environmental considerations are integrated into business activities
- consider the environmental aspects of purchases of products and services
- report on its environmental performance and progress towards environmental sustainability
- promote the use of its environmental policies, practices and initiatives to its staff and business partners
- strive for continuous improvement in its environmental performance.

Outcomes for ecologically sustainable development

DVA's outcomes contribute to the principles of ecologically sustainable development as set out in section 3A of the *Environment Protection and Biodiversity Conservation Act*. The Department's contribution is in the effective delivery of Australian Government services with as little environmental impact as possible.

In 2016-17, the Department continued to demonstrate environmental responsibility by minimising its negative impacts on the environment through efficient use of resources, effective waste management and pollution prevention.

Environmental impact of operations

DVA has taken measures to minimise the impact of its operations on the environment, as set out in the *Environment Protection and Biodiversity Conservation Act*.

Energy consumption

The Energy Efficiency in Government Operations policy set an energy consumption target of 7,500 megajoules per person per year for office tenant light and power by 2011-12.

Table G1 shows data from 2013-14 to 2015-16. Due to energy consumption reporting processes, information relating to energy performance for 2016-17 will not be available until the end of October 2017.

Table G1: Tenant light and power 2013-14 to 2015-16

| | 2013-14 | 2014-15 | 2015-16 | EEGO target |
|---|-----------|-----------|-----------|---------------|
| Electricity (kilowatt hours) | 4,063,129 | 4,038,959 | 4,229,411 | Not available |
| Megajoules per occupied work point per year | 1,916 | 1,937 | 2,028 | 7,500 |

EEGO = Energy Efficiency in Government Operations

Fleet and fuel usage

At the start of 2016-17, DVA had 41 vehicles. They comprised 16 vehicles used by the Office of Australian War Graves (OAWG) in maintaining commemorative sites and 25 other vehicles used by the Department.

The Department maintained its environmental management initiatives to minimise carbon dioxide emissions by replacing its fleet vehicles at lease end with smaller and more fuel-efficient vehicles. In 2016-17, 12 vehicles were renewed for DVA and nine were renewed for the OAWG. Two cost-effective hybrid replacement vehicles were introduced into the DVA fleet. The Department continued to encourage the use of E10 fuel in its fleet vehicles.

Travel

DVA reduces the requirement for air travel and other types of travel by using videoconferencing and teleconferencing facilities in each main office location.

Waste and recycling

DVA collects data on the amount of waste and recycled material generated by its office operations. In the Canberra location, 3,554 kilograms of organic waste were collected in 2016-17 (equivalent to 20.1 cubic metres).

Water consumption at commemorative sites

The OAWG maintains official commemorations for First World War and Second World War dead in 75 war cemeteries and plots in Australia and Papua New Guinea. The OAWG also maintains 10 gardens of remembrance that provide official commemoration for veterans whose deaths are accepted as war caused.

The aim of the horticultural design of a war cemetery is to give the effect of a garden—a place where the harmonious combination of the various elements may help the visitor to achieve a sense of peace in a beautiful and serene setting.

The location of war cemeteries and gardens of remembrance often means that supplementary water is required to achieve active plant growth. Various types of irrigation systems, including automatic systems, and various water sources are used. At many sites, water has become progressively less available. In response, the OAWG has sourced non-potable water at some sites and reduced its water consumption while striving to maintain the longstanding features and standards of presentation.

Improvements in the reliability of water sources and the performance of irrigation systems have been achieved at a number of sites, in particular at Perth War Cemetery, Centennial Park War Cemetery (Adelaide) and Bomana War Cemetery (Port Moresby). Water efficiencies have been achieved by upgrading water features at the New South Wales and Queensland gardens of remembrance.

Water management plans are in place for each site to enable the reduction, reuse or recycling of water.

Environmentally friendly purchasing

Through its procurement processes, DVA promotes environmental measures that lead to the reduction of waste and emissions and the better use of resources. All procurement requests include consideration of environmental issues.

The Secretary's Instructions for the procurement of property and services encourage the procurement of 'property or services that have less impact on the environment and human health than otherwise comparable property or services'.

DVA promotes the procurement of a large variety of quality products made from recycled material and manufactured with environmental considerations in mind.

The Department reduced its purchasing of photocopy paper to 30,474 reams in 2016-17, from 31,720 in 2015-16. The Department's veteran-centric reforms and the transition to a whole-of-government shared services arrangement in some business areas will lead to further reductions in the use of paper.

DVA continued to increase the proportion of recycled paper used.

