



Australian Government
Department of Veterans' Affairs



100
YEARS
OF
SERVICE
TO
VETERANS

Annual Reports 2017–18

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

Compensation and Support \$7.4 billion



161,184
income support clients



60,900
primary
compensation
determinations

163,469
compensation clients
supported



53,641
DSH Insurance
homes protected

Commemorations \$59.5 million



22,438
war graves maintained
in Australia and
Papua New Guinea



322,069
post-war commemorations



129,457
educational resources

Health and Wellbeing \$5.3 billion



106,352
VVCS
counselling
sessions

343,620
At Ease website visits



1.3 million
instances of travel
to treatment

128,517
Gold Cards



62,450
White Cards



163,456
health service providers

Enabling Services \$436.9 million



63,354
MyAccount registrations



1,885
employees



website page views
6,209,974

Our Purpose

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

DVA supported:

165,824 veterans

117,358 dependants

DVA fast facts

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Front cover photo: A young visitor explores the Roll of Honour at the Australian War Memorial during commemorations conducted by DVA in November 2017, marking the 75th anniversary of the Kokoda and Beachheads campaigns.

Back cover photo: Devices on display during the presentation of Unit Citations for Gallantry at the national service marking 50 years since the Battles at Fire Support Bases Coral and Balmoral. Some 1,700 people attended the service on 13 May 2018 at the Australian Vietnam Forces National Memorial on Anzac Parade in Canberra to honour the 26 service personnel who were killed in action during the battles.

Published by the Department of Veterans' Affairs,
Canberra, 2018



Australian Government
The Repatriation Commission

PRESIDENT
DEPUTY PRESIDENT
COMMISSIONER

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2 August 2018

The Hon Darren Chester MP
Minister for Veterans' Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

The Repatriation Commission submits its report for the year ended 30 June 2018, as required under section 215 of the *Veterans' Entitlements Act 1986*.

Liz Cosson AM CSC
President

Craig Orme DSC AM CSC
Deputy President

MA Kelly AO DSC
Major General
Commissioner



Australian Government
Military Rehabilitation and
Compensation Commission

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2 August 2018

The Hon Darren Chester 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 2018, as required under section 385 of the *Military Rehabilitation and Compensation Act 2004* and section 161 of the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988*.

Craig Orme DSC AM CSC
Member

Liz Cosson AM CSC
Chair

Mark Kelly AO DSC
Major General
Member

Brett Wolski AM RAN
Rear Admiral
Member

Tracy Smart AM
Air Vice-Marshal
Member

Jennifer Taylor
Member



Australian Government
Department of Veterans' Affairs
OFFICE OF THE SECRETARY

4 October 2018

The Hon Darren Chester MP
Minister for Veterans' Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the 2017–18 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 subsection 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.

Liz Cosson AM CSC
Secretary

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Saluting Their Service

Contents

Contact details	viii
Reader's guide	ix
Overview	1
Secretary's report	2
Chief Operating Officer's report	6
Portfolio	10
Department	12
Relationships with Commonwealth agencies	15
Approach to service delivery	18
Snapshot of the veteran community	20
Repatriation Commission Annual Report 2017–18	25
Functions and powers	26
Structure	27
Membership	27
Relationship with DVA	28
Administration of the VEA	29
Repatriation Commission activity	29
Military Rehabilitation and Compensation Commission Annual Report 2017–18	33
Functions and powers	34
Structure	35
Membership	35
Relationship with the Department	36
Administration of the MRCA and DRCA	36
Activity in 2017–18	37
Department of Veterans' Affairs Annual Report 2017–18	39
Part 1 Performance	41
Transformation	42
Compensation and support	47
Health and wellbeing	56
Commemorations	68
Annual performance statements	74
Purpose 1: Compensation and Support	76
Purpose 2: Health and Wellbeing	80
Purpose 3: Commemorations	83
Enabling Services	85
Report on financial performance	90

Part 2 Management and accountability	91
Corporate governance	92
External scrutiny	95
Legal services	98
People management	100
Resource management	105
Support services	107
Other mandatory information	112
Financial statements	119
Department of Veterans' Affairs	120
Defence Service Homes Insurance Scheme	179
Appendixes	207
Appendix A: Staffing overview	208
Appendix B: Resource summary tables	214
Appendix C: Claims, service and liability provision statistics	223
Appendix D: Data Matching Program	229
Appendix E: Advertising and market research	235
Appendix F: Carer recognition	236
Appendix G: Work health and safety	238
Appendix H: Ecologically sustainable development and environmental performance	240
Appendix I: Lists of figures and tables	243
Glossary and indexes	245
Glossary	246
Acronyms and abbreviations	247
List of requirements	249
Alphabetical index	253
List of features	
DVA celebrates 100 years of repatriation	30
Awards showcase the valuable skills of veterans	55
Assistance dog support is trialled for veterans with PTSD	67
Friends thought lost in battle are reunited	73
Female veterans march together to be recognised	117

Contact details

Information on ways to contact DVA is available at www.dva.gov.au/contact.

General enquiries

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- within Australia—1800 555 254
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The telephone enquiries service is available between 8am and 5pm, Monday to Friday. A call back can be requested through the DVA website.

Email: GeneralEnquiries@dva.gov.au.

This email facility is not secure. Please do not use it to send personal information to DVA.

Mail: Department of Veterans' Affairs
GPO Box 9998
Brisbane QLD 4001

Media enquiries

Telephone: 02 6289 6466

Email: dvamedia@dva.gov.au

Provider enquiries

General provider enquiries: 1800 550 457

Transport bookings: 1800 550 455

Veterans' Affairs Pharmaceutical Advisory Centre enquiries: 1800 552 580

Online interactions

DVA website: dva.gov.au

Veterans and Veterans Families Counselling Service website: www.vvcs.gov.au

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 and the Department of Veterans' Affairs (DVA). It comprises three main elements, as set out below.

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.

Overview

The Overview includes reports by the Secretary and the Chief Operating Officer; a description of the Veterans' Affairs portfolio; information on the Department, including its role, relationships and approach to service delivery; 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 2017–18.

Department of Veterans' Affairs annual report

The DVA annual report has been prepared in accordance with *Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities* as released in May 2018. It comprises:

- a summary of the Department's performance, and the annual performance statements
- a report on the Department's management and accountability and other mandatory information

- the audited financial statements for DVA and the audited financial statements for the Defence Service Homes Insurance Scheme
- appendixes providing data to supplement the main report; additional reports required by legislation; 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.

Performance reporting covers the 2017–18 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.

Enquiries about the annual report

Enquiries and comments about this report should be directed to:

Executive Director
Governance
GPO Box 9998
Canberra ACT 2601

Email: CMBART@dva.gov.au

Previous reports

DVA annual reports dating back to 2012–13 are available at www.dva.gov.au/about-dva/accountability-and-reporting/annual-reports.

Historical annual reports from 1918 onwards are available on the National Library of Australia's TROVE database. Reports from 1918 to 2007 can be accessed through the DVA website at www.dva.gov.au/about-dva/accountability-and-reporting/historical-annual-reports-1918-onwards.



**Over the last 100 years
we have built and
maintained war graves to
commemorate veterans'
service and sacrifice.**

The Office of Australian War Graves (OAWG), as an agent for the Commonwealth War Graves Commission, maintains more than 22,000 graves of casualties of the two world wars in over 1,000 sites in Australia and Papua New Guinea. The OAWG also provides and maintains official commemorations for veterans who died post-war of causes related to their war service. There are more than 322,000 official post-war commemorations within Australia.



Overview

A signwriter works on a cross at a war graves maintenance unit in Sydney, 1946. (AWM 129296)

Secretary's report

One hundred years ago, the Repatriation Commission was created to care for veterans and their families and to honour their service and sacrifice.

A century on, we are as committed to that mission as ever. We are putting veterans and their families first.

I am proud of what the Department of Veterans' Affairs (DVA), the Repatriation Commission and the Military Rehabilitation and Compensation Commission have achieved over the past year. It therefore gives me great pleasure to present their 2017–18 annual reports.

In doing so, I must acknowledge the contribution of my predecessor, Simon Lewis PSM, and thank him for his years of committed service to DVA and to the Australian Public Service more generally. My thanks go to DVA's staff, too, for their dedication to the task of better serving veterans and their families over the past 12 months.

A key part of our efforts has been to ensure that DVA understands the unique nature of military service and the impact it can have on current and former service personnel and their families.

We continue to build on this understanding by working collaboratively with veterans, through events such as the Younger Veterans—Contemporary Needs Forum and the Female Veterans and Veterans' Families Policy Forum, to develop improved programs and processes.

We want to ensure that our nation designs the best support and services to meet the needs of current and former service personnel and their families. We need to be the best that we can be in our second century.

I am proud to say that, during the past year, we have moved on from establishing our priorities for our transformation to implementing initiatives that are making a real difference.

We are processing claims much more quickly as a result of the launch of our web-based claims system, MyService, and the digitisation of paper files.

We have also undertaken work to ensure that veterans who submit a claim relating to one of 40 conditions we know are related to service will receive a response in an average of 20 days or less, rather than the previous average time frame of 100 days.

We are connecting with veterans earlier so that we can let them know how we can help them before they need us, rather than after the fact. Through information sharing with Defence, we are now in touch with new Australian Defence Force (ADF) members from the day they join up.

This early connection with our veterans means that we will know them personally rather than viewing just their claims or transactions. It will help us to shift our focus to the wellbeing of veterans and their families—to thinking proactively about, supporting, responding to and respecting their needs.



The past year also saw an intense period of commemoration as part of the Anzac Centenary Program. This work is helping us to achieve our goal of increasing national awareness about the importance of reflecting through commemoration, respecting all who have served or been touched by the service of a loved one and remembering through education and awareness.

The 2018–19 year will be pivotal in continuing this important work. I look forward to collaborating with DVA staff and veterans and their families over the coming year to implement initiatives that will build on the achievements of 2017–18.

The year ahead

In the most recent Budget, the Australian Government provided \$112 million to continue DVA's transformation to better serve veterans and their families.

As we enter the second full year of our transformation, we will:

- further expand MyService to add claim types and client groups, making it easier for veterans to get the help they need
- continue to make it easier for veterans to get information about DVA support and services, particularly through new face-to-face contact points and faster, more direct telephone access
- support the implementation of new foundational ICT, including new systems for managing education schemes, income support and data and analytics
- scope future compensation and rehabilitation service delivery, including complex case management
- embed analytics tools into our systems to help DVA identify and offer relevant services to veterans
- continue to digitise our records
- continue to build our capacity to manage change and develop a change-ready workforce.

The Veterans and Veterans Families Counselling Service is being rebranded, as Open Arms—Veterans and Families Counselling, to increase awareness of its services, and of expanded eligibility to access them, among the veteran community. As Open Arms, it will strengthen its delivery of mental and social health support and roll out new and improved group programs.

We will make sure that the right governance structures are in place so that our transformation work is integrated with the Department's existing programs and processes.

As our services improve, we need to make sure veterans and their families know about how the changes affect them, from how they can benefit to how they can use our new systems and processes. We will get these messages across in innovative ways during 2018–19.

I am also committed to maintaining and building strong and productive partnerships with all our stakeholders—from ex-service organisations, community groups and service providers to our Australian Government partners, including Defence, and our state government counterparts.

Making it easier for currently serving ADF members to transition to civilian life will remain a major focus of DVA's work during 2018–19. The majority of former ADF members go on to either an active retirement or a successful civilian career after they leave the Navy, Army or Air Force, but there are always challenges along the way, given the unique nature of military service.

In some cases, injury or illness can impact greatly on the transition. It is up to DVA to make sure that veterans get the support they need, when they need it.

In 2018–19, the Transition and Wellbeing Research Programme will complete its research, providing us with a new evidence base for designing and delivering services to support veterans during transition.

The Prime Minister's Veterans' Employment Program will continue to raise awareness of the valuable attributes that former ADF personnel bring to roles outside the service. In the 2018–19 Budget, the Government provided \$4 million for DVA to continue the Prime Minister's Veterans' Employment Program and \$4.3 million for additional services to help veterans into the civilian workforce.

Transition will be a major theme of the Invictus Games 2018, which will take place in Sydney in October. The games use the power of sport to motivate recovery and generate a wider understanding of the sacrifices made by the people who serve their country. They also recognise the significant contribution that family and friends make in supporting veterans.

As a major global event for the veteran community, the games provide a significant and relevant platform to discuss veterans' issues with national and international partners. In association with the games, DVA will deliver a symposium to explore the themes of the transition of defence personnel from service and the wellbeing of serving personnel, and forums on families and employment. The Minister for Veterans' Affairs will also host a conference on veterans' issues with international counterparts and a ministerial roundtable with state and territory colleagues during the games period.

Mental health and suicide prevention

Mental health support and research will continue to be high priorities for DVA during 2018–19. We will begin to implement a suite of initiatives announced in the 2017–18 Budget to improve the delivery of mental health support to discharging ADF members from the earliest stage of their transition, to extend eligibility for free mental health services to reservists, and to provide counselling and assistance to the families of veterans.

Over the coming year, we will also:

- continue to follow up and implement recommendations from the Senate committee inquiry into suicide by veterans and ex-service personnel
- launch a pilot to support the prevention of suicide in the veteran and ex-ADF community in partnership with *beyondblue*
- implement a trial of the use of assistance dogs for veterans with posttraumatic stress disorder
- conduct consultation forums for veterans who took mefloquine while in service
- review our mental health and social health strategies to align with those of Defence and DVA's transformation program
- deliver outcomes of research into homelessness in the veteran community.

Reviews of DVA

In June 2018, the Australian National Audit Office tabled its performance audit on the efficiency of service delivery to veterans by DVA. The report made six recommendations relating to the management, quality and timeliness of DVA's veterans' rehabilitation and compensation claims processes. Work to address the recommendations has begun and will continue throughout 2018–19.

The Australian Government has initiated two reviews into the delivery of services and support for veterans and their families, to be conducted in 2018–19.

The Government asked the Productivity Commission to conduct a significant and broad-ranging review into the compensation and rehabilitation system of support for veterans and their families, and to establish whether the system is 'fit for purpose' now and into the future. The inquiry will also have specific focuses on DVA's governance arrangements, administrative processes and service delivery and the use of Statements of Principles in compensation claims.

The Government allocated \$1.7 million over 12 months to fund the Veterans' Advocacy and Support Services Scoping Study. The study is being led by the former Chair of the Defence Abuse Response Taskforce, Robert Cornall AO. Mr Cornall will talk to younger veterans, female veterans, veterans' families, ex-service organisations and the broader Defence community in coming months. The latest research will be reviewed, veterans' advocacy services in other countries will be examined, and advocacy models in other areas—such as the legal services, community and disability sectors—will be looked at.

DVA will also conduct reviews in areas such as:

- the mental health impacts of compensation claim assessment processes
- veteran-specific online training programs for health professionals
- training programs for DVA staff
- DVA's use of medico-legal firms for compensation claims assessment.

These and other upcoming reviews will provide invaluable insights into how we can continue to improve and expand the services we provide.

A note to veterans and their families

As we reflect on what has been achieved over the past year and on the work that lies ahead for DVA, I would like to take the opportunity to thank the people we serve—Australia's former and serving ADF personnel, and their families.

I know that DVA has not always met your expectations. I acknowledge that sometimes we have not made the right decisions or been the best we can be.

Our greatest challenge is to rebuild the trust between us. You are the reason we are here, and the reason we will continue to strive to do better.

Thank you for your service.

Liz Cosson

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

Chief Operating Officer's report

As we mark 100 years of repatriation in Australia, DVA is refocusing its efforts to put veterans and their families first.

Through our transformation, we are adapting our operating model, changing the way we deliver services and working out better ways to communicate about what we do.

These technological and organisational reforms have begun to deliver tangible improvements to the way DVA will provide services and support in its second century. Significant work has already been done to update the Department's outdated information technology, reform legislation, improve processes and services, and better connect with veterans and their families.

I look forward to working with our Secretary, Liz Cosson AM CSC, and the DVA leadership team as we build on that work to ensure that the Department is prepared for the next hundred years.



Transforming DVA

Transformation is about putting veterans and their families first, delivering the services they need where and when they need them. We aim to rebuild trust in the help and services we provide, restoring confidence that the wellbeing of veterans and their families is our true focus and that we are genuinely here to help.

Veterans can now tell us about what they need up front and start accessing services much more quickly, without needing to wait around 100 days for claims to be processed.

Since the beginning of 2017–18, DVA has consulted around 2,000 members of the veteran community about how we can make our systems better. DVA staff have provided their input, too.

We are making information about DVA's services more easily available to veterans and their families. We are offering a call back service, and providing information in rural and regional areas through partnerships with other departments that provide government services to those communities. This means that veterans who may otherwise have missed out on help are now getting opportunities to connect.

We are making help available online so that busy people can use their mobile devices to access what they need and do not have to fill in forms or deal with complex paperwork. A telephony consolidation project, pilot activities to make it easier for veterans and their families to learn about DVA's programs, and a departmental website relaunch are among the many other initiatives underway.

Improving the claims process

During 2017–18, we saw a significant reduction in claims processing times. Until recently, making a claim was a lengthy and complicated process involving a 36-question form.

Now, through our online claims processing system MyService, most veterans and currently serving ADF members can submit a DVA claim online at any time. They need only answer a handful of questions after establishing their identity, and their claim is determined much more quickly.

In a change that will make it easier for DVA to connect with veterans, all ADF members who have joined the services since 2016 are now registered with DVA, and new members will be automatically registered when they join. This important development has come about through information sharing between DVA and Defence.

We have also streamlined our claims processing for 40 conditions. Under these arrangements, claims for conditions that have high historical acceptance rates or that can be accepted on the basis of known physical training activities in the ADF are processed with little or no investigation by delegates.

The ongoing implementation of our Improving Processing Systems Program has delivered a single rehabilitation and compensation processing system that will enable the future decommissioning of 18 separate legacy systems. This has improved claims processing times, as has the digitisation of records and correspondence. Moving from paper files to digital records is enabling us to provide support to veterans more quickly.

Mental health and suicide prevention

Supporting the mental health needs of our veterans continues to be a significant focus for DVA.

Through our Non-Liability Health Care (NLHC) program, free treatment for mental health conditions is available for eligible former and serving ADF members without the need to provide a formal medical diagnosis. They can apply for this support online at any time, day or night.

The expansion of NLHC eligibility was a key measure of the 2017–18 Budget. NLHC now offers treatment for all mental health conditions for people with just one day of continuous full-time service in the ADF. Families of those eligible for NLHC now also have access to the range of counselling and support services offered through the Veterans and Veterans Families Counselling Service (VVCS).

The 2018–19 Budget further extended NLHC eligibility to reservists who have service in domestic or international disaster relief or border protection or who have been involved in a serious service-related training accident.

The 2017–18 financial year saw the release of the Government's responses to the Senate Foreign Affairs, Defence and Trade References Committee's 2017 report *The constant battle: suicide by veterans* and recommendations tabled following the joint DVA–Defence review into the management of Mr Jesse Bird's case.

In the 2017–18 Budget, an additional \$31 million was allocated to support veterans' mental health, covering five measures:

- \$16.1 million over four years to fund the veteran payment, a new payment for veterans who have mental health conditions that prevent them from working while waiting for liability claims to be processed
- \$7.1 million over four years to extend support to families of veterans
- \$2.1 million over four years to provide annual health assessments for former ADF members in the first five years after their discharge
- \$4 million over two years to pilot a case management service for transitioning and recently discharged ADF members, and veterans requiring additional support
- \$1.7 million over one year to undertake a scoping study to professionalise veterans' advocacy.

The veteran payment took effect on 1 May 2018 and means that veterans and their families can now access an interim income support payment while awaiting a liability decision on mental health.

The measure to further support families also commenced on 1 May 2018, and includes:

- expanded childcare arrangements for
 - veterans who have returned from warlike service since 1 July 2004 and are in receipt of incapacity payments and participating in a DVA rehabilitation program under the *Military Rehabilitation and Compensation Act 2004* (MRCA)
 - the spouses or partners of veterans who were killed in recent conflicts or committed suicide after returning from warlike service
- counselling support for the immediate family members of MRCA veterans, along with assistance to enable the family to maintain its connections to community, employment and social interactions, and assistance to manage within a budget
- home assistance and counselling support to assist spouses and partners to adjust to life after the loss of their partner.

In September 2017, the Government announced a new centre for research into posttraumatic stress disorder. The \$6 million Centenary of Anzac Centre will be operated by Phoenix Australia – Centre for Posttraumatic Mental Health. The Centenary of Anzac Centre provides an opportunity for strong national collaboration—between researchers, clinicians, ex-service organisations and all agencies caring for veterans—to find new solutions and improve care.

WVCS, our nationally accredited mental health service, continued to deliver its 24-hour, seven-day-a-week mental health support service to current and former ADF personnel and their families across Australia. In addition, WVCS:

- extended access to counselling services to current or former ADF members' partners, dependants and immediate family members
- developed and implemented an escalation service to enhance the management of support for individuals who have complex clinical needs or who are at risk of suicide
- engaged additional senior mental health professionals across Australia to enhance the ability for WVCS to provide clinical case management
- updated and simplified privacy and consent forms, with the assistance of the WVCS National Advisory Committee
- piloted community engagement teams that included lived experience mental health peers in the northern Queensland and New South Wales – Australian Capital Territory regions
- significantly upgraded the client management system that supports and networks the 1,300 mental health professionals working for WVCS
- developed new satellite centres across Australia.

Transition from the ADF

In 2017–18, DVA and Defence continued to work together to better support transitioning ADF members.

The Prime Minister's Veterans' Employment Program has maintained its momentum. The inaugural Prime Minister's Veterans' Employment Awards were held in March 2018 and were a great success. The awards recognise organisations that employ or support veterans, as well as the significant contributions being made by veterans in the civilian workplace.

All eligible transitioning ADF members are now being issued with DVA White Cards, which will give them access to mental health treatment paid for by DVA through NLHC.

During 2017–18, the Transition and Wellbeing Research Programme—jointly funded by DVA and Defence—completed the first stages of its research examining the health and wellbeing of ADF personnel during service and following their transition back into civilian life. The first two reports, *Mental health prevalence* and *Pathways to care*, were released in April 2018.

Commemorations

The Sir John Monash Centre, near Villers-Bretonneux, France, was officially opened on 24 April 2018. The centre honours more than 295,000 Australian soldiers who served on the Western Front, and 46,000 who died there, in the First World War. The centre was officially opened by the then Prime Minister of Australia, the Hon Malcolm Turnbull MP, and the Prime Minister of France, Édouard Philippe.

During 2017–18, DVA held international commemorative events for the centenaries of:

- the Battle of Polygon Wood, in September 2017
- the Battle of Beersheba, Sinai–Palestine Campaign, in October 2017
- the Battle of Villers-Bretonneux, in April 2018.

DVA was also involved in domestic commemorations of:

- the 75th anniversaries of the Battle of Milne Bay; the Battle of El Alamein and the culmination of the North Africa Campaigns; the Battle of Kokoda and the Battle of the Beachheads; and the Battle of the Atlantic
- the 70th anniversary of Australian peacekeeping
- the 50th anniversary of the Battles at Fire Support Bases Coral and Balmoral.

Looking back on the final year of the Anzac Centenary commemorative period, I would like to thank the many staff involved, past and present, for their contribution to its success.

Century of repatriation

Following the First World War, the then Prime Minister, the Rt Hon William Morris Hughes, made a promise that the Commonwealth Government would look after the interests of Australia's returned soldiers.

Australia's Repatriation Commission was created on 8 April 1918, marking the beginning of the important work that DVA continues today.

Just as the Commission's ability to fulfil its mission depended on the contribution of its staff in that first year, what we were able to achieve in 2017–18 is a reflection of the dedication and enthusiasm of the men and women who work for the Department today.

I am proud to be among them, as we strive to improve services for veterans and their families for the next century.

Mark Cormack

Deputy Secretary, 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.

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 (Defence-related Claims) Act 1988* (DRCA), 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 and other health care services
- Military Rehabilitation and Compensation Commission (MRCC)—the policy body responsible for the administration of the MRCA and the DRCA (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 health care and rehabilitation programs.

The Repatriation Commission and the 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 provision of financial support in the form of pensions, allowances, benefits and treatment to veterans and their families is a responsibility of the Department but is overseen by the Commissions. The Commissions also assist 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 collaborating with Defence, Comcare and other government agencies.