Monitoring performance

Progress in meeting environmental objectives is reported internally to management. The Department also reports annually to the Department of Industry, Innovation and Science on energy usage, and to the Department of the Environment and Energy on waste management.

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Appendix I: Corrections to previous annual report

Material errors or omissions in DVA's 2015-16 Annual Report are listed below.

- A payment of \$40,964.03 (excluding GST) to Currie Communications Pty Ltd to provide external communications expertise to inform development of a provider engagement strategy was omitted from Table D2 of Appendix D: Advertising and market research.
- Table 13 on page 51 of the 2015-16 DVA Annual report contained errors regarding the top 15 claimed conditions under the MRCA. This was corrected on DVA's website; the corrected table is below.

Table I1 Top 15 claimed conditions under the MRCA (based on Statements of Principles) 2015-16

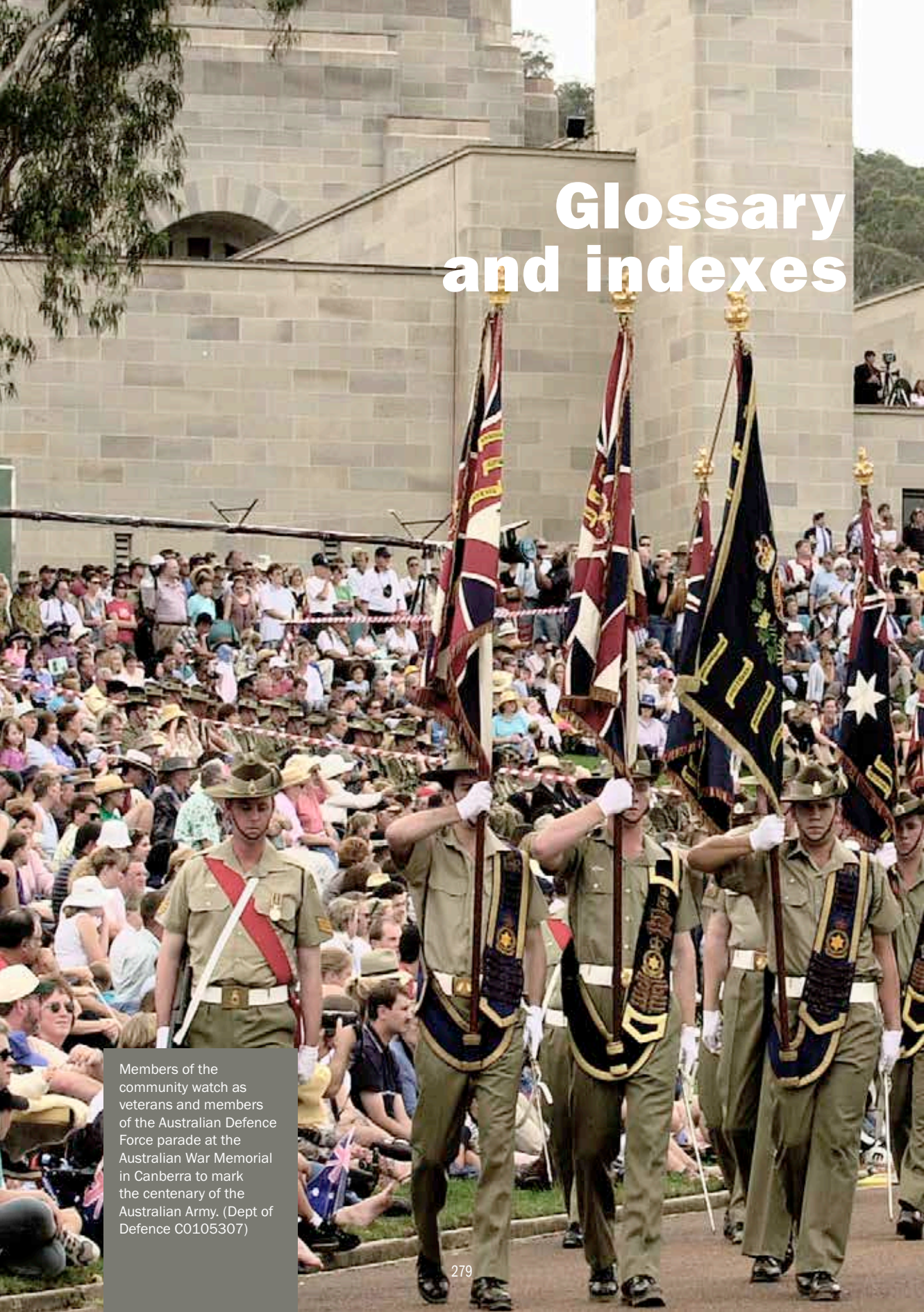
| Condition | Claims accepted | Acceptance rate % | Claims rejected | Total claims |
|-------------------------------|-----------------|-------------------|-----------------|--------------|
| Sprain and strain | 1,303 | 89 | 167 | 1,470 |
| Osteoarthritis | 866 | 84 | 169 | 1,035 |
| Tinnitus | 781 | 98 | 20 | 801 |
| Sensorineural hearing loss | 588 | 89 | 69 | 657 |
| Fracture | 554 | 86 | 92 | 646 |
| Lumbar spondylosis | 523 | 84 | 99 | 622 |
| Depressive disorder | 428 | 71 | 176 | 604 |
| Rotator cuff syndrome | 458 | 89 | 58 | 516 |
| Posttraumatic stress disorder | 395 | 84 | 77 | 472 |
| Joint instability | 264 | 84 | 50 | 314 |
| Alcohol use disorder | 217 | 77 | 65 | 282 |
| Shin splints | 258 | 98 | 5 | 263 |
| Adjustment disorder | 157 | 60 | 106 | 263 |
| Labral tear | 219 | 85 | 39 | 258 |
| Cervical spondylosis | 83 | 34 | 159 | 242 |
| Total | 7,094 | 84 | 1,351 | 8,445 |