Under the VEA, 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 Deputy President of the Repatriation Commission performs several roles for the Commissions and the Department. First, as a full-time member of the Repatriation Commission, the Deputy President participates in and contributes to all Repatriation Commission meetings. Under the provisions of the MRCA, the Deputy President is also a member of the MRCC. In addition, the Deputy President assists the Secretary in managing the Department.

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. As Services member, the Commissioner has special responsibility for representing the views of that community in the Commission's considerations. By convention the Commissioner is also appointed as a member of the MRCC.

The Repatriation 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.

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.

More information about the RMA and the SOPs is available 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 is available at www.smrc.gov.au.

Veterans' Review Board

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

Portfolio ministers

The portfolio is administered by the Minister for Veterans' Affairs.

The Hon Darren Chester MP was appointed to the position of Minister for Veterans' Affairs on 5 March 2018.

During 2017–18, the position was also held by:

- the Hon Michael McCormack MP, from 20 December 2017 to 5 March 2018
- the Hon Dan Tehan MP, from 18 February 2016 to 20 December 2017.

Department

The Department's role is to support those who serve or have served in the defence of our nation and commemorate their service and sacrifice.

Legislation

Most of the Department's work in 2017–18 was related to the administration of the following Acts and their related instruments:

- *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—until 12 October 2017
- *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988*—from 12 October 2017
- *Veterans' Entitlements Act 1986*
- *War Graves Act 1980*.

More information on the Acts and legislative instruments administered by the Department is available from our website at www.dva.gov.au/about-dva/legislation.

Performance framework

In 2017–18, DVA achieved the three purposes set out in the DVA Corporate Plan 2017–2021 through the corresponding outcomes set out in the DVA Portfolio Budget Statements 2017–18, as shown in Figure 1.

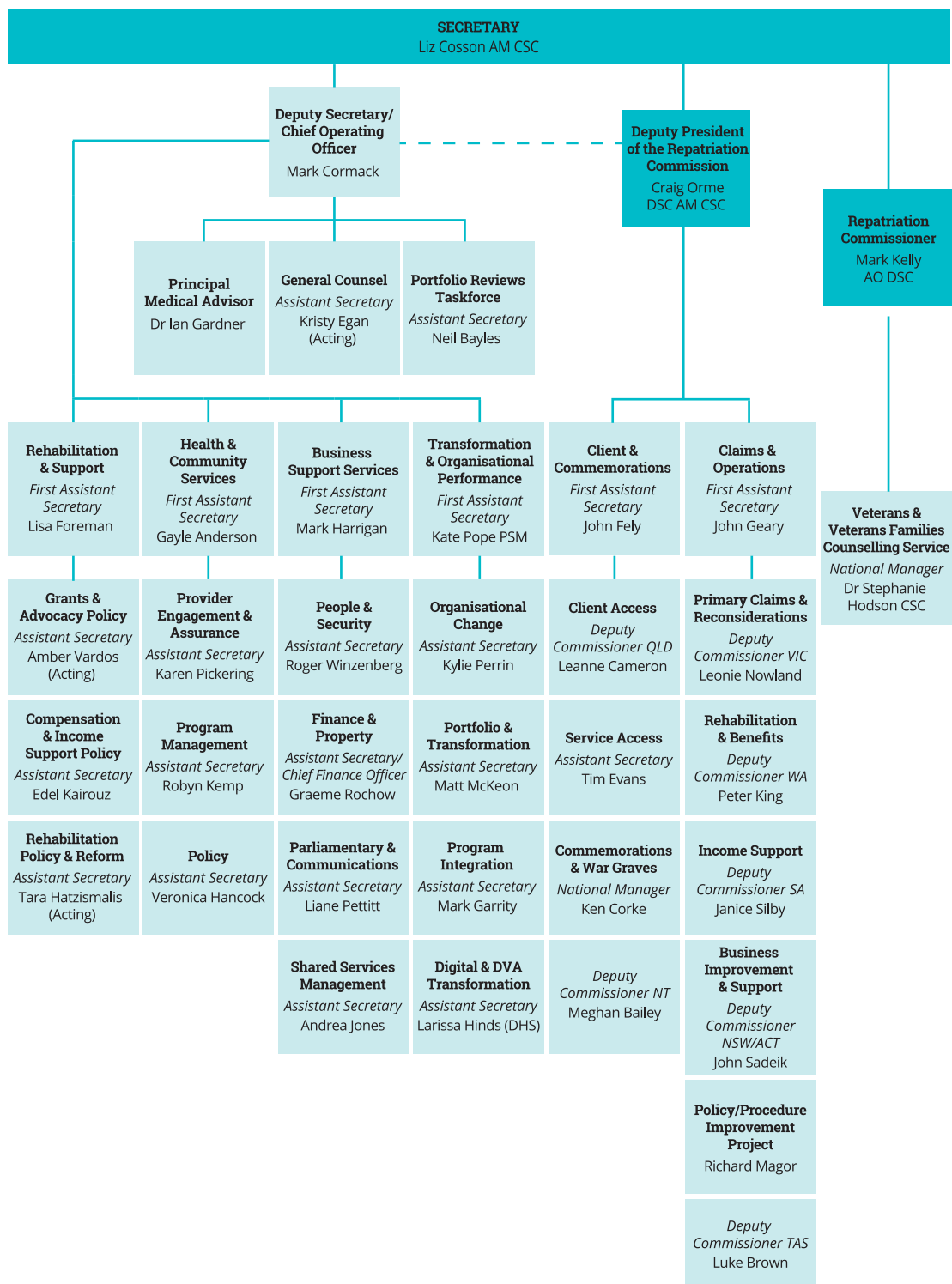
Organisation

DVA's organisational structure was refreshed in 2017–18 as part of the Department's ongoing program of transformation to better meet the needs of veterans and their families. Figure 2 outlines the organisational structure of the Department at 30 June 2018.

Figure 1 DVA outcomes, programs and purposes 2017–18

PORTFOLIO BUDGET STATEMENTS	OUTCOME 1: Compensation and Support	OUTCOME 2: Health	OUTCOME 3: Commemorations
	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.	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.	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.
	Program 1.1: Veterans' Income Support and Allowances Program 1.2: Veterans' Disability Support Program 1.3: Assistance to Defence Widow/ers and Dependants Program 1.4: Assistance and Other Compensation for Veterans and Dependants Program 1.5: Veterans' Children Education Scheme Program 1.6: Military Rehabilitation and Compensation Acts Payments—Income Support and Compensation Program 1.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Income Support and Compensation	Program 2.1: General Medical Consultations and Services Program 2.2: Veterans' Hospital Services Program 2.3: Veterans' Pharmaceuticals Benefits Program 2.4: Veterans' Community Care and Support Program 2.5: Veterans' Counselling and Other Health Services Program 2.6: Military Rehabilitation and Compensation Acts—Health and Other Care Services Program 2.7: Adjustment to the Military Rehabilitation and Compensation Acts Liability Provision—Health and Other Care Services	Program 3.1: War Graves Program 3.2: Commemorative Activities
CORPORATE PLAN	PURPOSE 1: Compensation and Support	PURPOSE 2: Health and Wellbeing	PURPOSE 3: Commemorations
	Maintain and enhance the quality of life of clients by improving their financial wellbeing and self-sufficiency through access to income support, compensation and other support services, including advice and information about entitlements.	Maintain and enhance the physical wellbeing and quality of life for clients through health and other care services that promote early intervention, prevention and treatment, including advice and information about health service entitlements.	Acknowledgement and commemoration of those who served Australia and its allies in wars, conflicts and peace operations through promoting recognition of service, preservation of Australia's wartime heritage and official commemorations.
	ENABLING SERVICES		
	Facilitate the delivery of services to business lines through innovative, seamless, efficient and effective use of resources to support organisational capability.		
Our mission: Support those who serve or have served in the defence of our nation and commemorate their service and sacrifice			

Figure 2 DVA organisational structure at 30 June 2018



Relationships with Commonwealth agencies

DVA enjoys strong relationships with many other Commonwealth entities, managed by clear governance arrangements and focused on the achievement of planned outcomes.

The Department has a longstanding relationship with Defence, which shares responsibility for providing care and support to Australian Defence Force members. To deliver its services to veterans and their families effectively, DVA also works with the departments of Human Services, Health, Social Services, and the Prime Minister and Cabinet; the Digital Transformation Agency; the Australian Government Actuary; and the Australian Institute of Health and Welfare.

DVA's digital transformation process is supported by cross-government bodies, including the Veteran Centric Reform Interdepartmental Committee, which provides advice about the design and implementation of DVA's transformation, and the Transformation Program Board, which ensures its successful implementation.

Defence

DVA and Defence work together as the core providers of care and support for ADF members at all stages during and after their careers.

Defence has the lead in caring for and supporting current ADF members, while DVA has the lead in caring for and supporting widows, widowers, dependants and wounded, injured or ill former ADF members. DVA is also responsible for providing compensation and other support to eligible current and former members.

Those roles are detailed in a memorandum of understanding (MOU), which also sets out:

- governing principles for cross-agency processes, funding arrangements, information sharing and communication protocols
- 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.

Cooperation between DVA and Defence is managed through two joint committees. 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.

Defence and DVA continue to work collaboratively on a range of strategic and operational initiatives to deliver improvements to veteran services and family support.

Department of Human Services

DVA and the Department of Human Services (DHS) are working together to build the ICT infrastructure to support DVA's future service delivery needs. The two departments are also trialling ways to expand DVA's service footprint through technology and by leveraging the physical reach of DHS.

Online services

In partnership with DHS, DVA is developing a web service aligned with the Australian Government's Digital Service Standard. Based on a successful trial of a service enabling children of veterans to submit their claims for education assistance online, the two departments are developing the ICT capability to deliver income payments to around 170,000 veterans.

MyService, a redesign of DVA's initial claims process, commenced on 3 April 2017, providing veterans and their families with a simpler way to interact online. By 30 June 2018, more than 4,300 people had registered with the service, which is expanding to include all types of claims and enable computer-based decision-making.

Physical services

DVA is piloting new service delivery arrangements to use DHS and Australia Post staff and premises to increase access to services for veterans and their families, particularly those living in regional and rural areas, and to provide opportunities for those who are not yet known to DVA to connect. Work is underway to:

- improve training for DHS service centre staff who deliver services to veterans and their families
- support better services for veterans via the DHS mobile service centres operating in Queensland, New South Wales, Victoria, South Australia, Western Australia and Tasmania
- trial the use of DHS agents at 17 locations in rural, regional and remote areas to provide a basic level of information about DVA and services to veterans and their families.

In 22 locations, DHS provides the Veterans' Information Service (VIS) for veterans and their families through a shared services arrangement. The VIS directs interested people to a DHS officer trained by DVA to provide general information about its services. DHS VIS officers can access DVA's information system to respond to specific veteran entitlement enquiries. In 2017, 4,873 visits were made to DHS VIS sites.

Corporate services

During 2017–18, DVA transitioned its internal staff payroll services and human resources system to DHS's shared services hub. A cross-agency team successfully delivered a complex project that directly impacted over 2,000 staff, involved multifaceted systems and diverse employee entitlements and arrangements, and took into consideration DVA's agency culture and maturity.

The transition aligns with the Australian Government's agenda for a smaller, smarter and more productive and sustainable public sector. It has enabled DVA to avoid unnecessary ICT upgrades and ensured that it is ready to comply with future reporting requirements. It enables DVA staff to benefit from greater online functionality and reporting for human resources functions.

A new schedule under the DVA–DHS statement of intent is in place to guide operational governance arrangements.

Department of Health

DVA engages with the Department of Health on policies and programs across the areas of health, aged care and community services. For health care, DVA has regular interactions that cover medical, dental and allied health policy and services, as well as pharmaceutical benefits arrangements. For aged and community care arrangements, DVA has regular interactions that cover joint responsibilities around residential aged care, the Government's ongoing reforms to aged care, and the interactions between home care programs administered by the two departments.

The Department of Health manages the My Aged Care portal, a central source for Australian Government information on aged care for consumers, carers and service providers. The portal provides links to the DVA website and other information for veterans. DVA participates in joint Australian Government and state and territory government forums that discuss the implementation of the portal and other community and aged care service issues across jurisdictions.

A key pillar of DVA's digital transformation is the development of an analytics capability that can be used to drive policy and program delivery. DVA is working with the Department of Health to develop an integrated DVA–Health dataset that will inform a whole-of-population view of issues, leading to better health outcomes for all Australians, including veterans.

Department of Social Services

DVA engages with the Department of Social Services (DSS) on a range of matters, including carers policy; disability policy, including interactions with the National Disability Insurance Scheme; and income support arrangements, particularly changes to aged care means testing. DVA attends two interdepartmental committees led by DSS: one on disability and the other on carers.

DSS hosts the Community Grants Hub (www.communitygrants.gov.au), an online facility designed to deliver a simpler and more consistent approach to the administration of Australian Government grants. As part of a shared services arrangement, DVA's grant program was opened for online applications through the hub in early 2018.

Department of the Prime Minister and Cabinet

Under an MOU between the departments, DVA receives services from the Department of the Prime Minister and Cabinet's Behavioural Economics Team of the Australian Government (BETA). DVA is working with BETA to evaluate behavioural approaches designed to provide veterans with earlier access to services better targeted to their needs.

Digital Transformation Agency

The Digital Transformation Agency (DTA) is the advisory and assurance body for the implementation of the Australian Government's Digital Transformation Agenda, and has a role in analysing the impacts of new ICT proposals at the whole-of-government level.

The Department:

- works with the DTA to apply the Digital Service Standard to the design of online services
- seeks advice from the DTA on ICT proposals
- engages with the DTA on myGov work, through the member services forum and related cross-agency governance committees.

Australian Government Actuary

DVA has an MOU with the Australian Government Actuary to provide actuarial investigations of the costs associated with the MRCA and DRCA; actuarial investigations of DVA's leave liabilities and other provisions; and data for DVA's financial statements and budgeting processes.

The Australian Government Actuary also assists Proactive Interventions, an element of DVA's digital transformation that includes a framework to enable DVA to understand and monitor the expected outcomes of veterans and their dependants over their lifetimes and, in doing so, identify groups who may benefit from decision-making more closely informed by their lifetime dynamics.

Australian Institute of Health and Welfare

DVA has an MOU with the Australian Institute of Health and Welfare to develop a comprehensive profile of the health and welfare of Australia's ex-serving population.

While DVA has a client-provider relationship with around 20 per cent of today's ex-serving population, the health and welfare status of the remaining 80 per cent is largely unknown to DVA. The collaboration draws on existing datasets to address the gap.

The data will provide population-level insights into domains such as experience, life course, family functioning, gender and risk factors. These insights could enable reporting on a range of outcomes, including homelessness and long-term unemployment, which will assist DVA to design and plan policy interventions to enhance health and wellbeing outcomes for the ex-service community.

Approach to service delivery

DVA is at an important juncture in its 100-year history as it seeks to transform itself into an organisation to meet the needs of the veteran community in the future. The Department is focused on ensuring that DVA serves all veterans and their families in the way that suits them and caters to their specific circumstances.

Principles

Our approach to service delivery is guided by the following principles.

Putting veterans and veterans' families first

DVA ensures that processes, practices and methods of engagement are based on the needs of veterans and their families, and reflect the way that they want to access services and seek help from DVA.

Co-designing policies and services with veterans and their families

Through forums, surveys and other mechanisms, DVA ensures that veterans and key stakeholders are part of the design of new policies, programs and access arrangements.

Focusing on wellness, not illness

DVA's focus on wellness in transition and rehabilitation builds veterans' capabilities to engage productively in new employment and maintain their quality of life. A whole-of-life 'wellbeing' model provides engagement and reinforcement from the point of enlistment.

Developing the understanding of the impact of military service, including the impact on families

DVA is capturing information to build understanding of veterans' experiences and the experiences of their families. Understanding these experiences puts DVA in a better position to improve its services. Sharing this information with Defence helps to ensure that strategies are in place to reduce risk and the impact of service, where appropriate.

Leveraging services and capabilities from other agencies

Many organisations provide services to veterans and their families. DVA is committed to working with other government entities and service providers to provide a holistic service offering to veterans and their families.

Tailoring and personalising services for individuals

Rather than relying on one-size-fits-all models and processes, DVA learns from its interactions with veterans and their families to adapt case management processes and customise and tailor its delivery to meet the unique needs of each veteran and their family.

Learning from others, including veterans and the veteran community

DVA is becoming a 'learning agency', where its initial position is to learn from others, including veterans and their families and members of the broader veteran community. New ways of engaging and delivering services are emerging as DVA learns more about veterans' experiences.

Evolving and modernising services and streamlining processes

DVA's service delivery model needs to change to reflect contemporary practices and the needs and expectations of veterans and their families. This work has started through the Veteran Centric Reform program, and more will happen in coming years to embed a culture that truly supports veterans' needs.

Empowering staff to achieve the best possible outcomes for veterans and their families

DVA must move from a process-driven, risk-averse delivery framework to one which allows staff greater flexibility in achieving positive outcomes for veterans and their families. Processes which presently paralyse effective outcomes or encourage staff to reject claims need to be overhauled to improve DVA's culture and outcomes for veterans and their families.

Re-engaging with stakeholders

Re-engaging with veterans and their families and other stakeholders—including ex-service organisations, other service providers and those veterans who do not seek DVA's help—is critical. Central to this is finding ways that DVA can share its challenges, including those in the policy and legislative environment, and achieve broad agreement on key reforms. New ways to better communicate need to be grasped, and mutual trust will only be reached if DVA first trusts veterans and their families and the stakeholders who support them.

Service Charter

The DVA Service Charter:

- describes the service that people can expect from DVA, including the Department's standards and service delivery commitments
- provides guidance about people's rights in dealing with the Department
- outlines how people can provide feedback about their experiences with DVA to assist the Department to continuously improve service delivery.

The charter is available from the Department's website.

Indigenous Veterans' Strategy

Through the Indigenous Veterans' Strategy, DVA identifies and connects with Indigenous veterans and their dependants to ensure that they know of and can access DVA services and benefits. The strategy also supports activities to commemorate and raise awareness of Indigenous veterans' contribution to the nation through military 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.

Snapshot of the veteran community

At 30 June 2018, DVA supported more than 282,000 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; there has been a 27 per cent reduction in service pensioners over the past four years and a 15 per cent reduction in disability pensioners. This will continue: service pensioner numbers are forecast to decline by 41 per cent and disability pensioner numbers by 15 per cent over the next decade.

In contrast, the number of veterans with an accepted initial liability under the DRCA and MRCA continues to rise. Over the past four years, the number of veterans with an accepted initial liability under the DRCA or its predecessor, the *Safety, Rehabilitation and Compensation Act 1988* (SRCA), has increased by 5 per cent, and the number of MRCA veterans has increased by 77 per cent. This overall increase is also shown in the increasing numbers of DRCA and MRCA payments and benefits being accessed, such as an increase of 178 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/DRCA has not significantly impacted the overall downward trend in DVA client numbers.

Detailed statistics about the veteran 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 those receiving certain payments, over time.

Table 1 Clients by age group and location at 30 June 2018

Age	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Overseas	Total
Under 25	1,080	591	1,953	254	398	121	147	175	24	4,743
25–29	1,375	671	2,050	368	411	102	246	198	26	5,447
30–34	1,798	895	2,569	406	705	151	296	259	43	7,122
35–39	2,062	1,112	2,840	500	873	262	306	344	71	8,370
40–44	2,259	1,299	3,373	558	956	267	285	400	92	9,489
45–49	3,126	1,760	4,519	782	1,430	382	368	586	139	13,092
50–54	3,009	1,828	4,066	801	1,370	383	281	585	149	12,472
55–59	3,430	2,094	4,669	995	1,435	425	247	666	145	14,106
60–64	4,531	2,854	5,505	1,402	1,811	586	151	542	148	17,530
65–69	9,395	6,237	10,630	3,134	3,551	1,110	228	766	218	35,269
70–74	11,585	7,831	12,468	3,563	4,457	1,355	226	980	321	42,786
75–79	5,313	2,971	5,756	1,261	2,134	547	101	544	147	18,774
80–84	5,345	3,076	4,528	1,199	1,952	530	50	490	130	17,300
85–89	8,216	5,491	5,439	2,033	2,317	749	49	452	129	24,875
90 or over	17,122	12,396	9,645	4,798	4,476	1,412	45	696	265	50,855
Total¹	79,666	51,129	80,022	22,063	28,288	8,384	3,027	7,687	2,048	282,314

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 2013–14 to 2017–18

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Treatment population¹	217,562	208,181	200,245	193,968	190,967
Gold Card	163,578	153,033	143,635	135,263	128,517
White Card	53,984	55,148	56,610	58,705	62,450
VEA pensions and allowances					
Service pension total	136,138	126,647	118,174	106,970	99,939
• veterans	71,266	66,016	61,504	55,641	52,011
• partners	64,902	60,631	56,670	51,329	47,928
Income support supplement	61,463	56,725	52,292	47,036	42,464
SSA age pension	3,833	3,658	3,538	3,380	3,225
Veteran payment ²	n.a.	n.a.	n.a.	n.a.	159
Commonwealth Seniors Health Card	5,150	4,698	4,321	7,222	4,098
Disability pension	101,059	96,493	92,374	88,974	85,811
War widow/ers pension	81,531	75,536	69,960	64,500	59,001
POW Recognition Supplement ³	513	387	299	217	165
Orphan's pension	177	173	150	157	155
Attendant allowance	457	403	353	304	273
Rent assistance	16,804	15,639	14,694	13,580	12,683
Remote area allowance	803	741	697	648	648
Decoration allowance	414	378	328	289	261
Recreation transport allowance	1,262	1,087	936	802	716
Vehicle Assistance Scheme	53	43	48	52	43
Funeral benefit	5,720	5,211	4,709	4,175	3,704
Veterans' Children Education Scheme	2,443	2,331	2,288	2,243	2,229
Clothing allowance	511	449	398	348	322
Military compensation payments					
Permanent impairment (DRCA) ⁴	12,091	12,516	12,852	13,400	14,150
Permanent impairment (MRCA) ⁴	4,467	6,021	7,659	9,544	12,414
Incapacity payments (DRCA)	1,867	1,807	1,777	1,792	1,874
Incapacity payments (MRCA)	2,062	2,484	2,689	3,218	3,893
Wholly dependent partner (MRCA) ⁴	73	86	91	105	124
Eligible young person (MRCA) ⁴	85	91	97	114	128
MRCA Education and Training Scheme	100	153	203	246	390
Defence Service Homes					
Homes insured	65,292	62,127	58,825	55,838	53,641
Housing loan subsidies	12,799	10,296	8,322	6,669	4,960

MRCA = Military Rehabilitation and Compensation Act 2004, POW = prisoner of war, DRCA = Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (previously the Safety, Rehabilitation and Compensation Act 1988), SSA = Social Security Act 1991, VEA = Veterans' Entitlements Act 1985

1 The population of veterans, war widows and widowers and dependants who have been determined to be eligible for medical treatment under DVA-administered legislation.

2 Veteran payment commenced in May 2018.

3 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.

4 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 Numbers of veterans with accepted disability by Act 2013–14 to 2017–18

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
<i>Veterans' Entitlements Act 1986</i>	104,874	100,135	95,983	92,328	89,452
<i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i> ¹	50,153	50,689	51,320	51,956	52,528
<i>Military Rehabilitation and Compensation Act 2004</i>	16,710	19,538	22,305	25,551	29,577

1 Previously the *Safety, Rehabilitation and Compensation Act 1988*.

Table 4 Estimated numbers of living veterans 2013–14 to 2017–18

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Second World War ¹	48,300	39,500	31,700	25,000	19,300
Korean War, Malayan Emergency and FESR ²	13,000	12,300	11,700	11,000	10,300
Vietnam War ³	45,200	44,300	43,400	42,500	41,500
Other pre-1972 conflicts	6,000	5,700	5,400	5,000	4,700
Cambodia, Gulf War, Namibia, Somalia, Yugoslavia, Rwanda, Bougainville	10,500	10,400	10,400	10,300	10,300
Post-1999 conflicts ⁴	58,000	58,300	58,400	58,300	58,200
Peacetime Defence Force ⁵	151,800	150,400	149,000	147,400	145,800
Total service with VEA eligibility⁶	331,200	319,500	308,600	298,200	288,700
Other full-time service post-1945 ⁷	255,700	255,800	254,800	253,900	252,500
Reserve ⁸	96,100	96,800	97,700	98,900	100,000
Total Australian service⁹	683,000	672,200	661,100	651,000	641,300

ADF = Australian Defence Force, FESR = Far East Strategic Reserve, MRCA = *Military Rehabilitation and Compensation Act 2004*, VEA = *Veterans' Entitlements Act 1985*

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.