MRCA = Military Rehabilitation and Compensation Act 2004



A bugler sounds the Last Post at an Anzac Day service attended by veterans of the two World Wars and other members of the community at Atherton, Queensland, in 1944. (AWM 065897)

Glossary and indexes



Members of the community watch as veterans and members of the Australian Defence Force parade at the Australian War Memorial in Canberra to mark the centenary of the Australian Army. (Dept of Defence C0105307)

Glossary

allied health—Fields of medical work that are not medicine, dentistry or nursing. Examples include radiography, occupational therapy, pharmacy and psychology.

contemporary veterans—Veterans of wars, conflicts and peace operations more recent than the Second World War.

corporate governance—A corporate entity's framework of authority, accountability, leadership, direction and management of human and other resources.

critical error—A failure in an administrative process, where departmental policies are not applied and/or a decision about an entitlement is significantly incorrect.

day clubs—Groups of people who meet regularly for social and recreational activities, helping to promote a healthy lifestyle. Most day clubs are operated by ex-service organisations with assistance from DVA.

delegate—A person who has legal authority to make decisions on behalf of a higher authority, such as the Secretary of the Department, the Repatriation Commission, the Military Rehabilitation and Compensation Commission or the Minister.

estimated actual—The financial year's estimated final figures as included in the budget documentation. As the Budget is released in May but the financial year does not close off until 30 June, the current year numbers used in the Budget can only be estimates.

ex-service organisation—An organisation whose members include veterans within Australia and/or persons within the Commonwealth of Nations who are receiving or eligible to receive pensions under Part II of the *Veterans' Entitlements Act 1986* as dependants of veterans. The organisation's objectives will include representing those persons throughout the Commonwealth.

Gold Card—The DVA health treatment card that provides eligible persons with access to health services for all medical conditions.

hospital separation—The formal counting and coding that takes place when an admitted patient leaves a hospital. Data on separations are used to measure length of stay, treatments conducted and costs.

memorandum of understanding—An agreement made between two entities, outlining the roles and responsibilities to be assumed by each party, and providing a framework for cooperation.

merit reviews—Reconsiderations of decisions made by delegates of the Repatriation Commission relating to pensions. The review is not conducted by the delegate who made the original decision. Reviews are also conducted by the Administrative Appeals Tribunal (under the *Military Rehabilitation and Compensation Act 2004* and *Safety, Rehabilitation and Compensation Act 1988*) and/or by the Veterans' Review Board (under the *Military Rehabilitation and Compensation Act 2004* and *Veterans' Entitlements Act 1986*).

non-economic loss lump sum—A payment made to compensate for pain and suffering, reduced life expectancy and other effects on lifestyle.

non-liability health care—treatment for certain conditions without having to prove conditions are caused by military service. Section 88A *Veterans' Entitlements Act 1986* (VEA) provides treatment for any mental health condition, for anyone who has served for at least one day in the permanent forces of the Australian Defence Force or Reserve members who have had at least a day of Continuous Full Time Service (CFTS).

In addition, section 85(2) of the VEA provides for the treatment of pulmonary tuberculosis and malignant neoplasia (cancer). These provisions apply to Australian Defence Force members:

■ who have

- eligible war service under the VEA; or
- operational service under the VEA; or
- warlike and non-warlike service under the VEA or the *Military Rehabilitation and Compensation Act 2004*; or
- peacekeeping service; or
- hazardous service; or
- British nuclear test defence service as defined in the VEA.

■ or who

- completed 3 years CFTS between 7 December 1972 and 6 April 1994; or
- were discharged on the grounds of invalidity or physical or mental incapacity to perform duties before completing 3 years CFTS between 7 December 1972 and 6 April 1994, but were engaged to serve not less than 3 years; or
- were national servicemen serving on 6 December 1972 and completed their contracted period of national service on or after 7 December 1972.

outcomes and programs—Programs are government actions taken to deliver stated outcomes; outcomes are desired results, impacts or consequences for the community.

outreach service—A service made available outside the usual areas of service delivery, often in outer metropolitan, rural or remote areas.

Portfolio Budget Statements—Statements explaining the provisions of the Appropriation Bills (Budget Bills), including how appropriated funds are going to be spent, and performance targets and measures.

social isolation—Difficulties experienced (often by the elderly) in maintaining social contacts and communication. Social isolation can be induced by a number of factors, including health problems, mobility difficulties and a lack of information about social networks.

Statements of Principles—Legislative instruments that define the factors to establish a connection between a medical condition and service in the Australian Defence Force, used to determine liability for injuries, diseases and deaths under the *Military Rehabilitation and Compensation Act 2004* and the *Veterans' Entitlements Act 1986*.

treatment population—The population of veterans, war widows and widowers and dependants who have been determined to be eligible for medical treatment under DVA-administered legislation.

White Card—The DVA health treatment card that provides eligible persons with access to health services for specific conditions accepted as related to their military service.

Acronyms and abbreviations

| | |
|---------|--|
| AAT | Administrative Appeals Tribunal |
| AAT Act | <i>Administrative Appeals Tribunal Act 1975</i> |
| ADF | Australian Defence Force |
| ADR | alternative dispute resolution |
| AIHW | Australian Institute of Health and Welfare |
| APS | Australian Public Service |
| ARP | Applied Research Program |
| ASIST | Applied Suicide Intervention Skills Training |
| ASL | average staffing level |
| ATDP | Advocacy Training and Development Program |
| ATO | Australian Taxation Office |
| BEST | Building Excellence in Support and Training |
| CCS | Coordinated Client Support program |
| CDPP | Commonwealth Director of Public Prosecutions |
| CSA | community support adviser |
| CVC | Coordinated Veterans' Care |
| CWGC | Commonwealth War Graves Commission |
| DHS | Department of Human Services |
| DSHIS | Defence Service Homes Insurance Scheme |
| DVA | Department of Veterans' Affairs |
| EL | Executive Level |
| ESOs | ex-service organisations |
| FOI Act | <i>Freedom of Information Act 1982</i> |
| GAS | goal attainment scaling |
| ICT | information and communications technology |
| IVLO | Indigenous Veterans' Liaison Officer |
| MOU | memorandum of understanding |
| MRCA | <i>Military Rehabilitation and Compensation Act 2004</i> |
| MRCC | Military Rehabilitation and Compensation Commission |
| NCF | National Consultation Framework |
| NMHC | National Mental Health Commission |
| OAWG | Office of Australian War Graves |
| PIR | Pensioner initiated review |
| PTSD | posttraumatic stress disorder |
| R&C | rehabilitation and compensation |
| RMA | Repatriation Medical Authority |
| RPBS | Repatriation Pharmaceutical Benefits Scheme |
| RPL | recognition of prior learning |
| RPRC | Repatriation Pharmaceutical Reference Committee |
| SES | Senior Executive Service |
| SMRC | Specialist Medical Review Council |
| SOPs | Statements of Principles |
| SRCA | <i>Safety, Rehabilitation and Compensation Act 1988</i> |
| TIP | Training and Information Program |
| VAN | Veterans' Access Network |
| VCR | Veteran Centric Reform |
| VEA | <i>Veterans' Entitlements Act 1986</i> |
| VHC | Veterans' Home Care |
| VRB | Veterans' Review Board |
| VVCS | Veterans and Veterans Families Counselling Service |