5 Peacetime Defence Force from 1972 to 1994 only. Figures are based on amortised Department of Defence data.

6 Total Australian ex-service personnel eligible under the VEA. It is the sum of the preceding categories less any overlaps. This total excludes those who served in the ADF without service in a conflict and/or peacetime service not between 1972 and 1994. It also excludes British Commonwealth and Allied veterans.

7 The figures shown here are the balance not covered by the VEA. A research project was initiated to estimate all living persons with post-1945 full-time service in the ADF. By necessity, input data was obtained from different sources:

- Age profile at recruitment is graphically estimated from Hoglin, Phillip J 2012, *Early separation in the Australian Defence Force*, p. 39.
- National service recruitment data are sourced from the Australian Defence Association's 2018 discussion paper *National Service—Have a debate but make sure it is an informed one*.
- The full-time enlistments data for each year from 1975 to 1998 were measured graphically from Beaumont, J 2001, *The Australian centenary history of defence*, vol. 6, *Australian defence: sources and statistics*, p. 252.
- The full-time enlistments data for each year from 1996 to 2017 were sourced from published Department of Defence annual reports obtained from the Department of Defence website.
- Australian Bureau of Statistics (ABS) mortality rates are used. Numbers are calculated by amalgamating successive years of recruits from 1945 onwards and amortising the resulting population.

8 Includes all living persons who have ever served as reservists in the ADF with neither continuous full-time nor qualifying service. Reservists were not included in previous versions of this table as they were not eligible under the VEA. Figures are derived from Department of Defence data and ABS mortality rates.

9 The growth in MRCA veterans and the expansion of benefits to the widest possible number of ex-service ADF personnel necessitated redefinition of the total to include those who were not otherwise eligible under the VEA. This figure includes all living persons who have ever served in the ADF either full time or as reservists.



**Over the last 100 years we
have provided aids and
appliances to enhance
veterans' quality of life.**

Craftsmen at work
at the Repatriation
Artificial Limb
Appliance Centre
in 1961.



Repatriation Commission Annual Report 2017–18

Mr JC Appleton, survivor of the sinking of HMAS *Canberra*, uses a lathe at the Caulfield Repatriation Hospital artificial limb factory to create prosthetics for other amputees, 1946. Over the past century, the techniques and materials used for prosthetics have undergone dramatic changes, and current appliances are a vast improvement on those first supplied at the end of the First World War. (AWM 131242)

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, allowances 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 do all things necessary or convenient to be done for, or 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.



Mr Craig Orme,
Ms Liz Cosson,
Major General
Mark Kelly

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

Liz Cosson AM CSC, President

Ms Cosson was appointed Secretary of the Department of Veterans' Affairs (DVA), President of the Repatriation Commission and Chair of the MRCC on 19 May 2018.

Ms Cosson served for 31 years in the Australian Army, becoming the first woman to attain the rank of Major General. In 2001, Ms Cosson received the Conspicuous Service Cross for outstanding achievement as Chief of Staff, Peace Monitoring Group, Bougainville. In 2011, she was appointed a Member of the Order of Australia for her exceptional service to the Australian Army and Australian Defence Organisation.

Ms Cosson joined the Australian Public Service in 2010 as First Assistant Secretary in DVA. Between 2012 and 2016, she held executive positions in the Department of Immigration and Citizenship and the Department of Health. She returned to DVA, as Deputy Secretary and Chief Operating Officer, in 2016.

Ms Cosson has a Master of Arts, a Bachelor of Social Science and a Diploma in Management. She received the ACT Award for Excellence in Women's Leadership in 2014.

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 and retired on 18 May 2018. By virtue of holding the office of President of the Repatriation Commission, he was also Chair of the MRCC.

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 in the Middle East and Afghanistan.

Previously, he was a member of 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.

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 again 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 and the Deployable Joint Force Headquarters; Land Commander Australia; and Commander Joint Task Force 633 (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 12 formal meetings to consider 55 submissions in 2017–18, compared with 16 formal meetings and 84 submissions in 2016–17. DVA is embracing significant change, and the Commission considered a range of policy improvements as well as policy matters relating to individual cases.

Matters considered by the Repatriation Commission in 2017–18 included:

- amendments to treatment principles
- delegation of Commission powers
- high-level policy and procedures relating to the VEA
- assistance for contemporary widows, widowers and dependants
- administration of the legislation and performance monitoring against key indicators and targets
- the DVA Strategic Research Model and associated research proposals.

The Repatriation Commission's activities under the VEA are focused on meeting the needs of all clients.

DVA celebrates 100 years of repatriation

In April 2018, DVA celebrated the centenary of the establishment of the Repatriation Commission and Repatriation Department, marking the beginning of the nation's commitment to provide for Australians who served in war, and their families.

As part of the celebration, DVA published *'Repat'—A concise history of repatriation in Australia* by Professor Philip Payton of Flinders University. The foreword to the book, extracted here, was provided by the Minister for Veterans' Affairs.

In early 1917, in the midst of the First World War and with an Allied victory not yet in sight, Prime Minister W.M. 'Billy' Hughes made a promise to the country's armed forces on behalf of the Australian people. 'When you come back we will look after you', he declared. It was a solemn and binding promise and Hughes recognised returning soldiers would be entitled to say to the Commonwealth Government: 'You made us a promise. We look to you to carry it out'.

Earlier in the war, public opinion had imagined the numerous voluntary patriotic funds which had sprung up across Australia would be enough to support the rehabilitation of returning men and women into civilian life. By 1917, however, the enormity of the task had become clear and both State and Commonwealth Governments understood legislative action was required. The result was the *Australian Soldiers' Repatriation Act 1917*, its chief architect Senator Edward Davis Millen who would become Australia's first Minister for Repatriation. In April 1918, 100 years ago, the new Repatriation Commission and the Repatriation Department began work in earnest, aiming to fulfil the promise Hughes had made.

As well as bringing home the troops from overseas, 'Repat', as it was universally known provided war pensions, healthcare, education and training, employment and housing, soldier settlement and remembrance and commemoration. Ambitious in scope it attempted to address the widely varying needs of veterans and their dependants. The Repatriation Commission and Department were also anxious to work closely with the voluntary sector including the Returned Services League, Australian Red Cross, and Legacy, setting an example which continues to this day.

At first, it was imagined that once all the veterans of the First World War had been successfully 'repatriated', in the fullest sense of the word, the Commission and Department would quietly wither away, their job done. However, the outbreak of the Second World War in 1939 led to a new 'second wave' of veterans, perpetuating the work of the Repatriation Department, as did early post-war conflicts such as the Korean War, the Malayan Emergency and the Indonesian Confrontation. Soon there was to be a significant 'third wave' of veterans as a result of the controversial Vietnam War, leading to lengthy and often heated debate, as well as extensive new medical research, about Post Traumatic Stress Disorder and the effects of Agent Orange, from which many hard lessons were learned. More recently military operations in East Timor, Afghanistan, Iraq and elsewhere, have led to a 'fourth wave' of veterans, different in many ways from those who had gone before.

In October 1976 the Repatriation Department was renamed the Department of Veterans' Affairs and in the years ahead it embraced change enthusiastically as it responded to new opportunities and challenges. The Department proved an early advocate of the possibilities of technology and moved from being a major provider to a major purchaser of healthcare services. Increasingly 'veteran-centric' in their outlook as they approached their centenary, the Repatriation Commission and the Department of Veterans' Affairs embarked upon an all embracing transformation process which aimed to engage with 'all the domains of veteran well-being' to ensure veterans and their families had a healthy and productive life.

By now the methods of the Commission and Department had changed out of all recognition since those early days in 1918. But Billy Hughes' promise, made a hundred years ago, still holds true as 'Repat's' guiding principle.

The Hon Darren Chester MP

Minister for Veterans' Affairs

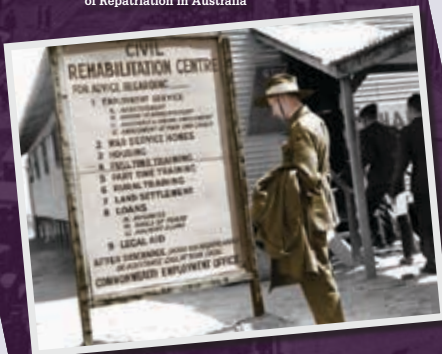
March 2018

As the Minister describes, DVA's current program of transformation is the latest milestone in a century of progress towards ensuring that the needs of veterans and their families are understood and met, and that their service and sacrifice are commemorated.

'Repat'—A concise history of repatriation in Australia can be downloaded free of charge from the DVA website.

'REPAT'

A Concise History
of Repatriation in Australia



Philip Payton

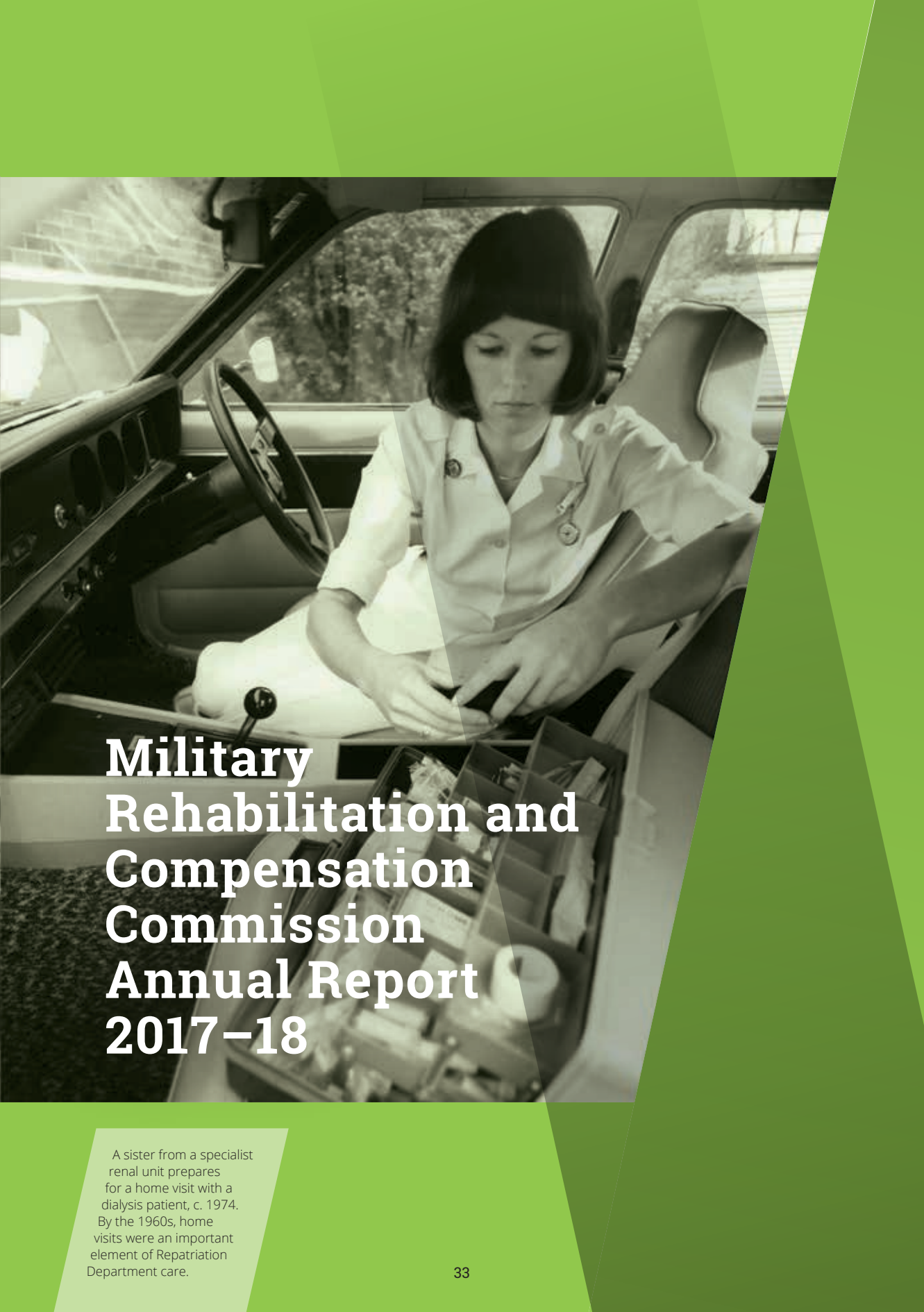
Senator Edward Davis Millen (foreground) and members of the Repatriation Commission, meeting in May 1920 at the headquarters of the Repatriation Department in Melbourne. (AWM 12880)

Book cover image
(AWM 126088)

**Over the last 100 years we
have supported veterans
and their families to
maintain their health.**



Totally and permanently
incapacitated veterans
of the First World War
are tended by
nursing staff at
the Anzac Hostel,
Melbourne, c. 1919.
(AWM P03098_004)



Military Rehabilitation and Compensation Commission Annual Report 2017–18

A sister from a specialist renal unit prepares for a home visit with a dialysis patient, c. 1974. By the 1960s, home visits were an important element of Repatriation Department care.

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 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 relating to the operation of the Act to 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 (Defence-related Claims) Act 1988* (DRCA) that relate to defence service.



Ms Jennifer Taylor,
Rear Admiral
Brett Wolski,
Mr Craig Orme,
Ms Liz Cosson,
Air Vice-Marshal
Tracy Smart,
Major General
Mark Kelly

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 Jobs and Industrial Relations who is either a member of the Safety, Rehabilitation and Compensation Commission or a public servant working in the Department of Jobs and Industrial Relations
- 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

Liz Cosson AM CSC, Chair

Ms Cosson is President of the Repatriation Commission; her 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 Commissioner 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 of the ADF, 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 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 the 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 DRCA

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 1999*, 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 DRCA to the group of persons specified in section 384 of the MRCA.

Activity in 2017–18

In 2017–18, the full Commission held 10 formal meetings and considered 50 submissions. The subcommittee of the Commission held two meetings and considered four submissions.

Matters considered during 2017–18 included:

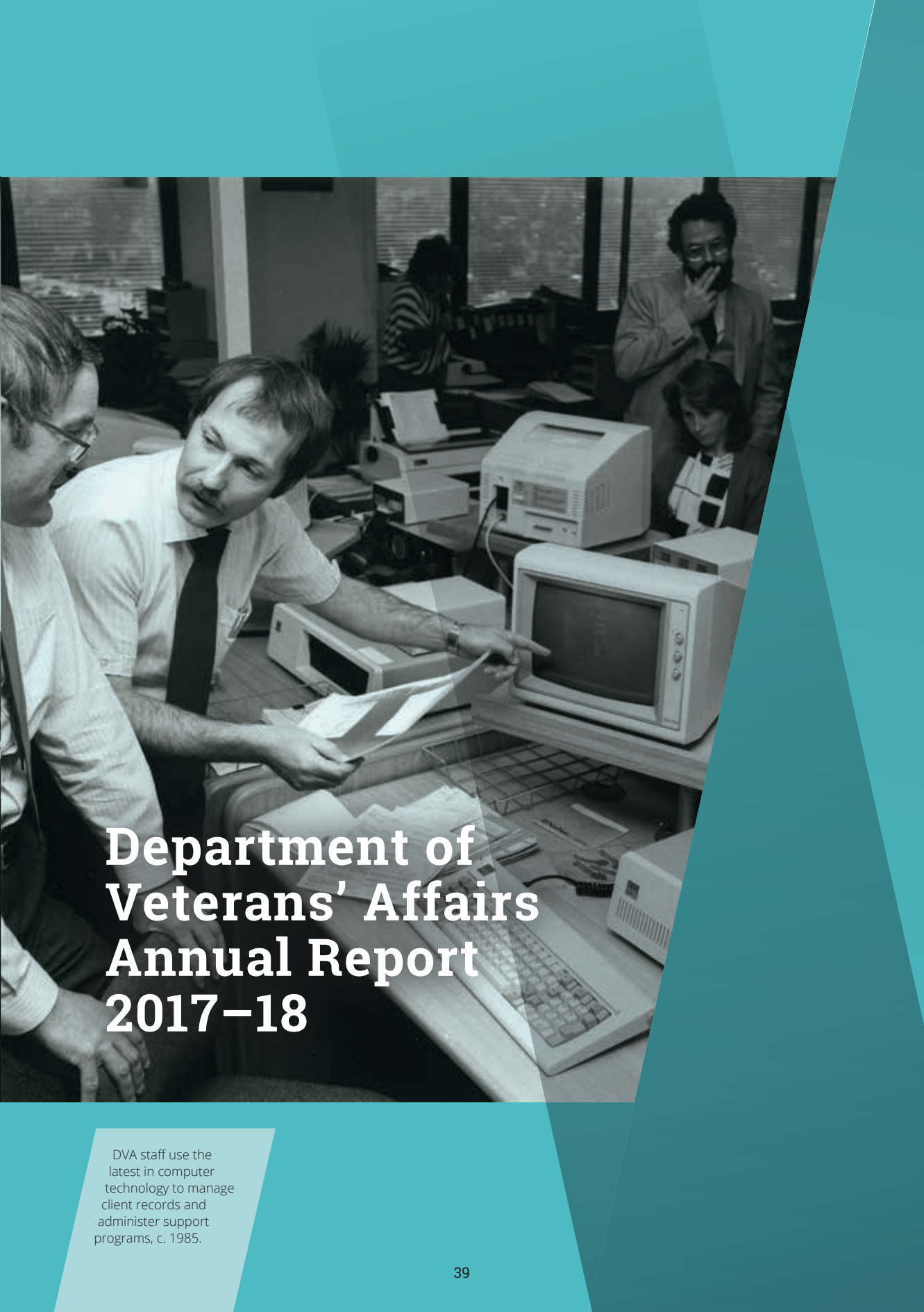
- amendments to treatment principles
- delegation of Commission powers
- high-level policy and procedures relating to the MRCA
- assistance for contemporary widows, widowers and dependants
- administration of the legislation and performance monitoring against key indicators and targets
- the DVA Strategic Research Model and associated research proposals.

Over the past six years, the number of matters considered by the MRCC has declined substantially, from 211 submissions in 2012–13 to 54 in 2017–18. 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.



**Over the last 100 years we
have used technology to
transform how we support
veterans and their families.**

Repatriation
Commission typists at
work in the Melbourne
office, c. 1919.
(AWM DAX2257)



Department of Veterans' Affairs Annual Report 2017–18

DVA staff use the latest in computer technology to manage client records and administer support programs, c. 1985.



The Sir John Monash Centre was officially opened in April 2018, adjacent to the Australian National Memorial near Villers-Bretonneux in France. The centre interprets the story of Australian service on the Western Front during the First World War.



Part 1 Performance

Lucy Turnbull AO, the Hon Darren Chester MP, the Hon Malcolm Turnbull MP and French Prime Minister Édouard Philippe attend the opening of the Sir John Monash Centre.

The Transition Taskforce engaged with

600



transitioning and recently
transitioned veterans and their families



10,300

current or former ADF
members registered
with DVA through the
Early Engagement Model



5,500+

veterans and their families
registered for MyService, and nearly

6,000

claims were lodged,
between the launch of
the portal on 3 April 2017
and 30 June 2018



Two mobile service
centres travelled to

132

locations across
Australia in 2017-18

Transformation

Transforming DVA's business process and culture, identifying and implementing government-endorsed best practice service options and continuing a targeted ICT redevelopment.

Achievements in 2017–18

The Veteran Centric Reform program is designed to transform the way the Department of Veterans' Affairs (DVA) does business, to put veterans and their families first. The program has substantial Budget support from the Government and a high level of commitment from DVA staff.

In 2017–18, the first year of the program, DVA's transformation focused on connecting with veterans, expanding service delivery and transforming ICT.

Connecting with veterans

Understanding the experiences and needs of veterans and their families is at the heart of our transformation.

Consultation

In 2017–18, the Department created a range of opportunities for veterans and their families, and members of the broader veteran community, to contribute to its transformation. They included one-on-one interviews, group consultations, and collaborations to design innovative solutions to service delivery issues.

During the year, around 2,000 veterans and family members met with DVA to co-design veteran-focused programs and services for the future. Sessions were held around Australia in a mix of metropolitan and regional areas and a variety of venues, such as DVA offices, military bases, public spaces and veterans' homes. The participants included stakeholders across a wide range of age groups and circumstances.

In addition, more than 30 DVA staff members and 36 veterans attended workshops designed to help staff understand the veteran experience.

Early engagement

Early engagement with Australian Defence Force (ADF) members helps DVA to understand their individual needs, provide information and support, and identify potential problems quickly so that the right intervention can be offered when needed.

DVA's digital transformation includes developing models for the use of basic personal information shared by Defence to connect and deliver services earlier and more effectively. The Early Engagement Model was launched in 2017–18 to establish relationships between DVA and ADF members early in their careers and to increase the number of members known to DVA.

Under the model, members who joined the ADF after 1 January 2016 and members who separated after 27 July 2016 are automatically registered with DVA. Over 10,300 current or former ADF members who have not made a claim with DVA were registered in 2017–18.

DVA also piloted two new processes to support ADF members during their transition:

- The Transition Health Assessment Pilot is testing a process designed to streamline transition by consolidating Defence, DVA and Commonwealth Superannuation Corporation requirements into a single medical assessment undertaken before a member leaves the ADF.

- The Special Operations Forces (SOF) Pilot is testing a more holistic, veteran-focused way of providing services to members and their families as they transition to civilian life. The approach was developed with Defence and current and former SOF members and their families. Based on a theme of 'wellness', the pilot includes a face-to-face approach to service delivery and support through a single contact in DVA.

Both processes will be evaluated once pilot activities are completed.

Transition

Leaving the military is a significant, life-changing event for many ADF members and their families. Defence and DVA have a particular focus on improving the support that they receive before, during and after that transition.

The Transition Taskforce was established in February 2017 and continued to work throughout 2017–18 to identify barriers to successful transition and develop options to address them. The taskforce included current and former ADF members; representatives from key areas within Defence, DVA and the Commonwealth Superannuation Corporation; and representatives from the ex-service community.

The taskforce engaged with 600 transitioning and recently transitioned veterans and their families to better understand the transition experience and sought the views of ex-service organisations, government and relevant professional organisations. It identified five key streams of focus:

- improving transition service provision
- enhancing preparation and support before transition
- increasing the probability of securing employment
- providing better and more accessible transition information
- improving support for families and carers.

The taskforce's findings and recommendations have been provided to the Australian Government for consideration.

Female veterans and veterans' families forum

The Department established the Female Veterans and Veterans' Families Policy Forum in 2016 to create new channels of communication between DVA and the veteran community and enable female veterans and veteran family members to directly raise issues with DVA.

The forum met for the second time in Canberra in October 2017, to discuss the particular needs of female veterans and the levels of recognition and respect that female veterans receive from the broader Australian community. In June 2018, more than 30 representatives from the forum met with DVA to provide direct input to current projects.

Expanding service delivery

Veteran Centric Reform is providing simpler, better, digitally enhanced options for interacting with the Department.

Claims processing

In its first year, DVA's transformation has improved the ease and speed with which current and former serving members can submit claims and have liability for conditions assessed, through computer-based decision-making and streamlined processing.

DVA's MyService portal allows any veteran with an electronic Defence service record to register with DVA and submit initial liability claims under the *Veterans' Entitlements Act 1986* (VEA), the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA) or the *Military Rehabilitation and Compensation Act 2004* (MRCA). Over 5,500 veterans registered, and nearly 6,000 claims were lodged, between the launch of the portal on 3 April 2017 and 30 June 2018.

MyService also allows veterans and eligible members of their families to access Non-Liability Health Care (NLHC), complete a needs assessment online, and be advised whether they have qualifying service without making a claim. All veterans and members of their families who register with MyService can use a digital DVA health card to access services for their accepted conditions.

DVA has also streamlined the processing of claims by using data provided by Defence to assess whether a claimant satisfies DVA's specified Statements of Principles requirements for certain medical conditions. Currently, 40 conditions are automatically assessed under the streamlining rules, and other conditions are being investigated for possible inclusion.

Many claims made through MyService and assessed under the streamlining rules can be accepted, and the claimant notified, within seconds of the claim's submission.

Access to services

Veteran Centric Reform includes expanding opportunities for veterans to connect with DVA in ways that suit them, in their preferred locations.

Face-to-face access to the Department is now available in more locations than ever before, including in rural and regional Australia. For example:

- A network of over 120 agents, based in businesses such as visitor information centres, delivers services on behalf of the Department of Human Services (DHS) around Australia. Seventeen of the agents are participating in a DVA pilot to provide assisted access to information about veterans services.
- Staff of DHS mobile service centres have been trained and equipped to provide personalised information on DVA services and entitlements to veterans and their families. The two mobile service centres travelled to 132 locations across Australia in 2017–18.

DVA also conducted a trial of providing DVA information through Australia Post self-service kiosks in the Australian Capital Territory, Queensland and South Australia.

DVA commenced work to improve access to the Department by redeveloping its website and consolidating its telephone contacts. The number of inbound telephone numbers was reduced from 170 to 60 in 2017–18 and is expected to decrease further.

Transforming ICT

DVA envisages a future in which veterans and their families can access services across a range of communication channels. Most veterans and their families will be able to self-manage their affairs through online facilities while staff focus on veterans with complex and multiple needs, supported by a contemporary case management system. The use of data analytics and veteran and family insights will inform policy and services.

The Student Payment System Pilot is an important step in DVA's journey to replace its ageing ICT infrastructure. The pilot is testing a new staff portal to allow for quicker processing of claims under DVA education schemes. It also provides new online functionality to enable students and their families to request assistance. The results of the pilot will inform broader ICT modernisation to improve services to veterans and veterans' family members who access DVA income support.

The ability to access client information electronically is fundamental to improving claims processing time frames and enabling a range of digital processes. DVA's achievements in digitising information were commended in the 2018 National Archives Awards for Digital Excellence.

DVA also initiated a new data model which will make DVA's rich data holdings more accessible and available to support a data-driven approach to policy development. The use of the model data will assist DVA to better understand the needs and circumstances of veterans and their families and develop evidence-based policy interventions to improve services in accordance with their individual needs.

Priorities for 2018–19

The priorities for transformation in 2018–19 are:

- reaching out to veterans and members of their families who are not currently in contact with DVA
- continuing to engage with veterans and their families in designing services to better meet their needs
- expanding MyService to include greater coverage and more features, including the ability to handle permanent impairment and incapacity claims
- streamlining the assessment rules for additional impairment types to support faster decision-making
- improving DVA's letters and fact sheets and releasing the prototype of a new website
- improving telephone services, with the aim of establishing a single number for incoming calls, 1800VETERAN, to improve access and enable automated queueing
- building ICT capabilities to develop and deliver better services for veterans and family members who receive income support
- strengthening the positive and change-ready culture of DVA, and developing the capability of emerging leaders through the Leading Transformation Program.



**\$7.4
billion**

was spent on
compensation and
income support services



44,400

liability conditions
were determined



**53,641
homes**

were protected
by Defence Service
Homes Insurance



161,184

**veterans and veterans'
family members**

received income support

Compensation and support

Maintaining and enhancing the quality of life of clients by improving their financial wellbeing and self-sufficiency.

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 the program are becoming more complex due to the increasing sophistication of clients' personal financial arrangements and circumstances, which are reviewed regularly.
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.
Program 1.3: Deliver assistance to Defence widow/ers and their dependants	The war widow/ers pension is part of a compensation package made in recognition of the special circumstances to compensate a 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.
Program 1.4: Deliver other compensation	Delivers other allowances and assistance to clients under the <i>Veterans' Entitlements Act 1986</i> (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 Advocacy Training and Development Program (ATDP).
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 (MRCAETS), education allowances are paid to eligible children of ADF members who have died or been severely injured as a result of service. The schemes provide financial assistance, student support services, guidance and counselling for eligible students undertaking primary, secondary and tertiary full time study within Australia.
Program 1.6: Deliver income support and compensation under DRCA and MRCA	Provides compensation to clients under the <i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i> (DRCA), the <i>Military Rehabilitation and Compensation Act 2004</i> (MRCA) and related legislation. The DRCA (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.

Achievements in 2017–18

Expanded entitlements

The extension of Gold Card eligibility and expansion of the health conditions covered by NLHC have helped to remove obstacles to veterans accessing the health care treatment they need.

Gold Card

On 1 July 2017, eligibility for a DVA Gold Card, which provides eligible persons with access to health services for all medical conditions, was extended to include:

- Australian participants in the British nuclear tests conducted in Australia in the 1950s and 1960s, or civilians present at the test sites
- Australians who were part of the British Commonwealth Occupation Force in Japan after the Second World War.

In 2017–18, 1,299 Gold Card claims were granted under the new entitlements.

Non-Liability Health Care

Through the NLHC program, DVA can pay for the treatment of certain physical and mental health conditions without the need for the conditions to be accepted as service related. The scope of NLHC has recently been expanded:

- From 1 July 2017, as part of the 2017–18 Budget, the mental health coverage of NLHC was expanded to cover all mental health conditions. Previously, only five specific conditions were covered.
- From 1 July 2018, as part of the 2018–19 Budget, NLHC will be expanded to include reservists who have rendered border protection or disaster relief service or have been involved in or witnessed a serious training accident.

As part of DVA's collaboration with Defence to improve support for ADF members transitioning to civilian life, the White Card on Discharge initiative was implemented in mid-2018. Under the initiative, transitioning members are issued a White Card, which entitles them to treatment for all mental health conditions under NLHC arrangements. The changes are aimed at making access to mental health treatment as easy as possible for former ADF members.

Claims processing

As part of its commitment to providing services to veterans and their families in a more strategic, sustainable and efficient manner, the Department improved the efficiency and timeliness of claims processing in 2017–18.

Streamlined processing

The Department is streamlining processing to expedite new liability claims as part of the Veteran Centric Reform program. In 2017–18, streamlining was applied to claims for 40 health conditions that have high historical acceptance rates or can be accepted on the basis of known physical training activities in the ADF. Such claims are now processed with little or no investigation by delegates.

System improvements

Under the Improving Processing Systems Program, commenced in 2016–17, DVA has designed and built a single rehabilitation and compensation processing system to reduce the critical risk of failure for 18 heritage ICT systems.

The final major systems release occurred in June 2018. Around 85 per cent of rehabilitation and compensation claims types can now be processed in one system; the remaining 15 per cent are expected to be included in 2018–19.

In addition to improving claims processing times, the new system has added functionality, including integration with MyService and other initiatives under the Veteran Centric Reform program. For example, it has allowed DVA to move to automated correspondence which is more user-friendly and consistent, and easier to produce.

Timeliness

The Department's improved processes and systems have dramatically reduced claims processing times. For example:

- the median time taken to process permanent impairment claims under the DRCA has decreased by 48 per cent, from 137 days to 71 days
- the median time taken to process permanent impairment claims under the MRCA has decreased by 49 per cent, from 152 days to 78 days
- the typical time taken to process NLHC claims has decreased by 93 per cent, from 18 days to 1.3 days.

Timeliness targets for all compensation and income support claims processing were achieved in 2017–18. More details are available in the annual performance statements and Appendix C.

Rehabilitation

DVA implemented four new initiatives linked to rehabilitation support for veterans and their families in 2017–18:

- the Family Support Package, commencing on 1 May 2018
- the veteran payment, commencing on 1 May 2018
- streamlined access to incapacity payments
- the Accelerated Access to Rehabilitation pilot.

Work continued throughout the year on improvements to the rehabilitation operational model and communication with rehabilitation providers.

Family Support Package

The Family Support Package was developed in response to recommendation 19 of the Senate Foreign Affairs, Defence and Trade References Committee's 2017 report *The constant battle: suicide by veterans*.

The package assists veterans with warlike service on or after 1 July 2004 who meet the eligibility criteria under the MRCA, and their families, by funding additional child care and counselling support while the veteran is participating in a DVA rehabilitation program.

The package also provides child care, counselling and home help support to an eligible spouse/partner of a deceased veteran, to provide practical support while they are managing grief and loss in addition to their family responsibilities.

Veteran payment

The veteran payment provides immediate assistance for eligible veterans who have lodged a liability claim under the MRCA or the DRCA for a mental health condition and are unable to work for more than eight hours per week, and for their families.

The veteran payment is short term, and continues until the person's liability claims have been determined or incapacity payment (where eligible) has commenced.

DVA has also instituted safeguards to ensure that, in the event of liability not being accepted, the veteran is not left without support while seeking other forms of government assistance, such as payments from Centrelink, that they may be entitled to.

A total of 179 veterans and veterans' partners were granted veteran payment entitlements in 2017–18. As at 30 June 2018, 159 recipients, comprising 132 veterans and 27 partners were receiving payments.

Streamlined access to incapacity payments

Streamlined access to incapacity payments ensures that veterans with mental health conditions accepted under the MRCA are provided with income replacement compensation as soon as possible, should they be unable to continue to work due to their mental health conditions. This includes ongoing access (for up to 12 months) to rehabilitation services, which enable a smoother transition when veterans find themselves in and out of employment.

Accelerated Access to Rehabilitation pilot

The Accelerated Access to Rehabilitation pilot was developed to allow for a professional rehabilitation assessment and, where appropriate, early commencement of identified rehabilitation activities to help veterans to minimise the effects of injuries and illness while waiting for their claims for initial liability to be determined by DVA.

The pilot focused on enabling veterans and their families to access rehabilitation support in a timely manner. Early intervention is regarded as a best practice approach, as it facilitates participation in employment and community activities, improves quality of life, and focuses on beginning recovery from the earliest opportunity.

The pilot commenced in September 2017 and closed at the end of March 2018, and participants were drawn from locations across Australia. DVA is considering the outcomes to determine whether the service model could be further extended.

Employment

The Prime Minister's Veterans' Employment Program was launched in November 2016 to raise awareness among employers of the value and experience that ex-service personnel have to offer.

Through the program, the Department supports the Industry Advisory Committee on Veterans' Employment, which is developing initiatives to educate businesses about the value of employing veterans and to help them to recruit and retain veteran employees.

Two new measures were announced under the program in 2017–18:

- Under an initiative of the committee, the Department will invite businesses to make a public commitment to the employment of veterans.
- From 1 July 2020, additional support will be provided to veterans who are finding the transition to the civilian workforce challenging.

The inaugural Prime Minister's Veterans' Employment Awards were held on 28 March 2018, to recognise organisations and individuals that have supported veterans' transition into the civilian workforce. A website has been established to provide information on the program and awards (www.veteransemployment.gov.au).

Advocacy

The Advocacy Training and Development Program was developed by DVA in partnership with the ex-service organisation community and Defence to provide nationally accredited training for veterans' advocates.

The program enables 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. Recognition of prior learning is available for practitioners who were trained under the Department's previous advocacy program.

Between the program's commencement, on 1 July 2016, and 30 June 2018, 496 advocates were accredited under the program. A further 121 people are studying under the program, and 168 people are awaiting accreditation through recognition of prior learning. A total of 424 advocates have undertaken mentoring training.

In December 2017, the Department published an online directory of ex-service organisations that offer accredited welfare and/or compensation advocates. In 2018–19, the directory will be replaced by a register with enhanced functionality.

Defence Service Homes Insurance

Defence Service Homes Insurance (DSHI) improved its methodology for calculating premiums to ensure that they accurately reflect the insurance risk based on the geographical location of the property and how the home is constructed. This improved methodology matches premiums to risk and reduces cross-subsidisation.

In October 2017, a dedicated sales team with specialist training in sales was engaged to supplement existing staff, who handle policies and claims. The approach successfully increased uptake of DSHI coverage—30 per cent more policies were sold in 2017–18 than in 2016–17—and enhanced the client experience.

DSHI also improved the experience by:

- undertaking market research to better understand the needs of current and potential policyholders
- streamlining its online interface to assist veterans and their families to estimate the appropriate sum insured for their property and reduce the time taken to process new policy applications.

In 2017–18, the DSHI monthly mail survey of 100 stakeholders achieved an average satisfaction level higher than 90 per cent, with a 65 per cent response rate. The survey was also made available online.

Children's education schemes

The Department administers schemes that provide education allowances, special assistance, student support services, guidance and counselling for eligible children of veterans undertaking primary, secondary and tertiary full-time study within Australia.

In 2017–18, the Department conducted a formal survey to assess the quality of its education schemes. Feedback from respondents in relation to service delivery was positive, with a high percentage indicating that the assistance provided through the education schemes had been effective in assisting students to reach their full academic potential.

Online lodgement capability and a new processing platform were introduced for education payments for veterans' children as part of DVA's Veteran Centric Reform in 2017–18.

Priorities for 2018–19

In the year ahead:

- The Department will introduce changes to ensure that incapacity payment is calculated on 100 per cent of the veteran's normal earnings, for veterans undertaking full-time study as part of their rehabilitation plan.
- The Department will aim to add further health conditions to its streamlined processing arrangements, and will continue to improve the claims process and timeliness of claims processing.
- The Department will commence a strategic review of grants programs to address recommendation 20 of *The constant battle: suicide by veterans*.
- The Department will assist the Productivity Commission with its inquiry into the system of compensation and rehabilitation for military veterans (serving and ex-serving ADF members).
- The Department will conduct a review of the use of medico-legal firms for compensation claim assessments.
- An independent review will be conducted into the mental health impacts of claims assessment processes on veterans and their families.
- The Veterans' Advocacy and Support Services Scoping Study, which is independently investigating how veterans and their families are assisted to access entitlements and services, is expected to recommend a model to the Australian Government in December 2018.
- DSHI will develop a marketing strategy to position it as the insurer of choice for eligible serving and former ADF personnel and their families.
- DSHI will continue to improve its pricing methodology to ensure that policyholders pay a fair and correct premium for their risk, and will enhance its communication with veterans and their families by offering the option of electronic delivery of renewal notices and correspondence.



Glen Ferrarotto of Ironside Recruitment, Minister for Veterans' Affairs Darren Chester, and Rachel Ranton of Westpac Group.

Awards showcase the valuable skills of veterans

The Prime Minister's Veterans' Employment Awards reward outstanding efforts to raise awareness of the unique and valuable skills that veterans bring to the civilian workplace and create employment opportunities for veterans and spouses of Australian Defence Force (ADF) members.

More than 90 nominations were received for the inaugural awards, which were presented by then Prime Minister, the Hon Malcolm Turnbull MP, on 28 March 2018.

The Veteran Employee of the Year award honours individual achievements in areas such as mentoring or recruiting other veterans, introducing better ways to do business, displaying high-level leadership skills and having a positive impact on organisational culture.

The winner of the award was Rachel Ranton, Group Inclusion and Diversity Consultant for Westpac Group. Mr Turnbull highlighted Ms Ranton's achievements as an example of how valuable the skills gained in the ADF can be to employers of veterans.

'Rachel Ranton served in the Australian Army for 11 years before becoming a branch manager at a St George bank in southern Queensland', Mr Turnbull said.

'She had not a day's experience in banking when she started the role. Yet she turned an underperforming branch into one of the highest performing in southern Queensland.'

Ms Ranton believes that her military background has played a big part in her success at Westpac. 'Knowing how to lead teams, knowing how to influence people, knowing how to encourage people to be their best ... that's going to be valuable no matter where you work', she said.

Glen Ferrarotto, who served for over 10 years in the Army, received the Award for Outstanding Contribution by an Individual to Veterans' Employment. He was honoured for his work as the founder of Ironside Recruitment, one of Australia's first dedicated recruitment agencies for veterans.

Mr Ferrarotto praised the awards for raising awareness of 'just how bloody good our Australian ex-service men and women are'.

That view was echoed by the Minister for Veterans' Affairs, the Hon Darren Chester MP, who also attended the ceremony. 'We are hoping that, by sharing these incredible stories, we can encourage more businesses to hire veterans, knowing these employees will bring a range of skills and experience which will support their organisation', he said.

The awards are part of the Prime Minister's Veterans' Employment Program, which recognises the skills and talents of Australian veterans and encourages employers to take advantage of their expertise.



52,125

veterans (27% of veterans)
were living with a mental
health condition



\$5.3 billion

was spent on health
services, including \$1.39 billion
on hospital services and around
\$0.20 billion on mental health support

190,968
DVA
health
cards

were current,
including
128,517
Gold Cards
and 62,451
White Cards



30.1 million

health services were used,
equivalent to 162 health
services per veteran

106,352

sessions were
conducted by the
Veterans and
Veterans Families
Counselling Service



1,301,691

travel for treatment trips
were funded through the
Booked Car with Driver Scheme



1,104



people enrolled in the
Heart Health program

168,970

travel for treatment
reimbursement claims were
lodged, of which 99 per cent
were processed within 28 days



Five webinars were attended by

4,900+

health
professionals

Health and wellbeing

Maintaining and enhancing the quality of life of clients by improving their physical and mental wellbeing.

Program 2.1: Provide access to general medical 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.
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.
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.
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. The program also provides subsidies and supplements for DVA clients living in residential care facilities.
Program 2.5: Provide counselling and other health services	Provide 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.
Program 2.6: Provide access to health and other care services under DRCA and MRCA	Arranges for the provision of rehabilitation, medical and other related services under DRCA, the MRCA and related legislation. The services include payment for medical treatment, rehabilitation services, attendant care and household services.

Achievements in 2017–18

More effective relationships

Australian Government partners

As requests for hearing services continued to increase in numbers and complexity in 2017–18, DVA worked closely with the Department of Health, which provides many such services for veterans and their families and the wider population. DVA also worked closely with Health on aged care services, including residential aged care. The departments cooperate to ensure that members of the veteran community are able to understand how to access services through the aged care system, particularly where the services offered by DVA and Health may overlap.

DVA worked with the National Disability Insurance Scheme to identify overlaps in services and ensure that no duplication of services occurs. DVA has provided the National Disability Insurance Agency with information on its health care arrangements to help in the development of similar arrangements through the National Disability Insurance Scheme.

DVA worked with the National Aged Care Advocacy Program and ex-service organisations to improve access to advocacy programs by members of the veteran community who are entering into, or residing in, permanent residential aged care. The advocacy services cover a range of issues, from helping to find a residential aged care facility to ensuring that the resident receives all of the services they clinically require.

On 1 July 2017, the Department of Veterans' Affairs Human Research Ethics Committee merged with the Australian Defence Human Research Ethics Committee to form the Departments of Defence and Veterans' Affairs Human Research Ethics Committee. The new committee is registered with the National Health and Medical Research Council.

Also in July 2017, DVA and the Australian Institute of Health and Welfare began a four-year research partnership to build understanding of the health, welfare and future needs of Australia's veterans, with a particular emphasis on contemporary veterans.

The veteran community

DVA partners with ex-service organisations and other community organisations to deliver programs that promote opportunities for wellbeing and healthy lifestyle actions, with a focus on social connectedness, healthy eating and physical activity. In 2017–18, the Department:

- partnered with ex-service and community organisations to hold Veterans' Health Week 2017—approximately 15,000 people attended 220 health week events
- contracted community support advisers to provide support to social initiatives and day clubs, focusing on social connection for isolated, frail and aged veterans
- supported the Men's Health Peer Education program, through which over 250 volunteers provided health information to members of the veteran community
- coordinated the National 10,000 Steps Challenge to strengthen social connections and encourage physical activity—273 teams totalling 1,360 participants enrolled in the challenge
- delivered Heart Health, a 12-month physical activity and health education program aimed at improving the general wellbeing of participants—1,104 participants enrolled in the program.

Eligible people often receive advice on DVA entitlements from veterans' pensions and welfare officers who work, in many cases voluntarily, for ex-service organisations. The Department provides funding to support the work of pensions and welfare officers through the Building Excellence in Support and Training (BEST) annual grants program. As part of a whole-of-government initiative, DVA has a partnership agreement with the Department of Social Services in place that transitioned responsibility for the administration of grants under the program to the Australian Government Community Grants Hub. More information on grants programs is provided in the Management and Accountability section of this annual report.

Hospitals and day procedure centres

Agreements on the arrangements for the provision of public hospital services to veterans have now been signed with the governments of all states and territories; the final four arrangements were signed in 2017–18. These arrangements will ensure that veterans and eligible members of veterans' families have access to all public hospital services at over 750 facilities around Australia.

DVA manages contracts with private hospitals and day procedure centres. To ensure that the contracts deliver value for money, the Department annually reviews the prices of the services provided. The 2018 reviews commenced in March 2018 for private hospitals and June 2018 for day procedure centres.

In 2017–18, DVA streamlined its contracting arrangements for private day procedure centres, significantly reducing administrative requirements for both DVA and providers. The new arrangements commenced on 1 October 2017 and mirror closely the changes that were implemented to private hospital arrangements in 2016. The overall objective is to maximise numbers of participating providers to achieve wide access to private hospital services for veterans and members of veterans' families. All eligible providers can now apply to contract with DVA at any time through a standard service agreement.

DVA also manages contracts for the provision of Veterans' Medicines Advice and Therapeutics Education Services (Veterans' MATES) and the patient satisfaction surveys for private hospital overnight admissions. A contract management team undertakes quality checks and relationship meetings to ensure that the providers are meeting DVA's requirements.

Transport contractors

All transport contractors must adhere to DVA's guidelines, which include specific requirements for the contractor and those who drive the vehicle. Most of DVA's transport contractors have specialised in-house training programs which drivers must undertake before transporting veterans and members of veterans' families. Such programs may include training modules and videos with DVA content.

DVA works with transport contractors to find ways to improve service and seek feedback from those who use DVA-funded transport. DVA also monitors the journey requests and trips undertaken by the contractors. If the proportion of trips that are unable to be undertaken exceeds DVA's guidelines, the contract management team takes appropriate steps to improve responsiveness.

In mid-2018, the contract management team extended transport contracts for an additional 12 months.

Rehabilitation Appliances Program providers

Demand is increasing for the products and services of the Rehabilitation Appliances Program, such as mobility and functional support, continence aids, personal response systems, low vision aids, home medical oxygen therapy, continuous positive airway pressure devices and medical grade footwear.

DVA's contract management team undertakes regular quality and contract compliance audits with the contractors that deliver those products and services, to ensure that DVA's requirements are being met. The audit process also provides an opportunity for DVA and contractors to raise issues of concern and discuss changes in the industry, including the latest technology or products that may be suitable for veterans and their families. DVA also oversees annual price reviews of more than 35,000 products and services provided through contractual arrangements under the program.

Improved planning and oversight of health care

Health program performance assurance

DVA developed the Health Programs Performance Assurance Strategy to provide assurance that documented processes and strong controls have been established to support the reliability of DVA's annual financial statements. The strategy covers five material health programs: Public Hospitals, Private Hospitals, Medical Services, Pharmaceutical, and Residential Care. It includes a two-year approach to reforming assurance processes for health programs, and includes a sign-off on the effectiveness of financial controls at the end of each financial year.

Hospital services

DVA implemented a new quality initiative to identify, analyse and assess all private hospital and day procedure centre episodes for admissions where clinical coding indicates that a sentinel event may have occurred. The process uses the eight sentinel events agreed by the Council of Australian Governments Health Council. Contemporary research shows that while these sentinel events are rare, they are preventable and reflect poor hospital processes. The initiative will allow DVA to seek reimbursement of hospital costs related to such events.

DVA also reviewed the survey used to gauge and report on how veterans and members of veterans' families experience private hospital admission. A series of workshops were held, in Canberra, Brisbane and Adelaide, with clients who had had one or more overnight private hospital admissions within the previous 12 months. The workshops were very well attended and provided valuable insights that will inform DVA's development of tools and systems for a new survey.

Nursing services

The Nursing Approvals and Advisory Centre was established in February 2018 to be a centre of professional excellence for the provision of nursing services to veterans and their families. The centre will drive innovation and service improvement to ensure that veterans receive services of the highest quality, in line with evidence-based best practice, to meet their needs and aspirations.

DVA conducted regular clinical reviews of community nursing providers to:

- ensure compliance with nursing standards and DVA's *Notes for community nursing providers*
- provide increased support through education and access to specialist nursing services
- increase the capability of community nursing providers.

Hearing services

DVA developed a communication and awareness-raising strategy for the provision of hearing services to veterans and their families, using key messages drafted to cater for a variety of stakeholders, including hearing services providers and veterans. Messages have been distributed through email communication, articles and fact sheets, and are now being expanded to include social media channels.