List of requirements

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|---|---------------------------------|----------------|
| Letter of transmittal | | |
| Letter of transmittal | Mandatory | iii–v |
| Aids to access | | |
| Table of contents | Mandatory | vi–vii |
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| List of requirements | Mandatory | 283–286 |
| Details of contact officer | Mandatory | ix |
| Entity's website address | Mandatory | viii |
| Electronic address of report | Mandatory | ix |
| Review by accountable authority | | |
| Review by the accountable authority of the entity | Mandatory | 2–5 |
| Departmental overview | | |
| Role and functions | Mandatory | 10 |
| Organisational structure | Mandatory | 11 |
| Outcomes and programs | Mandatory | 12 |
| Purpose as included in corporate plan | Mandatory | 10 |
| Portfolio structure | Portfolio departments—mandatory | 9–10 |
| Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change | If applicable, mandatory | Not applicable |
| Report on performance | | |
| Annual performance statements | | |
| Annual performance statements | Mandatory | 107–130 |
| Report on financial performance | | |
| A discussion and analysis of the entity's financial performance | Mandatory | 131 |
| A table summarising the total resources and total payments of the entity | Mandatory | 252–260 |

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| If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results | If applicable, mandatory | Not applicable |
| Management and accountability | | |
| Corporate governance | | |
| Information on compliance with section 10 (fraud systems) | Mandatory | 136 |
| Certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared | Mandatory | v |
| Certification by the accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place | Mandatory | v |
| Certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity | Mandatory | v |
| Outline of structures and processes in place for the entity to implement principles and objectives of corporate governance | Mandatory | 134 |
| Statement of significant issues reported to the Minister that relates to non-compliance with the finance law and action taken to remedy non-compliance | If applicable, mandatory | 147 |
| External scrutiny | | |
| Significant developments in external scrutiny | Mandatory | 137–140 |
| Judicial decisions and decisions of administrative tribunals and the Australian Information Commissioner | Mandatory | 138–139 |
| Reports by the Auditor-General, parliamentary committees or the Commonwealth Ombudsman | Mandatory | 140 |
| Capability reviews released during the reporting period | If applicable, mandatory | Not applicable |
| Management of human resources | | |
| Assessment of effectiveness in managing and developing employees | Mandatory | 125, 144 |
| Statistics on the entity's APS employees on an ongoing and non-ongoing basis | Mandatory | 246–248 |
| Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under section 24(1) of the <i>Public Service Act 1999</i> | Mandatory | 146 |
| Information on the number of SES and non-SES employees covered by enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations | Mandatory | 146 |
| Salary ranges available for APS employees by classification level | Mandatory | 249–251 |

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| Description of non-salary benefits provided to employees | Mandatory | 146 |
| Information on aggregate amounts of performance pay at each classification level | If applicable, mandatory | Not applicable |
| Information on the average amount of performance payment, and range of such payments, at each classification level | If applicable, mandatory | Not applicable |
| Information on aggregate amount of performance payments | If applicable, mandatory | Not applicable |
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| Consultants | | |
| A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST) | Mandatory | 147 |
| A statement that 'During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].' | Mandatory | 147 |
| Policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged | Mandatory | 147 |
| A statement that 'Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.' | Mandatory | 148 |
| Australian National Audit Office access clauses | | |
| Absence of provisions in contracts allowing access by the Auditor-General | Mandatory | 148 |
| Exempt contracts | | |
| Contracts exempt from publication in AusTender | Mandatory | 148 |
| Small business | | |
| A statement that the entity supports small business participation in the Commonwealth Government procurement market and that participation statistics are available on the Department of Finance's website | Mandatory | 148 |
| An outline of the ways in which the procurement practices of the entity support small and medium enterprises | Mandatory | 148 |

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| If the entity is considered by the department administered by the Finance Minister as material in nature, a statement that '[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.' | If applicable, mandatory | 148 |
| Financial statements | | |
| Financial statements | Mandatory | 158–243 |
| Other mandatory information | | |
| If the entity conducted advertising campaigns, a statement that 'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.' | If applicable, mandatory | 266 |
| If the entity did not conduct advertising campaigns, a statement to that effect | If applicable, Mandatory | Not applicable |
| A statement that 'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].' | If applicable, Mandatory | 152 |
| Outline of mechanisms of disability reporting, including reference to website for further information | Mandatory | 151 |
| Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of the <i>Freedom of Information Act 1982</i> can be found | Mandatory | 137 |
| Correction of material errors in previous annual report | If applicable, mandatory | 277 |
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