Support for carers and volunteers

DVA developed and adopted a revised program model for contracted services delivered under the Carer and Volunteer Support program. In line with Veteran Centric Reform and DVA's future needs, the revised model delivers improved, more flexible panel arrangements for engaging contractors to meet operational and location specific requirements.

More efficient service delivery

Planned Support Unit

DVA established the Planned Support Unit to assist veterans with high and complex needs, including long-term accepted conditions, to access appropriate health and social services. The principles of the unit are underpinned by a model of care driven by inclusive, holistic practice.

Veterans' Home Care services

New contracts for the delivery of Veterans' Home Care services were awarded in November 2017 through an open tender process. The number of service providers increased from 160 to 185 to ensure adequate coverage across Australia, including in rural and remote areas.

Some existing providers chose not to tender for new contracts. As a result, approximately 2,700 veterans and eligible members of their families were transferred to alternative providers. DVA's communications strategy ensured that veterans and their families were informed of the changes, and the Department worked with the providers to ensure continuity of services.

The Department also ensured that Veterans' Home Care services were accessible to rural and remote veterans and their families by funding special arrangements in some locations. DVA made arrangements with service providers to ensure that veterans and their families were not disadvantaged, and resources were quickly and efficiently identified and engaged to cater for each person's needs.

Clinical advice services

Contracted medical and health advisers assist DVA in determining the financial and health entitlements of veterans and their family members. The Department is committed to reducing the time taken to process claims by ensuring that there is sufficient medical adviser capacity to help inform decisions.

All advisers are sourced from private companies through an open tender process and are contracted under a standard agreement and fee schedule. These arrangements enable DVA to ensure that the services are equitably managed and targeted to meet the needs of business areas.

Clinical advisers play a critical role in assisting DVA to put veterans and families first through Veteran Centric Reform. To help them understand and enhance their contribution, DVA held several workshops for clinical advisers in 2017–18, explaining the context for Veteran Centric Reform and their role in the delivery of pilots and program initiatives.

Reimbursements for medical expenses privately incurred

DVA improved its business processes for reimbursement of privately incurred medical expenses to reduce the number of claims on hand and the time taken to process such claims. The number of claims on hand was reduced by 66 per cent, from 861 at 30 June 2017 to 297 at 30 June 2018. The proportion of claims processed within the Service Charter time frame of 28 days improved significantly, from 32 per cent at 30 June 2017 to 87 per cent at 30 June 2018.

New and improved services

Veterans and Veterans Families Counselling Service

The Veterans and Veterans Families Counselling Service (VVCs) is a nationally accredited mental health service which has been providing counselling and mental health support for more than 35 years. Through its 24-hour service delivery system, VVCs provides:

- counselling for individuals, couples and families
- proactive, coordinated case management of complex individual needs
- mental health education for the veteran community.

VVCs also provides initial assessment and referral to mental health support, as a duty of care, to any individual from the veteran community. These services are delivered from 28 VVCs locations and through a network of over 1,300 outreach providers around Australia.

Eligibility for VVCs was expanded in 2017–18 through the expansion of NLHC arrangements. VVCs can now be accessed by:

- all current and former ADF personnel with at least one day's continuous full-time service, and their families
- reservists who are eligible for a non-liability White Card, and their families.

VVCs was expanded to meet the demand of increased eligibility and to build capability to manage veterans and members of veterans' families who have complex needs or are at risk of suicide. The service established new satellite offices, and expanded its outpost model, whereby VVCs clinicians are co-located in existing serviced offices such as medical centres. Six additional senior clinician roles were established in regional areas to assist in coordinating services.

The VVCs consent form was modified to facilitate communication between VVCs and other DVA areas, and referrals to VVCs if appropriate, when DVA staff receive information relating to the safety of a person that raises a duty of care. As part of a trial of suicide prevention approaches in Townsville, Queensland, led by the Department of Health, VVCs is piloting a community engagement team model. The team, which includes two lived experience peers and a clinician, is expected to enhance the coordination of internal and external services to best meet the needs of veterans and their families.

VVCs also increased its focus on co-designing service delivery with the people who use the services and delivering the most effective intervention for each person. VVCs upgraded its client management system to enhance its understanding of the demand for services and the needs of veterans and their families, while better supporting clinicians to provide the best possible care.

Mental health webinars

DVA's professional development webinar series—Mental Health and the Military Experience—aims to assist health professionals to support veterans and their families. Three webinars took place in 2017–18 on the topics of understanding anger in veterans, supporting the families of veterans, and suicide prevention and the veteran community. This builds on the four webinars that took place in 2016–17.

The webinar series has been a success in terms of the high level of engagement of health professionals, positive feedback from external and internal stakeholders, and increased traffic to the At Ease online portal. Further webinars will take place in 2018–19 and 2019–20.

Coordinated Veterans' Care Mental Health Pilot

The Coordinated Veterans' Care Mental Health Pilot is built on the Coordinated Veterans' Care (CVC) Program. The CVC Program is generally open only to DVA Gold Card holders; however, amendments were made to the VEA and MRCA so that White Card holders who might benefit from early clinical intervention could participate in the pilot.

The pilot is designed to support veterans and members of veterans' families who live in rural and regional areas and have mild to moderate anxiety or depression and a chronic physical condition accompanied by pain, through a team-based model of care led by a GP and supported by a practice nurse. It will also trial the effectiveness of a 'light touch cognitive behavioural therapy' digital coaching app in improving mental health resilience and health outcomes.

Initial testing of pilot products and systems, with input from veterans and their families, GPs, nurses and ex-service organisation representatives, was undertaken in the central Queensland region in January 2018. Rollout will commence in 2018–19.

Drug Review Safety and Pain Management Program

DVA's Veterans' Affairs Pharmaceutical Advisory Centre is staffed by pharmacist advisers who are in a unique position to identify high-risk medication use within the veteran community, in particular the overuse or misuse of opioid analgesics and sedative/hypnotic medications.

A new program piloted in 2017–18, the Drug Review Safety and Pain Management Program, enables advisers to make contact with health professionals who prescribe pharmaceuticals for veterans and their family members, providing information, assistance and support in the management of their patients. It also includes the provision of pharmaceutical advice and support to health advisers, delegates and support officers within DVA.

The pilot demonstrated that timely, evidence-based liaison has significant benefits for veterans and their families and for health professionals. The program will be fully implemented in 2018–19.

Veterans' MATES

Veterans' MATES is a unique initiative that uses DVA's health claims data to identify emerging problems with health care and medicine, and deliver targeted support, for veterans and their families. Up to four times each year, the program provides the latest evidence-based information to the veteran, the veteran's GP and allied health care providers. The activities of the program are underpinned by the principles of Australia's National Strategy for Quality Use of Medicines.

Online resources

DVA delivers a range of mental health websites and apps through its At Ease portal to increase mental health literacy and encourage veterans to seek help. These online resources are being modernised to enhance the user experience and improve engagement. In 2017–18, the websites and apps helped nearly 60,000 users and received over 340,000 page views.

The Operation Life initiative helps people to understand warning signs and provide information and resources to help keep people safe from suicide. During 2017–18, significant work was undertaken to redesign the Operation Life website and its associated mobile app to better align with contemporary approaches and integrate clinical support.

A major evaluation of the PTSD Coach Australia mobile app was conducted in 2017–18 to provide insight into how serving and former ADF personnel and clinicians use the app, and whether it is meeting their needs. The results will shape a redesign of the app in 2018–19.

Milestones in research and policy development

Strategic review of the applied research model

A strategic review of DVA's model for funding applied research was completed in 2017–18. The review highlighted the successes of the Applied Research Program and identified opportunities to better harness the skills and expertise of key research bodies and academics and members of the ex-service community.

Parliamentary inquiry on hearing health and wellbeing

DVA provided input into the Australian Government response to *Still waiting to be heard ...*, the report of the House of Representatives Standing Committee on Health, Aged Care and Sport's inquiry into the hearing health and wellbeing of Australia.

Transition and Wellbeing Research Programme reports

The Transition and Wellbeing Research Programme is the most comprehensive study on the impact of military service on the mental, physical and social health of current and transitioned ADF members and their families. In April 2018, the study released two reports:

- *Mental health prevalence*, which discussed the prevalence of mental disorders among ADF members who had transitioned from service between 2010 and 2014, and those who were currently serving
- *Pathways to care*, which focused on individuals who were experiencing mental health issues and their experience of care-seeking.

Among other things, the research showed that the transitioned ADF group had significantly higher rates of mental health issues than the serving ADF group, and that about 75 per cent of the transitioned and serving ADF individuals had received assistance for their mental health at some point. DVA is addressing some of the findings through programs to facilitate the transition process for ADF members.

Australian Institute of Health and Welfare research

In January 2018, the first report produced under the new strategic research agreement between DVA and the Australian Institute of Health and Welfare, *Incidence of suicide in serving and ex-serving Australian Defence Force personnel: detailed analysis 2001–2015*, was published. A working paper on the development of a veteran-centred model will be published in mid-2018.

Veterans and Veterans Families Counselling Service research

As part of its commitment to continually improve its services, VVCS supported four research projects in 2017–18:

- the Stepping Out: Attention Reset trial, which is testing whether computer-based attention training can facilitate better outcomes for transitioning ADF personnel
- the Synergy trial, which is testing an internet-based platform designed to bring together apps and e-mental health tools to empower veterans and their families to manage their mental health
- the development of a moral injury outcome scale to measure the impact of exposure to potentially morally injurious events
- the Rapid Exposure Supporting Trauma Recovery (RESTORE) trial, which is investigating whether the intensive delivery of exposure therapy will deliver outcomes comparable to the standard treatment protocol for posttraumatic stress disorder.

Dental and allied health review

In 2015–16, DVA commenced a review of its dental and allied health funding arrangements, looking for opportunities to re-balance the arrangements to ensure that services continue to best meet the current and future needs of the veteran community. The review was undertaken in consultation with clinical experts and representatives of the veteran community and peak provider associations.

The review was completed in 2017–18. Its report was published in May 2018 and informed the development of the 2018–19 Budget measure on improved dental and allied health.

Priorities for 2018–19

In the year ahead, the Department will:

- review several of its services and programs to ensure that they are meeting the needs of veterans and their families and to identify opportunities to improve administrative efficiencies—examples include the Rehabilitation Appliances Program, the Repatriation Transport Scheme, the Community Nursing Program and pharmaceutical programs
- continue to manage noncompliance by health providers, including by strengthening activities with the Department of Health, developing relationships with peak provider bodies, and conducting activities such as the Preventable Re-admissions Quality Initiative for private hospitals
- implement a system to better record and analyse trends in feedback from people who access services through DVA
- improve online services by expanding the At Ease portal to focus on wellness and integration within the wider health system, and redeveloping the PTSD Coach Australia app
- deliver more webinars to strengthen the capabilities of health professionals to deliver quality health care for veterans
- review its mental and social health programs and establish a national framework to guide the development, delivery and evaluation of such programs in future, including by testing new approaches through
 - the CVC Mental Health Pilot
 - a pilot of improved case management services for at-risk veterans and their families and those transitioning from the ADF who require additional support
 - a trial of psychiatric assistance dogs for veterans with posttraumatic stress disorder
 - a pilot of *beyondblue's* The Way Back Support Service for veterans discharging from hospital

- respond to recommendations of *The constant battle: suicide by veterans*, including by
 - reviewing its veteran-specific online training programs for health professionals
 - reviewing the service delivery training of departmental staff
 - conducting consultation forums for veterans who are concerned about their use of mefloquine while in service
 - realigning its mental and social health strategies with Defence and whole-of-government strategies to enable a stronger focus on suicide prevention
 - delivering the outcomes of research into homelessness in the veteran community
- receive the final reports of the Transition and Wellbeing Research Programme
- begin consultations across government, the veteran community and the research community to co-design a strategic research framework to better understand the future needs of veterans.

The WVCS will:

- change its name to Open Arms—Veterans and Families Counselling, to increase awareness of its services and expanded eligibility to access them among the veteran community
- roll out updated and new group programs for current and former ADF personnel in areas such as posttraumatic stress disorder, anxiety, pain management and depression
- further strengthen the 24-hour support that it provides and its ability to provide support through different channels.



Dr Pauleen Bennett with one of her canine colleagues.

Assistance dog support is trialled for veterans with PTSD

DVA has engaged La Trobe University, in partnership with the Centre for Service and Therapy Dogs of Australia, to trial the potential for dogs to provide assistance to veterans with posttraumatic stress disorder (PTSD) as a supplement to clinical treatment.

The four-year, \$2 million trial will make use of Australia's first dedicated human-dog interaction laboratory, based at the university's campus in Bendigo, Victoria.

The specialist in human-animal relationships who heads the laboratory, Dr Pauleen Bennett, observed that research from around the world has shown that dogs could have a profound impact on the lives of veterans with PTSD.

'But the research is kind of patchy', Dr Bennett said. 'We think it's all about matching up the right dogs with the right people, and so our research is very much focused on that.'

The research will establish best practice in the training, selection and monitoring of assistance dogs.

Unlike pets or companion dogs, assistance dogs are specially trained to perform tasks that contribute to the clinical recovery goals of their handlers. Such tasks may include waking a handler who is experiencing a night terror or nuzzling their handler to distract them from emotionally disabling symptoms.

The trial dogs will be purpose bred and raised. Their socialisation will begin as pups, in the care of a breeder, and continue for nine months while each dog is fostered by a university student or staff member.

'We're trying to make sure that they have positive experiences every single day of their life up until the point where they get placed with somebody', Dr Bennett said. 'They should be the most perfect, stable, sensible dog.'

The selection process for veterans to participate in the trial will start in 2019. Trial team members will work with each veteran for 12 months to train them to manage their future dog. This will include sessions with fully trained therapy dogs.

Each veteran will then be matched with their own dog and spend three months working closely with it under the supervision of the trial team. Less intensive monitoring of progress will take place over the remainder of the trial.

'It's about trying to follow them over a period of a few years to make sure that everything works out positively in the end,' Dr Bennett said.



330,000+

official commemorations
were maintained in Australia,
Papua New Guinea and
Solomon Islands

8,000+
visitors



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

440
commemorative
grants



were approved
totalling more
than \$3 million

8,700+
people

visited the Sir John Monash Centre
in its first 30 days of operation



Commemorations

Acknowledging and commemorating veterans' service and sacrifice, and promoting an increased understanding of Australia's wartime history.

**Program 3.1
Provide and maintain
war graves and post war
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 by providing and maintaining official commemorations, maintaining existing national memorials overseas and constructing new overseas memorials as determined by Government.

**Program 3.2:
Deliver commemorative
services**

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

Achievements in 2017–18

Official commemorations

The Office of Australian War Graves (OAWG) managed the ongoing care and maintenance of some 330,000 official commemorations, and provided more than 2,600 new official commemorations, in 2017–18.

The graves, plaques and niche placements that are part of the program of official commemorations are located in 2,000 commemorative sites around Australia, and within 75 war cemeteries and 10 gardens of remembrance in Australia, Papua New Guinea and Solomon Islands.

Commemorations and war graves projects

Australia and the Pacific

In 2017–18, significant renovations and improvements were undertaken in war cemeteries across Australia. For example, stone works undertaken at the Perth War Cemetery will culminate in the replacement of the Cross of Sacrifice in late 2018.

The work was not limited to Australia. Commemorative sites in Papua New Guinea underwent botanical and other renovations, including the replacement of more than 2,800 individual grave plaques and pedestals at the Lae War Cemetery.

After significant consultation with the Royal Thai Armed Forces and the Government of Thailand, the design phases associated with the refurbishment of the Hellfire Pass Interpretive Centre concluded in late 2017 and refurbishment works began in February 2018. Konyu Cutting and Hellfire Pass remain open, and temporary interpretation is in place during the refurbishment, which is expected to finish in November 2018.

Thirty new films based on new and historical interviews were developed as part of Australia's contribution to the Vietnam Veterans Memorial Fund's planned Education Center at the Wall, to be established on the National Mall in Washington DC. The films are available to anyone interested in the Australian experience of the Vietnam War and can be viewed on the Australia and the Vietnam War section of the Anzac Portal website.

Europe

Now more than 20 years old, the Australian War Memorial at Hyde Park Corner in London has recently undergone significant refurbishment. Central to the memorial is a water feature that washes water over the names of more than 3,000 Australian towns from which Australians enlisted to serve in the two world wars. The refurbishment included upgrades to the feature and plant and structural upgrades, all of which were completed prior to the 2018 Anzac Day service.

In 2017–18, the Naours caves were added to the French section of the Australian Remembrance Trail along the Western Front, with funding provided to protect the cave-wall signatures of more than 730 Australian soldiers who visited this tourist attraction during the First World War. Additional funding was provided to the nearby trail site of Vignacourt for further works to complete new visitor facilities at the Vignacourt 14–18 interpretive centre.

The Sir John Monash Centre near Villers-Bretonneux was officially opened on 24 April 2018. This cutting-edge multimedia centre reveals the Australian Western Front experience through a series of interactive media installations and immersive experiences. The SJMC App, downloaded on each visitor's personal mobile device, is a virtual tour guide for visitors to the centre, the Villers-Bretonneux Military Cemetery and the Australian National Memorial.

Commemorative activities

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.

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 were commemorated as part of the Anzac Centenary Program 2014–2018 during 2017–18, including several international services and a series of national services and receptions.

Overseas services

The international services planned and delivered by DVA during 2017–18 were provided with ceremonial support by personnel from the ADF's Federation Guard, which was responsible for providing the ceremonial catafalque party, band, bugler, and flag and wreath orderlies.

The Department of Foreign Affairs and Trade managed the official representation arrangements and consular support to all Australian citizens who attended the services. The Australian Federal Police provided close liaison and support to the relevant authorities on security matters, and the Department of Home Affairs provided advice and support on security and safety risk assessment policies and guidelines.

The international services included centenary commemorations of:

- the Battle of Polygon Wood, commemorated in Belgium with more than 800 attendees
- the Battle of Beersheba in the Sinai–Palestine campaign, commemorated in Israel with more than 2,000 attendees
- the Battle of Villers-Bretonneux, commemorated at an Anzac Day Dawn Service at the Australian National Memorial near Villers-Bretonneux in France with more than 8,000 attendees.

DVA also conducted Anzac Day dawn services at Gallipoli in Turkey and supported 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.

Australian services

DVA is responsible for planning and delivering services and receptions in Australia as part of the Century of Service program. In 2017–18, services and receptions were held in Canberra. During this period, DVA supported 50 veterans and 33 next of kin of those killed in action to attend commemorative services, and delivered six commemorative events recognising thousands of veterans for their service and sacrifice.

Services held in Canberra included:

- a series of 75th anniversaries marking the Battle of Milne Bay, the Battle of Kokoda and the Battle of the Beachheads, the Battle of El Alamein and the culmination of the North Africa campaigns, and the Battle of the Atlantic—DVA provided support to enable 50 veterans of these battles and their carers to attend commemorative events and receptions
- the 70th anniversary of Australian peacekeeping, with the dedication of the newly constructed Australian Peacekeeping Memorial on Anzac Parade, which recognises the service of more than 1,000 peacekeepers
- the 50th anniversary of the Battles at Fire Support Bases Coral and Balmoral—DVA provided support to enable 33 next of kin of the 26 service personnel killed in action to attend the service, and 1,000 veterans and their guests to attend a reception.

DVA also provided grants to ex-service organisations and foundations to support their commemorative activities, including a grant of \$24,979 to the 1RAR Association to commemorate the 25th anniversary of the arrival of the 1RAR task group in Somalia; and four grants totalling \$116,816 to ex-service organisations to support commemorative activities in addition to the national service in Canberra commemorating the 50th anniversary of the Battles at Fire Support Bases Coral and Balmoral.

Grants programs

In 2017–18, the Department funded grants to support memorials and commemorations of Australian military service and sacrifice through three programs:

- Armistice Centenary Grants Program
- Overseas Privately Constructed Memorial Restoration Program
- Saluting Their Service Commemorative Grants Program.

The Department also funded selected discretionary grants approved by the Minister.

During the year, responsibility for the administration of grants under the Saluting Their Service Commemorative Grants Program was transitioned to the Australian Government Community Grants Hub. More information on grants programs is provided in the Management and Accountability section of this annual report.

Community engagement

DVA produces educational resources and gathers and publishes stories and images of veterans' service to educate the community about Australia's wartime history.

In 2017–18, DVA undertook a number of community engagement projects, including the 2017 Remembrance Day and 2018 Anzac Day national mail-outs, the 2017 Anzac Day Schools' Awards, the Veterans' Stories oral history project, an animation of the large-format picture book *Here they come: a day to remember*, and a redesign of the Anzac Portal.

The following publications were added to the Anzac Portal:

- *Curiosity: stories of those who report during wartime*
- *Comradeship: stories of friendship and recreation in wartime*
- *Coming home: an investigation of the armistice and repatriation*
- *Keeping the peace: investigating Australia's contribution to peacekeeping*
- *World wide effort: Australia's peacekeepers.*

Priorities for 2018–19

In the year ahead:

- the OAWG will
 - finalise the refurbishment of the Hellfire Pass Interpretive Centre
 - upgrade memorials in Israel, Malaysia and Crete
 - continue to improve the process whereby recently accepted war dead of the two world wars are identified as eligible for official commemoration
 - bed down the operations of the Sir John Monash Centre
 - promote the Australian Remembrance Trail along the Western Front and the Sir John Monash Centre
- the Department will
 - commemorate anniversaries, including the centenary of the Battle of Hamel, France; the centenary of the First World War Armistice; the 75th anniversary of Australian prisoners of war working on Hellfire Pass and completing the Thai–Burma railway; and the 65th anniversary of the Korean War Armistice
 - support the Anzac Day Commemorative Service, Villers-Bretonneux, France, and the Anzac Day Dawn Service, Gallipoli, Turkey, in April 2019
 - scope the 2019–2020 Commemorations and War Graves Program
 - complete the delivery of the Armistice Centenary Grants Program and its transition to the Community Grants Hub.

Friends thought lost in battle are reunited

Friends John Hair and Frederick Maurer were wounded on the battlefield at El Alamein. Each believed that the other had been among the many killed in that campaign, until they were happily reunited, 75 years later.

The second battle of El Alamein, a strategic location in Egypt, was a decisive battle in the Second World War. It was part of a campaign led by the British 8th Army that lasted from July to November 1942. The second battle began on 23 October and continued to 4 November, when the Axis forces retreated, marking a turning point in the war.

The Australian 9th Division featured prominently in the El Alamein campaign, and suffered almost 6,000 casualties out of a force of 15,000.

After first arriving in Egypt in 1941, John Hair and Frederick Maurer were sent to Syria to join the 2/23rd Battalion of the 9th Division. The 2/23rd Battalion's nickname, Albury's Own, came from the high number of recruits who had joined from Albury and Wodonga.

From Syria, Mr Hair and Mr Maurer were deployed to El Alamein. Early in the second battle, Mr Hair sustained a shrapnel wound to his leg when a shell exploded nearby. Within hours, across the battlefield, Mr Maurer was shot through the eye. Neither knew the other's fate.

Each of the friends spent several months in hospital in Egypt before being transported home to Australia, where they settled in Victoria. Their paths did not cross again for three-quarters of a century.

On 23 October 2017, DVA hosted a reception in Canberra to mark the 75th anniversary of the second battle of El Alamein. Mr Hair and Mr Maurer attended.

They recognised each other instantly. Mr Hair said of his friend after their joyful reunion, 'I knew who he was immediately. He looks just the same, a little bit older and a little bit wiser.'

The reception was one of several hosted by DVA to mark the 75th anniversaries of landmark battles of the Second World War, including the Battle of Milne Bay, the Battle of Kokoda, the Battle of the Beachheads, and the Battle of the Atlantic. DVA provided support to enable 50 veterans of the battles and their carers to attend commemorations and receptions.



Frederick Maurer and John Hair are reunited after 75 years.

Annual performance statements

Statement by the accountable authority

I, as the accountable authority of the Department of Veterans' Affairs, present the 2017–18 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.

A handwritten signature in black ink, appearing to read 'Liz Cosson', is positioned above the printed name and title.

Liz Cosson

Secretary

Department of Veterans' Affairs

7 September 2018

Our Purpose

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

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

Overview of DVA's purposes, programs and activities

There is a direct relationship between the three outcomes in the DVA Portfolio Budget Statements 2017–18 and three purposes in the DVA Corporate Plan 2017–2021. DVA achieves its purposes through the programs and activities shown below.

Purpose 1: Compensation and Support		Purpose 2: Health and Wellbeing		Purpose 3: Commemorations	
1.1	Deliver income support and allowances	2.1	Provide access to general medical consultations and services	3.1	Provide and maintain war graves
1.2	Deliver disability support	2.2	Provide access to hospital services	3.2	Deliver commemorative activities
1.3	Deliver assistance to Defence widow/ers and dependants	2.3	Provide access to pharmaceutical benefits		
1.4	Deliver other compensation	2.4	Provide access to community care and support		
1.5	Deliver the children's education scheme	2.5	Provide counselling and other health services		
1.6	Deliver income support and compensation under MRCA and DRCA	2.6	Provide access to health and other care services under MRCA and DRCA		
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	Undertake 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

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
Program 1.1: Deliver income support and allowances				📖 PBS p. 40, CP p. 26	
1.1.1	Measurement: The number of days within which 50% of cases will be processed (days)	Claims: 30 PIRs: 10	9 7	4 7	✓ ✓
1.1.2	Quality: Correctness rate	Claims: >95% PIRs: >95%	97.6% 97.4%	98.1% 98.0%	✓ ✓
Program 1.2: Deliver disability support				📖 PBS p. 41, CP p. 27	
1.2.1	Measurement: The number of days within which 50% of claims will be finalised (days)	100	59	54	✓
1.2.2	Quality: Correctness rate	>95%	96.0%	89.4%	✗
Program 1.3: Deliver assistance to Defence widow/ers and dependants				📖 PBS p. 42, CP p. 27	
1.3.1	Measurement: The number of days within which 50% of claims will be finalised (days)	30	24	19	✓
1.3.2	Quality: Correctness rate	>95%	93.3%	89.2%	✗
Program 1.4: Deliver other compensation				📖 PBS p. 43, CP p. 28	
Funeral Benefits					
1.4.1	Measurement: The number of days within which 50% of claims will be processed (days)	10	1	1	✓
1.4.2	Quality: Correctness rate	>95%	99.2%	100.0%	✓
Defence Home Loans					
1.4.3	Measurement: The number of days within which 50% of claims will be finalised (days)	18	2	4	✓
1.4.4	Quality: Correctness rate	>95%	100.0%	100.0%	✓
Program 1.5: Deliver the children's education scheme				📖 PBS p. 44, CP p. 28	
1.5.1	Measurement: The number of days within which 50% of claims will be finalised (days)	28	9	10	✓
1.5.2	Quality: Correctness rate	>95%	98.1%	100.0%	✓
1.5.3	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	>75%	85.2%	82.6%	✓

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
1.5.4	Quality (Achieving the schemes' outcomes): Percentage of the education schemes' clients progressing through each level of their education or career training	>85%	99.0%	90.1%	✓
<i>Program 1.6: Deliver income support and compensation under MRCA and DRCA</i> ¹				📖 PBS p. 45, CP p. 28	
1.6.1	Measurement: The number of days within which 50% of claims will be finalised (days) - MRCA liability claims - DRCA liability claims - MRCA permanent impairment claims - DRCA permanent impairment claims - MRCA incapacity claims - DRCA incapacity claims	100 100 100 100 50 50	93 88 152 137 49 57	72 77 78 71 34 36	✓ ✓ ✓ ✓ ✓ ✓
1.6.2	Quality: Correctness rate ² - All MRCA claims - All DRCA claims	>95% >95%	91.3% 87.1%	91.9% 93.6%	✗ ✗
	Quality: Correctness rate ³ - MRCA liability claims - DRCA liability claims - MRCA permanent impairment claims - DRCA permanent impairment claims - MRCA incapacity claims - DRCA incapacity claims	>95% >95% >95% >95% >95% >95%	95.0% 85.7% 96.2% 90.9% 80.7% 86.2%	92.7% 93.9% 90.4% 95.9% 92.0% 91.2%	✗ ✗ ✗ ✓ ✗ ✗
✓ Achieved — Partially achieved ✗ Not achieved 📖 Performance criteria source: PBS = DVA Portfolio Budget Statements 2017–18, CP = DVA Corporate Plan 2017–2021					

DRCA = *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988*, MRCA = *Military Rehabilitation and Compensation Act 2004*, PIR = pensioner initiated review

1 As of October 2017, the DRCA replaced the *Safety, Rehabilitation and Compensation Act 1988* (SRCA) for current and former Australian Defence Force members who have injuries or illnesses arising from their service prior to 1 July 2004. Program 1.6 and related measures have been updated to reflect this legislative change.

2 Combined claims results in line with the 2017–18 PBS.

3 Individual claim results in line with the 2018–19 PBS.

Analysis of performance against Purpose 1

Performance criteria category	Performance criteria no.	Further information in the annual report
Timeliness	1.1.1, 1.2.1, 1.3.1, 1.4.1, 1.4.3, 1.5.1, 1.6.1	Part 1 Performance – Compensation and support (p. 47 – p. 53)
Quality	1.1.2, 1.2.2, 1.3.2, 1.4.2, 1.4.4, 1.5.2, 1.5.3, 1.5.4, 1.6.2	

Timeliness

The increased number of liability claims received under the MRCA and DRCA is a combination of the expected increase in claims received and a change to the way claims are registered due to the implementation of new systems.

In 2017–18, the Department continued efforts to improve the claims process, which resulted in the timeliness targets for all compensation and income support claims being achieved across Purpose 1 program areas.

The development of a single processing system under the Improving Processing Systems Program has assisted with improved claims processing times for rehabilitation and compensation claims (programs 1.2, 1.3 and 1.6). Around 85 per cent of rehabilitation and compensation claims—including liability, needs assessments, incapacity payments, permanent impairment claims, rehabilitation assistance, and Non-Liability Health Care (NLHC) claims—are now processed in one system. The remaining 15 per cent of rehabilitation and compensation claims are expected to be incorporated in future releases in 2018–19.

All Defence Service Homes loan subsidies (Program 1.4) were processed well within the target of 18 days. This is an indication that clients continue to receive an excellent level of service, which is reflected in the fact that no complaints were received in regard to processing timeliness. Half of the requests received were finalised within four days, greatly assisting the clients to proceed to meet their housing needs.

Children's education scheme claims (Program 1.5) were processed well within their target of 28 days.

Quality

Program 1.1 achieved the quality rate, maintaining a high correctness rate throughout the year. Funeral benefits (Program 1.4) and children's education scheme claims (Program 1.5) achieved 100 per cent correctness rates. Defence Service Homes loans also achieved a 100 per cent correctness rate, again maintaining the reputation of a well-administered scheme, ensuring that clients receive the highest standard of service.

The quality target for Program 1.4 continues to be achieved. No critical errors occurred in 2017–18 for Defence Service Homes loans, again maintaining the reputation of a well-administered scheme ensuring that clients receive the highest standard of service. Clients can be confident they are receiving their correct entitlements under the Defence Service Homes loans scheme.

DVA continues to improve the quality of work in Purpose 1 program areas by using information provided by the quality assurance program to manage resource allocation, improve training and development packages, target policy and procedural support, and engage in performance management. Improving information technology support through the implementation of new processing systems is also expected to improve the quality of decision-making under programs 1.2, 1.3 and 1.6.

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 assistance, student support services, guidance and counselling for eligible students undertaking primary, secondary and tertiary full-time study within Australia.

The results from the 2018 Education Schemes Satisfaction Survey (Program 1.5) demonstrate that a very high percentage of recipients believe that the support provided under the schemes was effective or very effective in helping students to reach their academic potential.

Summary

Significant improvements have been achieved against Purpose 1 in relation to timeliness, for which all targets were achieved in 2017–18. Improving the claims process continues to be a key strategy in the Department's ongoing commitment to providing a more efficient service. Further improvements to business practices will enable efficiencies, and the continued focus on quality performance will ensure that clients are receiving the benefits and entitlements 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

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
<i>Program 2.1: Provide access to general medical consultations and services</i>				PBS p. 54, CP p. 30	
2.1.1	<p>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.</p> <ul style="list-style-type: none"> Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. 	>99%	99.9%	100.0%	✓
2.1.2	<p>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.</p> <ul style="list-style-type: none"> Number of listed services assessed versus the number of approved unlisted services. 	>97%	99.9%	99.9%	✓
<i>Program 2.2: Provide access to hospital services</i>				PBS p. 56, CP p. 30	
2.2.1	<p>Ensure arrangements are in place for the access to and delivery of quality private and public hospital services for DVA Health Card holders.</p> <ul style="list-style-type: none"> Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. 	>99%	99.8%	99.8%	✓
<i>Program 2.3: Provide access to pharmaceutical benefits</i>				PBS p. 57, CP p. 31	
2.3.1	<p>Ensure arrangements are in place for the access to and delivery of quality pharmaceutical services for DVA Health Card holders.</p> <ul style="list-style-type: none"> Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. 	>99%	100.0%	100.0%	✓
<i>Program 2.4: Provide access to community care and support</i>				PBS p. 58, CP p. 31	
2.4.1	<p>Ensure arrangements are in place for the access to and delivery of quality community care services for DVA Health Card holders.</p> <ul style="list-style-type: none"> Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality. 	>99%	99.7%	99.6%	✓

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
Program 2.5: Provide counselling and other health services			PBS p. 60, CP p. 31–32		
Access to Services					
2.5.1	Ensure arrangements are in place for the access and delivery of quality mental and allied health services for DVA Health Card holders. <ul style="list-style-type: none">Number of clients accessing services versus the number who have registered a complaint in relation to un-met access and/or quality.	>99%	99.4%	99.3%	✓
2.5.2	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. <ul style="list-style-type: none">Number of listed services accessed versus the number of approved unlisted services.	>97%	100.0%	100.0%	✓
Travel					
2.5.3	Target percentage of claims for reimbursement processed within the Service Charter timeframe (28 days)	100%	99.0%	99.5%	✗
2.5.4	Degree of complaints about arranged travel relative to the quantity of bookings	<0.05%	0.03%	0.02%	✓
Veterans and Veterans Families Counselling Service (VVCS)					
2.5.5	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	>65%	71.2%	65.6%	✓
2.5.6	Client satisfaction	>80%	93.3%	94.5%	✓
Veterans' Vocational Rehabilitation Scheme					
2.5.7	Clients with successful return to work	>50%	44.7%	51.3%	✓
Program 2.6: Provide access to health and other care services under MRCA and DRCA			PBS p. 62, CP p. 32		
2.6.1	Timeliness: The percentage of rehabilitation assessments that were made within 30 days of referral for assessment	90%	n.a	Not met ¹	✗
2.6.2	Quality/Quantity: Percentage of new incapacity payees who have undergone a rehabilitation assessment within 30 days of the incapacity payment determination	90%	n.a	Not met ¹	✗
2.6.3	Quality/Quantity: Percentage of clients where rehabilitation goals were met or exceeded	90%	n.a	Not met ¹	✗
✓ Achieved — Partially achieved ✗ Not achieved PBS Performance criteria source: PBS = DVA Portfolio Budget Statements 2017–18, CP = DVA Corporate Plan 2017–2021					

DRCA = Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988, MRCA = Military Rehabilitation and Compensation Act 2004, n.a. = not applicable

¹ Data quality issues, due in part to migrating data from DVA's ageing ICT systems, have made accurate reporting on the rehabilitation program performance indicators (PPIs) difficult during 2017–18. The rehabilitation PPIs have been reviewed and revised for 2018–19, and DVA will be able to report on the rehabilitation PPI outcomes for 2018–19.

Analysis of performance against Purpose 2

Performance criteria category	Performance criteria no.	Further information in the annual report
Access to health services	2.1.1, 2.1.2, 2.2.1, 2.3.1, 2.4.1, 2.5.1, 2.5.2	Part 1 Performance – Health and wellbeing (p. 56 – p. 66)
Travel	2.5.3, 2.5.4	
Counselling	2.5.5, 2.5.6	
Rehabilitation	2.5.7, 2.6.1, 2.6.2, 2.6.3	

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.

Travel

DVA records all complaints and compliments 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 2017–18, 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 indicates a continuing high level of satisfaction with the program.

The performance target for reimbursement of travel claims within 28 days (Program 2.5) was not met. However, the processing figure of 99.5 per cent was higher than the processing figure of 99.0 per cent for 2016–17. This improvement follows the consolidation of responsibility for the processing of all client travel claims to a single processing team.

Counselling

The percentage of clients receiving attention from a Veterans and Veterans Counselling Service (VVCS) clinician within two weeks of intake continues to be above the target. Levels of client satisfaction with VVCS continue to be high and above the target.

Rehabilitation

Data quality issues, due in part to migrating data from DVA's ageing ICT systems, made accurate reporting on the rehabilitation performance criteria difficult during 2017–18. The rehabilitation program performance indicators (PPIs) have been reviewed and revised for 2018–19, and DVA will be able to report on the rehabilitation PPI outcomes for 2018–19.

Summary

DVA remains committed to ensuring that 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 that programs are delivered efficiently and effectively.

Purpose 3: Commemorations

Acknowledge and commemorate veterans' service and sacrifice, and promote an increased understanding of Australia's wartime history.

Performance criteria and results

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
<i>Program 3.1: Provide and maintain war graves</i>			PBS p. 67, CP p. 33		
3.1.1	The condition of war graves that are the primary place of official commemoration and sites of collective official commemoration that are maintained by OAWG meets CWGC standards.	Complaints received relate to 10 or less graves or sites of collective commemoration	n.a. ¹	Achieved	✓
<i>Program 3.2: Deliver commemorative activities</i>			PBS p. 68, CP p. 34		
3.2.1	Events are delivered safely, on schedule and within budget	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	Achieved	Partially Achieved	—
3.2.2	Government is satisfied with quality	The Minister for Veterans' Affairs confirms the Government's satisfaction with the quality of each event	Achieved	Achieved	✓
✓ Achieved — Partially achieved ✗ Not achieved PBS Performance criteria source: PBS = DVA Portfolio Budget Statements 2017–18, CP = DVA Corporate Plan 2017–2021					

CWGC = Commonwealth War Graves Commission, OAWG = Office of Australian War Graves

¹ New measure as identified in the Corporate Plan 2017–2021. This measure has been established to be more representative of the activity undertaken.

Analysis of performance against Purpose 3

Performance criteria category	Performance criteria no.	Further information in the annual report
War graves	3.1.1	Part 1 Performance – Commemorations (p. 68 – p. 72)
Commemorations	3.2.1, 3.2.2	

Office of Australian War Graves

DVA is responsible for managing the care and maintenance of over 330,000 official commemorations for war dead and post-war dead located in over 2,000 sites across Australia, including 75 war cemeteries and 10 gardens of remembrance, as well as the war cemeteries, isolated graves of eligible veterans and official Australian war memorials in Papua New Guinea and Solomon Islands. This activity is managed by the Office of Australian War Graves (OAWG).

The OAWG welcomes feedback from the public and the ex-service community on the standards of maintenance and presentation of war cemeteries, graves, official commemoration plaques and monuments. In 2017–18, the performance measure was changed from reporting on the number of commemorations cared for and maintained against the standard set by the Commonwealth War Graves Commission, to allow for reporting against the complaints and compliments about the care and maintenance of those commemorations recorded in DVA's client feedback management system. In 2017–18, no complaints were received regarding presentation or maintenance. The OAWG continues to maintain a consistent and high standard.

Commemorations

DVA successfully coordinated and managed the delivery of a number of international and domestic commemorative events during 2017–18. While a number of events were delivered within budget, four international and two domestic services were delivered with a variation in actual expenditure, compared to budget, of more than 5 per cent. Of those six services, three were delivered under budget and three were delivered over budget. The variations in expenditure were due to changes in the planning and delivery of the commemorative services, including changes to the infrastructure and the support required to deliver the events.

Positive media coverage, feedback and letters of appreciation received from stakeholders, including veterans and ex-service organisations, indicate that DVA conducted commemorative services in an appropriately dignified and professional way.

Education and awareness

DVA produces educational resources and gathers and publishes stories and images of veterans' service to educate the community about Australia's wartime history.

In 2017–18, DVA undertook a number of community engagement projects with the aim of increasing the Australian public's education and understanding of the effects of war and raising the profile of our veteran community. Specifically, DVA focused on the production of a number of resources to support teachers in the delivery of the national curriculum for primary and secondary school students. The Department continues to refine its education and awareness platform, the Anzac Portal: Beyond a Century of Service website, in order to provide a historically accurate online resource referencing Australia's wartime history.

Summary

Based on stakeholder feedback and other performance criteria, it is evident that in 2017–18 the Department continued to perform solidly in the areas of commemorations and educative activities. These activities serve to increase the community's understanding of Australia's wartime history and ensure that such knowledge is not lost to future generations, despite the growing generational divide. This, in turn, will enhance the quality of life of veterans and their families by 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

No.	Performance criteria	Target	2016–17 Actual result	2017–18 Actual result	Achieved
<i>Enabling 4.1: Provide a professional, engaged and flexible workforce</i>					CP p. 35
4.1.1	APS workforce is affordable and within budget	Achieved	Partially achieved	Achieved	✓
4.1.2	Workforce strategy is in place and reviewed regularly to meet operational requirements	Achieved	Achieved	Achieved	✓
4.1.3	Workforce is engaged and actively participates with attendance rates consistent with like APS agencies	Achieved	Partially achieved	Partially achieved	—
4.1.4	Workforce actively participates in Performance Agreements under the Performance Feedback Scheme	>90%	94%	90.0%	✓
<i>Enabling 4.2: Deliver sound financial management</i>					CP p. 35
4.2.1	The Strategic Financial Plan is in place, and it is reviewed and updated regularly	Achieved	Achieved	Achieved	✓
4.2.2	Unqualified financial statements	Achieved	Achieved	Achieved	✓
4.2.3	Continue to monitor the financial performance of the Department to ensure sustainability	Achieved	Achieved	Achieved	✓
<i>Enabling 4.3: Provide reliable, responsive, accessible and cost effective digital services</i>					CP p. 36
4.3.1	ICT platform availability				
	- Application	>98%	99.6%	99.8%	✓
	- Network	>98%	99.2%	98.9%	✓
	- Telephone	>98%	98.0%	99.8%	✓
<i>Enabling 4.4: Partner with other Commonwealth agencies including Defence, Health and Human Services</i>					CP p. 36
4.4.1	Governance arrangements are established and reviewed in accordance with respective agency agreements	Achieved	Achieved	Achieved	✓
<i>Enabling 4.5: Engage with stakeholders including ex-service organisations and Defence</i>					CP p. 36
4.5.1	Consultative fora are established with ESOs and Defence communities and reviewed in accordance with the NCF	Achieved	Achieved	Achieved	✓
<i>Enabling 4.6: Undertake a program of strategic research</i>					CP p. 36
4.6.1	Research has been undertaken in accordance with the Applied Research Program (ARP)	Achieved	Achieved	Achieved	✓
✓ Achieved — Partially achieved ✗ Not achieved CP Performance criteria source: PBS = DVA Portfolio Budget Statements 2017–18, CP = DVA Corporate Plan 2017–2021					

ESO = ex-service organisation, NCF = National Consultation Framework

Analysis of performance against purposes 1 to 3

Workforce management

DVA has achieved performance criterion 4.1.1 by maintaining an affordable workforce.

DVA achieved performance criteria 4.1.2 as the Workforce Strategy underwent a significant review in 2017–18 to ensure that it will continue to adapt as the Department continues its transformation program. The new Workforce Strategy will be updated biannually to reflect the fact that the Department is continually working towards attracting, retaining and developing a workforce capable of delivering high-quality and connected services to veterans and their families.

DVA partially achieved performance criteria 4.1.3. The 2017 Australian Public Service (APS) State of the Service employee census recorded a very high employee engagement index of 80 per cent for DVA, compared to the average for large operational agencies of 70 per cent. In the 2018 APS employee census results, the DVA employee engagement index fell to 74 per cent, due to the addition of new questions. However, DVA retained an employee engagement advantage when compared to the APS average (70 per cent) and the average for large operational agencies (69 per cent). The DVA unscheduled absence rate improved in 2017–18 to an average of 14 days, compared with an average of 14.6 days in the previous year. While DVA scored very well in relation to employee engagement, its unscheduled absence results only surpassed two of the three similar agencies (Department of Human Services, Department of Health and Department of Defence), so an overall performance rating of partially achieved for criteria 4.1.3 is appropriate.

DVA achieved performance criteria 4.1.4. This result reflects participation in performance agreements under the Performance Feedback Scheme as at 30 May 2018. Results are normally taken from reports produced in July; however, DVA changed its human resource management system in May 2018 and the new system does not currently have the facility to record participation in performance agreements. The facility will be implemented by 1 September 2018.

Financial management

The Strategic Financial Plan (SFP) was reviewed and updated in 2017–18. The plan outlines financial strategies to assist the Department in meeting the objectives identified in the DVA Corporate Plan 2018–2022. The SFP will also assist in meeting the Government's commitment to maintain a separate and appropriately funded agency.

The audit of DVA's 2017–18 financial statements by the Australian National Audit Office resulted in an unqualified audit report.

A financial summary (snapshot) was prepared and reviewed on monthly basis to help the Executive Management Board to monitor the financial performance of the Department. In addition, a biannual review of DVA's five-year model was conducted. DVA has updated the model to articulate how the Department remains sustainable.

Digital services

Levels of stability were high across all of the Department's digital platforms in 2017–18; in several months there was 100 per cent availability for all platforms.

The year-on-year totals show an increase in the overall stability of services, particularly for the application and telephone platforms.

Partnering with other agencies

As part of its transformation and its business-as-usual activities, DVA interacts with the Department of the Prime Minister and Cabinet, Defence, the Department of Human Services (DHS), the Department of Health, the Department of Social Services (DSS), the Digital Transformation Agency (DTA), the Australian Government Actuary and the Australian Institute of Health and Welfare (AIHW). DVA's collaboration with other agencies is set to increase over the short to medium term.

DVA's partnership with Defence remains strong, with pilots underway to better position both organisations to improve the veteran experience—the Special Operations Forces Pilot is a key example. The Transition Taskforce and its work to improve the transition experience for members leaving the Australian Defence Force (ADF) is also a clear example. Mechanisms to evaluate pilot activity are also underway and will complement higher order arrangements under the established memorandum of understanding (MOU) in place between our agencies. Three formal committees sit under the MOU to govern and implement the strategic direction: the Defence DVA Executive Committee, the Defence Links Steering Committee and the Information Management Working Group.

The partnership with DHS is central to the success of DVA's transformation. While the focus has been on building the foundation to transform DVA systems, there has been tangible success in leveraging digitisation to reduce processing times for key claims via the online service, MyService. DVA is trialling avenues to expand its service footprint not only through technological advancement but also by leveraging the physical reach of DHS. This work is informing the development of a service delivery strategy to meet the needs of all veteran cohorts into the future.

DVA and DHS signed a statement of intent in October 2017. The two departments are committed to strengthening collaboration, encouraging innovation and refining governance arrangements to meet the contemporary needs of both organisations. The DVA–DHS Partnership Committee and the Transformation Program Board are senior governance committees that facilitate the development and implementation of business transformation and the ongoing management of service schedules.

DVA is an active player in the broader reform agenda across the APS, and is involved in the Digital Transformation Agenda, the Shared and Common Services Programme, the Welfare Payment Infrastructure Transformation Programme and Streamlined Grants Administration. A senior DHS officer was seconded to DVA to drive the operating model for ICT services following the full transition of DVA's ICT arrangements in 2017–18.

In addition to its core partnerships with Defence and DHS, DVA works with a range of other Commonwealth entities. DVA's business needs are typically measured through discrete cross-agency groups, MOUs and local management arrangements:

- DVA is working with the Department of Health to develop an integrated DVA–Health dataset and a partnership on analytics work. Building our analytics capability to drive DVA policy and program delivery is a key transformation priority as we move to a more proactive approach to service delivery. DVA engages with Health through formal and informal channels, from senior executive participation in interdepartmental committees to officer-level interaction on specific issues. DVA executives attend several interdepartmental committees led by Health.
- DVA and Health have also established a statement of intent to outline the commitment between the two departments to ensure the provision of high-quality aged care and hearing services. The governance arrangement with Health for aged care services will be reviewed and refreshed in 2018–19.
- In July 2016, DVA entered into a partnership agreement with DSS regarding the Community Grants Hub. A whole-of-government initiative under the DTA, the Community Grants Hub is intended to deliver a simpler and more consistent approach to the administration of grants across government. It aims to provide a better user experience for grant applicants and recipients, while enabling the Government to deliver grants programs more efficiently and effectively, at a lower cost. On 20 February 2018, the first of DVA's grant programs to transition to the hub was opened for online applications.
- The DTA acts as an advisory and assurance agency for the implementation of Digital Transformation Agenda government policy. This generates engagement with DVA on a number of levels. DVA engages with the DTA to seek advice on service design and Digital Service Standard assessments, processes and reports.
- On 1 July 2017, DVA entered into a three-year strategic partnership with the AIHW, in the form of a schedule to an existing MOU. The partnership builds on the successful relationship between DVA and the AIHW to develop a comprehensive profile of the health and welfare of Australia's veteran population. It takes a coordinated, whole-of-population approach to monitoring and reporting on the current status and future needs of veterans and their families, in support of DVA's strategic research and data needs.
- DVA has an MOU with the Department of the Prime Minister and Cabinet to provide services through the Behavioural Economics Team of the Australian Government (BETA). DVA is working with BETA to evaluate behavioural approaches to provide veterans with earlier access to services better targeted to meet their needs.

Stakeholder engagement

The Department's National Consultation Framework (NCF) facilitates communication between the veteran community, the Repatriation Commission, the Military Rehabilitation and Compensation Commission and DVA on issues that are significant to the veteran community.

The NCF is composed of five forums: the Ex-service Organisation Round Table, Operational Working Party, Younger Veterans—Contemporary Needs Forum, National Aged and Community Care Forum, and Female Veterans and Veterans' Families Policy Forum. Each forum has a different focus, such as strategic issues for the Department and veterans and their families; systemic issues and ways to maintain policy improvements; the needs of younger veterans and their families, with a focus on mental health support; ways to assist veterans to access aged care services; and the unique needs of female veterans.

The NCF is reviewed every three years to ensure its ongoing effectiveness and relevance. The next review will take place in 2019.

Research

The Applied Research Program (ARP) is the central mechanism of the DVA Strategic Research Model, which is designed to develop and manage best practice research into the health and wellbeing needs of Australia's veterans and their families. Under the model, DVA business areas commission research projects that contribute to departmental outcomes; some of those projects are funded through the ARP. All ARP-funded research proposals approved by the Research Board were funded in accordance with the ARP requirements and governance.

Summary

DVA achieved or partially achieved all its enabling services targets in 2017–18. The Department delivers client services programs and achieves its purposes with the support of its professional and engaged workforce, sound financial management functions and reliable digital services platform. DVA's partnerships with key Commonwealth and stakeholder organisations have been productive and beneficial. The Department continues to have a strong focus on research and analytics that enables the evolution of better client support and services.

Report on financial performance

The Department reported a consolidated operating surplus (excluding depreciation) of \$3.46 million in 2017–18. This is against the budget of \$2.55 million reported in the 2017–18 Portfolio Budget Statements. The Defence Service Homes Insurance Scheme (DSHIS) reported an operating surplus of \$5.68 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 page 52 and DSHIS's financial statements beginning on page 179.

DVA's cash position increased by \$1.56 million in 2017–18.

DVA's net assets increased by \$5.76 million in 2017–18 (from \$76.94 million in 2016–17 to \$82.70 million in 2017–18), mainly due to the increase in appropriations receivable.

Table 5 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 5 Financial performance and financial position for DVA and DSHIS 2015–16 to 2017–18

	2015–16			2016–17 ¹			2017–18		
	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	-13.47	7.03	-6.44	-23.32	0.49	-22.83	-26.29	5.61	-20.68
Non-appropriated expenses	25.37	0.07	25.44	29.10	0.13	29.23	25.33	0.13	25.46
Surplus/deficit attributable to the entity	11.90	7.10	19.00	2.42	0.56	2.98	-2.22	5.68	3.46
Cash balance	5.54	2.17	7.71	3.77	2.64	6.41	4.77	3.20	7.97
Net assets	31.78	35.02	66.80	43.04	33.90	76.94	43.19	39.51	82.70

DSHIS = Defence Service Homes Insurance Scheme

¹ Restated 2016–17 to correct prior year DSHIS fire brigade levy recognition.



Part 2 Management and accountability

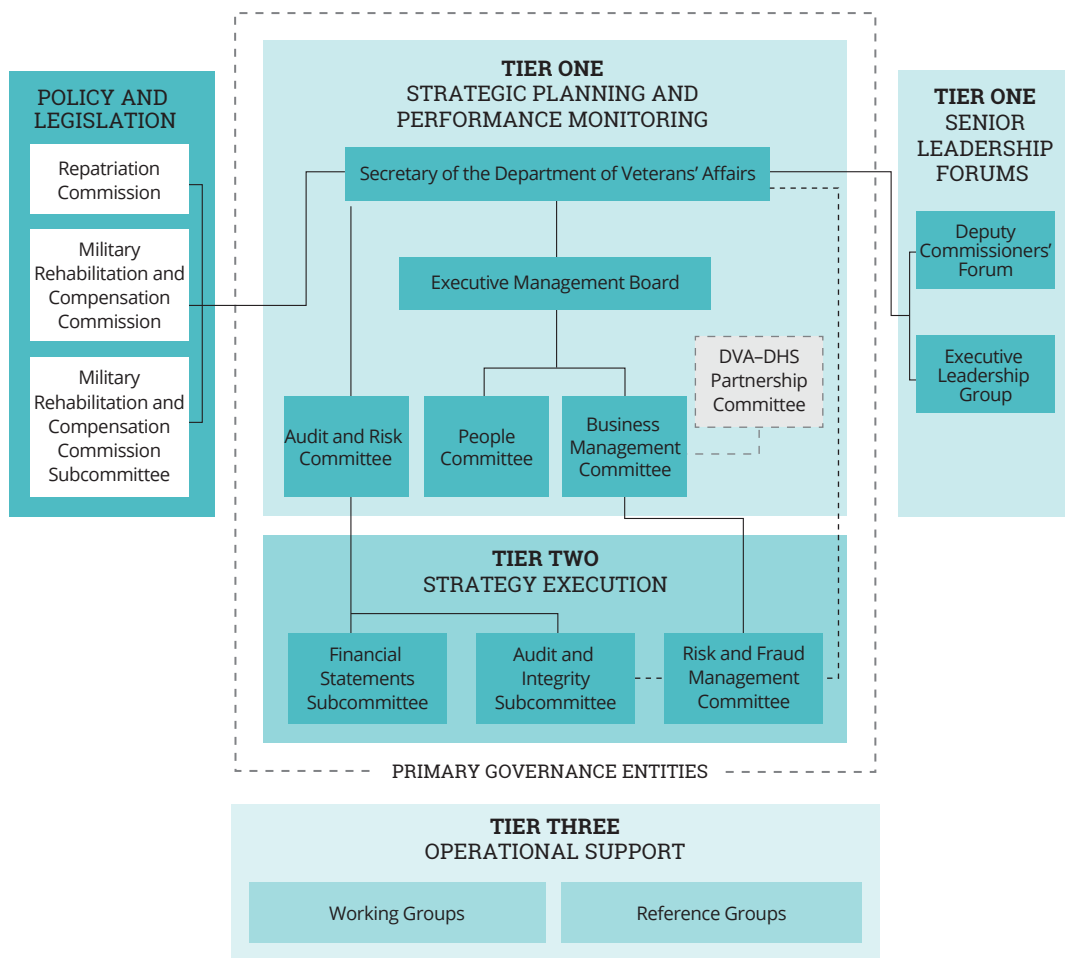
DVA Secretary Liz Cosson and staff hear from representatives from the Female Veterans and Veterans' Families Policy Forum, June 2018. Members worked with DVA on a variety of challenges, including how to develop better communication products and channels.

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 3. The framework supports the Secretary in implementing government and departmental priorities and ensures that appropriate decisions are made, consistent with *Public Governance, Performance and Accountability Act 2013* (PGPA Act) obligations.

Figure 3 DVA governance framework at 30 June 2018



Risk management

Risk management is an integral part of delivering services to veterans and their families and being accountable to the Government. The Department's focus on risk management is reflected in the *DVA Towards 2020 Strategic Plan* and the *Risk Management Framework 2016–2020*.

The risk management framework provides the necessary foundations and organisational arrangements for managing risk across the Department. It complies with the PGPA Act and aligns with the Commonwealth Risk Management Policy and the international standard ISO 31000:2018 Risk Management—Guidelines. Business risks and fraud risks receive oversight from internal governance committees and the Audit and Risk Committee.

During 2017–18, DVA continued to embed a strong risk culture and behaviours across all levels of the organisation. DVA reviewed its existing enterprise risks under the oversight of the independent Audit and Risk Committee. The Risk Management Framework 2016–2020 and related policies were reviewed and updated to reflect changes in the Department's environment.

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 2018 survey, DVA achieved an overall maturity level of 'Advanced'. This was the same as DVA's level in 2017 and one level above the average maturity of all 2018 survey participants, which was assessed as '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. It is an integral part of DVA's risk management framework.

In 2017–18, the Business Continuity Plan was activated twice.

Internal audit

In 2017–18, 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 noncompliance

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 appropriate action taken against them, including prosecution where necessary.

During 2017–18, DVA:

- established the Risk and Fraud Management Committee to strengthen DVA's corporate governance structure
- updated the Fraud Control Plan and fraud policies
- undertook a stocktake and review of all fraud and noncompliance activities across DVA and conducted an enterprise-level fraud risk assessment
- provided continuing education for staff to inform them of their obligations in relation to fraud control through two mandatory e-learning courses
- conducted a fraud awareness campaign during International Fraud Awareness Week in November 2017.

DVA identifies potential fraud matters through activities such as post-payment monitoring, data matching and internal audits, and allegations from members of the public. The Department received 333 allegations of fraud in 2017–18, an increase from 299 allegations in 2016–17. The allegations predominantly referred to client and service provider matters.

DVA undertakes fraud investigations and, where appropriate, refers matters to the Commonwealth Director of Public Prosecutions. As a result of fraud investigations undertaken in 2017–18, \$896,247 in ineligible payments was identified and referred to the relevant business areas for debt recovery.

Privacy

Business areas are obliged to notify the Legal Services and Assurance Branch of any potential privacy breaches.

In 2017–18, the branch received 75 notifications of potential breaches. Following investigation, 49 matters were determined to be privacy breaches and 16 were found not to breach privacy. The remaining cases were still under investigation at the end of 2017–18.

In cases where a privacy breach did occur, staff involved in the breach were counselled and the importance of all staff exercising care and caution when processing matters dealing with personal information was reiterated. In applicable cases, recommendations and changes were made to relevant practices and procedures in an effort to minimise the risk of future breaches.

DVA is required to report significant privacy breaches to the Office of the Australian Information Commissioner. In 2017–18, no significant breaches were reported to the Australian Information Commissioner, and the Commissioner made no reports to the Minister under section 30 of the *Privacy Act 1988* about any act or practice of DVA.

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
- 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 2017–18 are described in this section.

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) (until 11 October 2017), *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA) (from 12 October 2017) 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/DRCA 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 6. 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 6 VEA, DRCA and MRCA matters considered by the Administrative Appeals Tribunal 2017–18

Category	Applications decided by AAT	Decisions affirmed, withdrawn, dismissed by the AAT	Decisions settled by consent of the AAT	Decisions set aside at hearing
VEA	205	125	Not available ¹	Not available ¹
DRCA	144	86	54	4
MRCA	57	29	27	1

AAT = Administrative Appeals Tribunal, MRCA = *Military Rehabilitation and Compensation Act 2004*, DRCA = *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (previously the *Safety, Rehabilitation and Compensation Act 1988*), VEA = *Veterans' Entitlements Act 1986*

¹ These figures are currently not captured.

In accordance with the Legal Services Directions 2017, the Repatriation Commission or the MRCC may lodge an appeal in order to clarify a legal issue or protect the integrity of legislation.

In 2017–18, 12 applications were lodged with the Federal Court. Of those, 11 were lodged by a veteran or widow. The MRCC lodged one application to the Federal Court.

In the same period, the Federal Court made six decisions, three of which were favourable to the veteran or widow.

No appeals involving the Repatriation Commission or the MRCC were lodged in the Full Court of the Federal Court or the High Court.

Neither the Full Court of the Federal Court nor the High Court delivered any decisions involving the Repatriation Commission or the MRCC.

Decisions by the Australian Information Commissioner

The Australian Information Commissioner handed down two decisions in relation to the Department in 2017–18 under the *Freedom of Information Act 1982* (FOI Act). There was one determination made under the *Privacy Act 1988*.

On 26 July 2017, in *'MA' and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 72, the Commissioner varied a decision by DVA, under the FOI Act, for documents relating to a complaint investigation undertaken by DVA in relation to the VRB. DVA relied on the legal professional privilege exemption (section 42), the deliberative processes exemption (section 47C), the certain operations of agencies exemption (subsection 47E(d)), and the personal privacy exemption (section 47F) of the FOI Act. The Commissioner decided some or parts of the documents were not exempt.

On 13 September 2017, in *David Kalman and Department of Veterans' Affairs (Freedom of information)* [2017] AICmr 86, the Commissioner affirmed a decision by DVA, under the FOI Act, for documents relating to a medical practitioner. The issue was whether DVA had taken all reasonable steps to find documents within the scope of the request, under section 24A of the FOI Act. The Commissioner was satisfied that no documents existed or could be found.

On 23 March 2018, in *'PA' and Department of Veterans' Affairs (Privacy)* [2018] AICmr 50, the Commissioner determined DVA did not interfere with the complainant's privacy, as defined in the *Privacy Act 1988*, by disclosing the complainant's personal information to the Australian Institute of Health and Welfare (AIHW). The complainant alleged an improper disclosure of his personal

information by DVA to the AIHW, which was provided with a Military and Veteran Research Study Roll, being a database established to assist in recruiting current and ex-serving Australian Defence Force members for approved health research. Section 95 of the Privacy Act provides that acts done in the course of medical research and in accordance with approved guidelines will not breach privacy. The Commissioner found DVA's Transition and Wellbeing Research Programme, made up of three studies, was medical research. Further, the DVA Human Research Ethics Committee's approval of the medical research, including the use of the Military and Veteran Research Study Roll for that research, was open to it and decided as such. Therefore, DVA was able to rely on that approval in order to lawfully disclose the complainant's personal information to the AIHW.

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 2017–18, the Auditor-General published:

- one cross-entity report involving DVA—*Efficiency through Contestability Programme*
- one report involving DVA only—*Efficiency of veterans service delivery by the Department of Veterans' Affairs*.

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.

In 2017–18, DVA made one submission to the committee, in relation to Australian Government Contract Reporting—Inquiry based on Auditor-General's report no. 19 (2017–18).

Deregulation Agenda

DVA supports the Government's Deregulation Agenda and is committed to improving the quality of its regulation, including minimising the burden of regulation on individuals, businesses and community organisations. This is achieved through continuous review of the regulatory requirements established in DVA legislation, by identifying policy options which allow for regulatory requirements to be minimised wherever possible, and by investigating opportunities to make interaction easier for veterans and their families, service providers and the ex-service community. This activity occurs in the context of ensuring that important consumer and other safeguards are maintained. Further information on the Government's Deregulation Agenda is available at www.jobs.gov.au/deregulation-agenda.

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 2017–18, the Minister's legislation program included a number of important veteran-centric reform measures enacted via amendments to the *Veterans' Entitlements Act 1986*, the *Military Rehabilitation and Compensation Act 2004* and other portfolio legislation. Significantly, these included:

- *Safety, Rehabilitation and Compensation Legislation Amendment (Defence Force) Act 2017*

This Act created the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA). The DRCA is a re-enacted version of the *Safety, Rehabilitation and Compensation Act 1988* (SRCA), modified to apply only to members of the Australian Defence Force and their dependants. The Act received Royal Assent on 14 September 2017 and commenced on 12 October 2017.

- *Veterans' Affairs Legislation Amendment (Omnibus) Act 2017*

This Act, introduced in the previous financial year, implemented several small but necessary amendments to veterans' affairs legislation to clarify, improve or streamline the operation of the law. The Act received Royal Assent on 30 November 2017.

- *Veterans' Affairs Legislation Amendment (Veteran-centric Reforms No. 1) Act 2018*

This reform Act established the legislative framework for a number of new initiatives, including the family support payment, the veteran payment, the Coordinated Veterans' Care (CVC) Mental Health Pilot, and the provision of household and attendant care services for veterans with catastrophic injuries or disease. The Act received Royal Assent on 28 March 2018.

- *Veterans' Affairs Legislation Amendment (Veteran-centric Reforms No. 2) Act 2018*

This second reform Act laid the legislative groundwork for further veteran-centric measures, including the Veteran Suicide Prevention pilot; an extension of eligibility for the Long Tan Bursary Scheme to include grandchildren of a veteran with operational service in Vietnam; and a measure to provide former members of the Australian Defence Force (ADF) with incapacity payments at 100 per cent of their normal weekly earnings where they are studying full time as part of their approved rehabilitation plan. It received Royal Assent on 28 June 2018.

The Minister's legislation program for 2017–18 also included the following regulations made by the Federal Executive Council:

- *Veterans' Entitlements Amendment (Travel Expenses) Regulations 2017*
- *Safety, Rehabilitation and Compensation Legislation (Defence Force) Consequential Amendment Regulations 2018.*

In addition, a number of important veteran-centric reform measures were implemented by legislative instrument. These included the following instruments made by the Repatriation Commission or the Military Rehabilitation and Compensation Commission:

- Veterans' Entitlements (Provisional Access to Medical Treatment) Determination 2017
- Military Rehabilitation and Compensation (Accelerated Access to Rehabilitation) Determination 2017
- Military Rehabilitation and Compensation (Family Support) Instrument 2018
- Veterans' Entitlements (Veteran Payment) Instrument 2018
- Veterans' Entitlements (Expanded Access to Non-Liability Health Care for Mental Health Treatment) Determination 2018.

To assist with the legislative reform agenda, DVA hosted two legislation workshops during the year. The legislation workshops provide a mechanism for the Department to consult, discuss and prioritise future legislation with ex-service organisations and stakeholders with the aim of better understanding their priorities and the issues of concern in developing veteran legislation.

The first workshop, held on 9 November 2017, focused on the successful transition of veterans into civilian life and better promoting the full range of services to encourage the wellbeing of veterans. The second workshop, held on 7 March 2018, was designed to build on, refine and identify specific legislative reform proposals based on the key themes and issues that emerged from the first workshop.

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 2017–18, DVA spent a total of \$13.26 million on legal services, compared to \$10.27 million in 2016–17. Expenditure included external and internal legal services.

External legal services

In 2017–18, DVA spent \$9.44 million on external legal services, compared to \$7.24 million in 2016–17. 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 7 shows expenditure on total external legal services and details the number of male and female counsel briefed and the value of this work in 2017–18.

Table 7 External legal services expenditure (GST exclusive) and number of male and female counsel briefed 2017–18

Type		Value (\$m)
Solicitors		7.820
Counsel	Female (27)	0.172
	Male (45)	0.315
	Total (72)	0.487
Other disbursements ¹		1.131
Total		9.438

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
- the 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 2017–18, the total direct salary and overhead cost for DVA internal legal services was \$3.82 million, compared to \$3.03 million in 2016–17.

People management

DVA supports managers and staff with a full range of people management services to achieve DVA's purpose.

Workforce planning

Since 2017, the Department has been implementing an ambitious agenda of veteran-centric reform to transform the delivery of services to the veteran community and the way in which we operate. In recognition of this transformation, significant work was undertaken to create the DVA Workforce Strategy 2018–2023.

The strategy is updated biannually to ensure that DVA is continually working towards attracting, retaining and developing a workforce that is capable of delivering high-quality and connected services to all generations of veterans and their families and the wider veteran community.

To effectively support the Department's long-term operational objectives, the Workforce Strategy summarises what we are doing now, what our next priorities are, and how we measure our progress.

The strategy defines five key themes:

- Our people, our processes
- Building our future
- High performing DVA
- Inclusive, valued and innovative
- Capable and empowered.

All workforce-related initiatives, policies, strategies and actions are reflected under one of the key themes.

The Department's effectiveness in attracting, retaining and developing our workforce is measured in the annual performance statements.

Staff feedback

The Department listens to feedback provided by its people through the Australian Public Service (APS) State of the Service employee census, organisational health checks and cultural assessments. The contextual feedback is linked with other workforce data to build a robust picture of DVA's current state, identify priorities and actions, and measure our progress over time.

The results of the employee census are shared with staff and used in developing branch action plans. Staff are encouraged to elaborate on the results, and to partner with their senior management teams to find ways to further improve positive findings or to address concerns.

In 2018, DVA staff members' participation in the employee census increased by 5 percentage points to 74 per cent, and for the first time included our contracted workforce.

Workforce profile

At 30 June 2018, DVA had a total of 1,885 employees, a decrease compared with 1,938 at 30 June 2017. Non-ongoing employees made up 10.8 per cent of DVA's total workforce at 30 June 2018, an increase from 8.3 per cent at 30 June 2017. Detailed staffing statistics are in Appendix A.

In 2017–18, the turnover rate of ongoing employees was 7.6 per cent, a decrease from 10.5 per cent in 2016–17. Table 8 shows the reasons for commencements and cessations among ongoing and non-ongoing employees in 2017–18.

Table 8 Employee commencements and cessations 2017–18

Employment type	Commencements	Cessations
Ongoing	Promoted within APS	12 Promoted or transferred within APS 61
	Transferred within APS	47 Died 1
	Changed from non-ongoing to ongoing	8 Dismissed/annulled 2
	Joined APS	34 Accepted voluntary redundancy 35
	Appointed as statutory office holder	1 Accepted involuntary redundancy 2
		Resigned or retired 132
	Total	102 Total 233
Non-ongoing	140	101
All	242	334

APS = Australian Public Service

Employment arrangements

All employee remuneration and benefits are provided under the DVA Enterprise Agreement 2015–18, 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.

The DVA Enterprise Agreement 2015–18 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 2018, DVA had in place 25 individual flexibility agreements providing enhanced individual remuneration or benefits.

DVA also had in place 31 determinations made under section 24(1) of the Public Service Act delivering remuneration and conditions for Senior Executive Service (SES) employees.

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 employees and a small number of high-performing employees may include parking facilities at the workplace or an allowance in lieu of \$1,550 per year, and airline lounge membership. Medical Officers have access to up to five days paid leave per year to undertake professional development activities, and are able to claim up to \$4,500 per year reimbursement for costs associated with their professional development.

Learning and development

The Department is committed to developing its workforce to be capable and empowered to deliver on DVA's objectives, now and in the future. The Department's approach is defined in the Learning and Development Strategy, which focuses on four key learning and development areas:

- **Leadership**—DVA's leaders are focused on the wellbeing of veterans and their families, value people, promote a culture of respect and positivity, have shared and common goals, and demonstrate inspiring and brave leadership
- **Experience**—70 per cent of capability building happens in the workplace through the experience of day-to-day tasks, challenges and opportunities
- **Social**—20 per cent of capability building happens in social settings through coaching, mentoring, networks and collaboration
- **Education**—10 per cent of capability building happens through attending structured courses and programs, and reading or listening to online lectures, podcasts or other educational sources.

Leadership is targeted through the Leadership Pathways Program and the Leadership Talent Management Program. Pilot programs undertaken in 2017–18 included the Talent Management Program pilot (and subsequent Executive Level 2 Talent Management Program), and the Leading Transformation pilot.

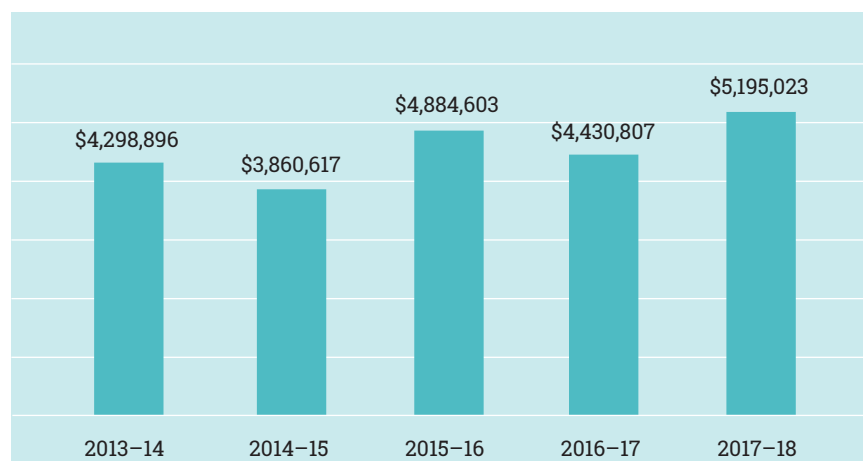
Experience is targeted through on-the-job tasks and problem solving, appropriate delegations, stretch assignments, opportunities to supervise, participation in transformation groups and activities, and our Intra-Agency Network Program.

Social learning is targeted through the Performance Feedback Scheme, job shadowing, opportunities to work with role models (including our formal Mentoring Program and one-on-one coaching initiatives), and our updated Induction Program that aims to build trust and a sense of belonging in our new starters. In 2018, we are trialling a new program that uses neuroscience to help improve engagement and motivation through meaningful conversations between managers and staff.

Education is targeted through structured activities. The DVA Enterprise Agreement 2015–18 allows employees access to at least five days of structured education activities per year. New courses in 2017–18 included the client induction program (Serve), and workshops on building and leading high-performance teams, mental health first aid, digital transformation, and raising awareness of domestic and family violence. Other key courses were delivered on understanding and applying legislation; systems and processes; claims and case management; health policies and frameworks; and professional development.

The Department evaluates the effectiveness of our learning and development strategies through evaluation surveys, the APS employee census, and the Performance Feedback Scheme. These evaluation methods help DVA to target its strategies to secure the skills and knowledge required and ensure that learnings are applied in the workplace.

Figure 4 summarises the Department's expenditure on learning and development over the past five years.

Figure 4 Expenditure on learning and development 2013–14 to 2017–18

Note: Expenditure is based on a combination of face-to-face and online learning opportunities.

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 the Department undertakes. The program prepares graduates for successful careers within the APS.

The program is based in Canberra and provides networking opportunities to encourage collaboration and excellence within the Department and across government. Those activities are complemented by training and on-the-job development which ensures that graduates acquire practical skills in a supportive and challenging environment.

Diversity

The Department is committed to reflecting the diversity of the Australian community in its workforce and building an inclusive culture in which employee backgrounds, skills and views enrich our working environment and quality of work.

Strategy

The DVA Diversity Strategy 2018–23 was developed in 2017–18 and will be updated biannually to ensure that DVA is a workplace that is inclusive, values diversity and innovates.

The strategy identifies five key areas of focus:

- Gender equality
- Disability and carers
- Aboriginal and Torres Strait Islander
- Culturally and linguistically diverse
- Lesbian, gay, bisexual, transgender, intersex, queer/questioning and allies.

A dedicated Diversity Officer drives diversity initiatives, with the support of the Diversity Champion, the Indigenous Champion, and the Cultural and Linguistic Champion. The Diversity and Inclusion Staff Network was established in early 2018 to support the implementation of the Diversity Strategy.

Activities

The Department's activities to promote diversity in the workplace in 2017–18 included:

- offering an annual program of cultural awareness training for all staff
- participating in government initiatives for Aboriginal and Torres Strait Islander people, such as
 - the APS Indigenous Employees Staff Network and an Australian Public Service Commission (APSC) *Memorandum of understanding in relation to funding for the APS Indigenous Employment Programs 2016–2019*, relating to Turning Up the Volume on Indigenous Employment 2017–18
 - the APSC's Indigenous Graduate Recruitment Program, the Indigenous Mentoring Program, the Indigenous Apprenticeships Program, Jawun, and excELerate
- attracting, supporting and developing staff with disability, through the application of the APS RecruitAbility scheme to all advertised positions, provision of accessible workplaces and membership of the Australian Network on Disability
- hosting events to promote awareness and understanding of the importance of diversity within the workplace, on occasions such as International Women's Day, Harmony Day, Reconciliation Week, NAIDOC Week, the International Day of People with Disability, White Ribbon Day, Wear It Purple Day, and the International Day against Homophobia, Biphobia, Intersexism and Transphobia
- maintaining corporate memberships of Diversity Council Australia and Pride in Diversity.

All actions of Galumbany 2017–18, the Reconciliation Action Plan, were implemented. On 30 June 2018, the Department had 22 ongoing staff members and one non-ongoing staff member (1.2 per cent of total staff) who identified as Indigenous, which was similar to the 2016–17 result of 29 ongoing staff members and two non-ongoing Indigenous staff members (1.6 per cent of total staff).

The Department also continued to implement its Gender Equality Action Plan 2017–19. On 30 June 2018, 63 per cent of staff identified as female and 37 per cent as male, similar to the 2016–17 result of 62 per cent female and 38 per cent male.

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 2017–18, DVA continued to review its accommodation requirements across Australia, aiming to minimise the expense and extent of lease accommodation while maintaining quality and service delivery capability. As part of a whole-of-government initiative, DVA became the first Commonwealth agency to outsource the management of its property portfolio. Jones Lang LaSalle will provide property management services to DVA. This arrangement is designed to maximise savings to the Department by reducing the number of contracts and by delivering further efficiencies in leasing arrangements.

Compliance report for financial year 2017–18

There were no significant instances of non-compliance with the finance law in 2017–18.

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. Its 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.

The Department is subject to internal and external (Australian National Audit Office) audits of compliance with the Commonwealth Procurement Framework. The Contract Advisory Unit works with the auditors to improve the Department's performance against the core principles of Commonwealth procurement.

Consultants

The Department engages consultants when it requires specialist expertise or when independent research or short-term projects are undertaken. 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 2017–18, 50 new consultancy contracts were entered into involving total actual expenditure of \$25.10 million. In addition, 29 ongoing consultancy contracts were active during 2017–18, involving total actual expenditure of \$6.40 million.

Table 9 shows the total expenditure on consultancies over the past three years.

Table 9 Expenditure on consultancies 2015–16 to 2017–18 (\$m)

	2015–16	2016–17	2017–18
Expenditure	10.01	16.16	31.50

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 any exemptions from gazettal under the FOI Act in 2017–18.

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.

All DVA contracts are based on either the DVA template or the Commonwealth Contracting Suite, both of which contain access clauses.

Procurement initiatives to support small business

The Department supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise (SME) and small enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

Health and wellbeing services are provided to veterans through the Department's arrangements with over 60,000 providers, the majority of whom are SMEs.

The Department 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 SMEs, 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.

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.

Access to DVA

In September 2017, DVA provided access to free calls nationally by extending the coverage of the advertised general enquiry contact number, 1800 555 254, which connects with the Veterans' Access Network (VAN).

In addition to phone contact, DVA offers a range of access points to accommodate individual preferences when interacting with the Department. In the 2017–18 financial year, the VAN responded to over 500,000 calls, 34,000 emails, 30,000 counter visits and 7,000 call back requests received online.

DVA operates services out of 15 DVA offices and six co-located arrangements with the Department of Human Services. The most recent co-located arrangement is in Woden, Canberra.

In addition to the VAN, DVA handles more than a million calls for other services, such as transport bookings, provision of pharmaceutical advice and health provider enquiries.

DVA offers services to more than 40 ADF bases through the On Base Advisory Service (OBAS). Demand for the service continued during 2017–18. In total, On Base Advisers conducted over 10,170 interviews, delivered 226 presentations and liaised with more than 930 ADF personnel.

The service ensures that serving members can access information about DVA support, entitlements and services directly from DVA staff. As part of the service, On Base Advisers also assist ADF members to access DVA's online services.

The OBAS provided a supporting service to the Veteran Suicide Prevention pilot program trialled at Holsworthy Barracks. In 2018–19, the OBAS aims to provide an enhanced service as a result of the trials.

DVA has a strong digital footprint and uses Facebook, Flickr, Twitter and YouTube. The importance of DVA's digital services continues to grow: there were 6,190,747 hits on DVA's website (dva.gov.au) during 2017–18.

Coordinated Client Support

The Coordinated Client Support (CCS) program is a specialised, time-limited program aimed at streamlining communication between veterans and members of veterans' families and DVA. The CCS program provides veterans and their families with a single point of contact for the whole of DVA, and offers three levels of support, according to their needs.

Level 1 encompasses two types of clients:

- Level 1 with support—people who do not require ongoing support but are allocated an intake coordinator to provide short-term support to ensure that their needs are met
- Level 1 business as usual—people who can navigate services within the primary business areas with minimal assistance.

Where required, comprehensive support is provided to the referring business area in its ongoing management of 'Level 1 with support' cases.

Level 2 support is provided to people 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 individual 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 people who have been assessed as having complex and multiple needs. These people often have mental health concerns or physical injuries resulting from service, and have been identified as requiring intensive support to access multiple services across the Department and from other agencies and organisations. The individual 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. However, it is recognised that some individuals may remain within the program for the long term.

Veterans and members of veterans' families can be referred to the program by DVA staff, ex-service organisations, the ADF, or nominated representatives.

Feedback

As part of the Department's focus on being connected and responsive to veterans and their families, 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 feedback from people who use its services continued in 2017–18. The Department continues to liaise with the Commonwealth Ombudsman's office through regular meetings to discuss updates and exchanges of information on common complaint matters. DVA also consults with the Commonwealth Ombudsman's office to ensure that its complaint-handling processes remain relevant and compliant.

At the end of 2017–18, DVA liaised with Department of Human Services ICT staff to develop a new case management feedback system. The system was developed through Veteran Centric Reform funding, and will enable DVA to more accurately record, manage and analyse the range of feedback received from various sources. It is expected that the system will be integrated within DVA's ICT platform and then deployed for use in 2018–19.

Table 10 shows the numbers of complaints and compliments received over the past five years.

Table 10 Complaints and compliments 2013–14 to 2017–18

	2013–14	2014–15	2015–16	2016–17	2017–18
Complaints	2,021	3,013	2,288	2,845	2,441
Compliments	964	730	699	958	1,124

In 2017–18, 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
- commemorative events or services.

DVA recorded 332 suggestions for improvement in 2017–18, a slight increase compared to 321 in 2016–17. The majority of suggestions related to MyAccount, DVA's online portal.

In 2017–18, the average time taken to resolve a complaint was 14 days, which is well within the expected time frame of 28 days as stated in the DVA Service Charter. In 2016–17, the average time taken to resolve a complaint was 11 days.

Levels of satisfaction with the feedback process and its outcomes are shown in Table 11.

Table 11 Proportion of people satisfied with the Department's response to their feedback in 2017–18 (%)

	Satisfied	Neutral	Dissatisfied
Conduct of the feedback process	50	48	2
Outcome of the feedback process	47	50	3

Indigenous Veterans' Strategy

In 2017–18, DVA continued to provide services and programs under the Indigenous Veterans' Strategy, to improve its service delivery to the Indigenous veteran community and to improve the cultural knowledge of DVA staff.

Forum and network

The Department hosted the inaugural Indigenous Veterans Forum in March 2017. The meeting provided Indigenous serving and former ADF members with an opportunity to meet with DVA staff and share their stories and experiences, and provided the Department with a platform for co-designing solutions to improve services and ensure that services for the Indigenous veteran community are being delivered in a culturally appropriate, sensitive and safe manner. The Department plans to host a second forum in 2018–19.

As a result of the roundtable, the Indigenous veterans network was established in 2017–18. The network currently has 31 members, including 15 who attended the inaugural roundtable. It utilises the combined professional and personal networks of the individual members to promote DVA benefits and entitlements among Indigenous veterans and local communities.

The network is part of the Department's contribution to the Australian Government's commitment to Closing the Gap, and an avenue for promoting government initiatives that may benefit Indigenous veterans, such as the 2017–18 Budget measure providing Gold Cards to people who were affected by British nuclear tests conducted in Australia during the 1950s and 1960s.

During 2017–18, the network:

- explored opportunities to connect with Indigenous veterans living in the Torres Strait islands
- highlighted issues around utilising an Indigenous interpreter service
- started discussions about suicide in the Indigenous veteran community
- promoted Indigenous commemorative events hosted by RSL branches around Australia
- explained to local communities the role of the Office of Australian War Graves in relation to the upkeep of war graves in remote locations.

The network also congratulated Dianne Ryder, a proud Noongar woman with 21 years service in the Australian Army, who won the 2017 NAIDOC Week Lifetime Achievement Award for her contribution to the Indigenous veteran community in Western Australia.

Research project

In 2017–18, the Australian National University (ANU) completed the research project *Serving our country: a history of Aboriginal and Torres Strait Islander people in the defence of Australia*. DVA was a major partner in funding the project, contributing \$400,000 in financial support as well as up to \$100,000 worth of in-kind support.

In April 2018, the ANU published a book on the project's findings, titled *Serving our country: Indigenous Australians, war, defence and citizenship*. The book contains a rich collection of photographs and over 200 interviews and stories from Indigenous veterans and their relatives.

Events

The Department is committed to supporting and promoting Australia's reconciliation journey by building the cultural awareness of all staff and by enhancing relationships with Aboriginal and Torres Strait Islander people and organisations.

During 2017–18, DVA staff attended a number of commemorations and community events held during Reconciliation Week and NAIDOC Week. The events included local Indigenous community meetings, Indigenous community network meetings, cultural festivals and community days. Participating in such events gives DVA an opportunity to connect with Indigenous veterans and engage with their communities, while sharing information about DVA entitlements available to Indigenous veterans and their families. It also provides opportunities for DVA staff to share information and develop partnerships with representatives of other government entities and non-government agencies.

In line with Reconciliation Australia's national theme, 'Don't keep history a mystery', DVA hosted a Reconciliation Week event focused on Aboriginal and Torres Strait Islander service in the ADF in Canberra on 29 May 2018. Other events supported by DVA included:

- a gathering of community elders
- a ceremony for Indigenous veterans held by the RSL Queensland
- a Torres Strait Islander event held on Mabo Day.

The Department also continued to support Australian and international ceremonies to honour the service and sacrifice of all veterans, including the contributions made by Aboriginal and Torres Strait Islander service personnel in wars, conflicts and peacetime operations.

Other mandatory information

As a non-corporate Commonwealth entity, DVA reports on specific aspects of service delivery and management of people and resources, in line with the requirements of the *Public Governance, Performance and Accountability Act 2013* and other legislation.

Grants

Through DVA, the Minister for Veterans' Affairs sets policy and approves successful applications for the grants programs described in Table 12.

DVA grants are administered through the Australian Government Community Grants Hub, except for grants under the Long Tan Bursary Scheme, the Armistice Centenary Grants Program and the Overseas Privately Constructed Memorial Restoration Program, which are administered directly by the Department.

Information on grants awarded by DVA during the period from 1 July 2017 to 31 December 2017 is available at www.dva.gov.au/consultation-and-grants/grants. Grants awarded from 1 January 2018 are listed on GrantConnect at www.grants.gov.au/.

Table 12 Grant programs administered by DVA 2017–18

Grant program	Purpose
<i>Compensation and support</i>	
Building Excellence in Support and Training (BEST) program	Eligible people often receive advice on DVA entitlements from veterans' pensions and welfare officers who work, in many cases voluntarily, for ex-service organisations. Those officers are generally themselves veterans or family members of veterans.
	The BEST program is designed to support ex-service organisations' pension and welfare practitioners and advocates. It assists by offering grants to help the organisations and practitioners provide advice and assistance to the veteran and defence communities.
	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.
	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.
	In the 2017–18 funding round, a total of \$3.960 million (GST exclusive) was provided to 144 ex-service organisations under BEST.

Table 12 Grant programs administered by DVA 2017–18 (continued)

Grant program	Purpose
<i>Health and wellbeing</i>	
Grants-in-Aid	<p>The Grants-in-Aid program assists national ex-service organisations to cover administrative expenses such as provision of office equipment, travel for representational business, and advocacy undertaken on behalf of the veteran community.</p> <p>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.</p> <p>The program has one funding round each financial year. The maximum annual grant to any national organisation is \$10,000; depending on the demand for funding, smaller grants may be offered.</p> <p>The program has an annual allocation of \$145,000 (GST exclusive). In 2017–18, a total of \$137,973 was provided to 15 national ex-service organisations under the program.</p>
Long Tan Bursary Scheme	<p>The Long Tan Bursary Scheme provides funding to children of Australians who served in the Vietnam War, to help them meet the cost of post-secondary education, so that they can obtain the formal qualifications and skills they need to pursue their chosen careers.</p> <p>In the 2018–19 Budget, the Australian Government announced that the eligibility criteria for the Long Tan Bursary have been extended to include grandchildren of Vietnam veterans. This change will take effect on 1 August 2019.</p> <p>Each financial year, DVA offers 37 bursaries of up to \$12,000 over three years. In 2017–18, 37 bursaries were offered; however, only 34 students accepted the offer.</p> <p>The scheme is administered by the Australian Veterans' Children Assistance Trust on behalf of DVA.</p>
Supporting Younger Veterans	<p>Supporting Younger Veterans offers grants to ex-service organisations that provide support to veterans who have military service post-1999. Other organisations may also be considered if they are in partnership with at least one such ex-service organisation.</p> <p>The program promotes partnerships that deliver innovative and sustainable services for younger veterans and build community capacity to meet their needs. It also supports projects to raise awareness of the important issues faced by younger veterans.</p> <p>The program has one funding round per year, with an annual allocation of \$1 million (GST exclusive). In 2017–18, a total of \$972,560 was provided to 12 applicants under the program.</p>
Veteran and Community Grants	<p>Veteran and Community Grants are available to enable ex-service organisations, community-based organisations or private organisations to deliver projects that benefit the health and wellbeing of veterans, veterans' family members, carers, dependants and other members of the ex-service community.</p> <p>The program 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>Applications can be submitted at any time and are assessed in batches throughout the year.</p> <p>In 2017–18, a total of \$2.166 million (GST exclusive) was provided to 123 applicants under the program.</p>

Table 12 Grant programs administered by DVA 2017–18 (continued)

Grant program	Purpose
<i>Commemorations</i>	
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> <p>To be eligible, memorials must be directly commemorative of Australia's military involvement, including wars, conflicts and peacekeeping operations. Memorials must be pre-existing and on public display. Preference is given to memorials constructed by Australian veterans and Australian veteran associations.</p> <p>Funding is available for restoration, not ongoing maintenance.</p> <p>In 2017–18, a total of \$48,817.56 (GST exclusive) was provided for four restorations and commemorations under the program.</p>
Saluting Their Service Commemorative Grants Program	<p>Saluting Their Service grants are provided to ex-service organisations, local government authorities, museums, schools and other community organisations for projects that commemorate the military service of Australians in wars, conflicts and peace operations.</p> <p>Two categories of grants are available under the program:</p> <ul style="list-style-type: none"> • Community Commemorative Grants of up to \$4,000 for projects of community significance • Major Commemorative Grants for commemorative projects of national, state or territory significance. <p>In 2017–18, nine Major Commemorative Grants were approved, totalling \$460,689 (GST exclusive); and 166 Community Commemorative Grants were approved, totalling \$401,706 (GST exclusive).</p>
Armistice Centenary Grants Program	<p>The Armistice Centenary Grants Program supports the Australian Government's commitment to acknowledging and commemorating those who served Australia and its allies in wars, conflicts and peace operations.</p> <p>The program provides grants of between \$3,000 and \$50,000 for community-based projects and activities that commemorate the end of the First World War, remember the service of Australian men and women in all conflicts, and celebrate a just and secure peace. Each federal electorate has a funding pool of \$50,000 to support local commemorative projects.</p> <p>The program opened on 11 November 2017 and closed on 28 March 2018. A total of \$1.978 million (GST exclusive) was awarded for 258 grants.</p>
Discretionary grants	<p>In 2017–18, seven discretionary commemorative grants to the value of \$196,795 (GST exclusive) were approved by the Minister for Veterans' Affairs.</p>

Disability reporting mechanisms

DVA strives to ensure that its policies and programs are inclusive of people with disability and their families and carers, including veterans and their families, 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 APSC's *State of the service report* 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.

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.

Other reporting requirements

In addition to the requirements of the enhanced Commonwealth performance framework, as set out in the Public Governance, Performance and Accountability Rule 2014, DVA has annual reporting responsibilities under other Commonwealth legislation.

The appendixes of this annual report provide detailed information on the Department's:

- participation in the Data Matching Program, as required by the *Data-matching Program (Assistance and Tax) Act 1990* (Appendix D)
- expenditure on advertising and market research, as required by the *Commonwealth Electoral Act 1918* (Appendix E)
- policies with regard to the Statement for Australia's Carers, as required by the *Carer Recognition Act 2010* (Appendix F)
- work health and safety initiatives and outcomes, as required by the *Work Health and Safety Act 2011* (Appendix G)
- contribution to ecologically sustainable development, as required by the *Environment Protection and Biodiversity Conservation Act 1999* (Appendix H).



Pictured at the Australian War Memorial are By the Left campaign supporters Ledy Rowe, Lucy Wong, Allison Gillam, Kellie Dadds and Jan-Maree Ball.



Female veterans march together to be recognised

The Department's Female Veterans and Veterans' Families Policy Forum was established to build a strong network of representatives of female veterans and develop solutions to the complex challenges faced by female veterans and veterans' families.

At the second meeting of the forum, in October 2017, topics included health issues, the impact of defence service on veterans' families, and ways to support people in the veteran community experiencing domestic violence.

Forum participants also talked about the need for increased awareness to combat misconceptions about how female veterans wear their medals during commemorative events.

Forum participant Kellie Dadds, an Army veteran with 22 years of service, says that female veterans regularly find themselves accused of wearing their male relatives' medals 'on the wrong side'.

It is a painful example of a lack of recognition that causes some female veterans to stop participating in commemorative events and even distance themselves from the veteran community.

Ms Dadds and a number of other members of the Women Veterans Network Australia (WVNA) organised a campaign in 2018 to try to reverse that reaction and broaden the public perception of veterans in Australia.

The By the Left campaign urged female veterans to come out and march as a group on Anzac Day, to send a powerful message about women's presence in the ADF and the veteran community.

On Anzac Day 2018, thousands of women turned out, and WVNA observed more female veterans participating in marches, and fewer incidents of female veterans being questioned about their medals.

Ledy Rowe, an Army veteran who marched in Canberra, said that the campaign had 'changed so many thousands of lives for the positive'.

'The most positive outcome is that women who have never valued their service came out and marched and were proud of what they had done in the past', Ms Rowe said, 'That was wonderful to see'.

Women comprise more than 16 per cent of the ADF, and the proportion of women is growing in all three services. DVA is working to ensure that female veterans are recognised and have a voice in the development of policy and the delivery of support to meet their needs.



The Australian Peacekeeping Memorial on Anzac Parade was dedicated on 14 September 2017, marking 70 years of Australia's involvement in peacekeeping operations around the world. Hundreds of peacekeeping veterans and diplomats attended the dedication and national service.



Financial statements

A member of the Australian Defence Force stands as part of the catafalque party during the national service marking 70 years of Australian peacekeeping operations.

DEPARTMENT OF VETERANS' AFFAIRS

Financial Statements

For the period ended 30 June 2018

Table of Contents

Independent Auditor's Report	122
Statement by the Secretary and Chief Finance Officer	125
Statement of Comprehensive Income	126
Statement of Financial Position	127
Statement of Changes in Equity	128
Cash Flow Statement	130
Administered Schedule of Comprehensive Income	131
Administered Schedule of Assets and Liabilities	132
Administered Reconciliation Schedule	133
Administered Cash Flow Statement	134
Notes to and forming part of the financial statements	135
Overview	135
1. Financial Performance	138
1.1. Expenses	138
1.2. Own-Source Income and Gains	140
2. Income and Expenses Administered on Behalf of Government	141
2.1. Administered - Expenses	141
3. Financial Position	143
3.1. Financial Assets	143
3.2. Non-Financial Assets	144
3.3. Payables	147
3.4. Provisions	148
4. Assets and Liabilities Administered on Behalf of the Government	151
4.1. Administered - Financial Assets	151
4.2. Administered - Non-Financial Assets	152
4.3. Administered - Payables	153
4.4. Administered - Provisions	153
5. Funding	160
5.1. Appropriations	160
5.2. Special Accounts	164
5.3. Contribution Account	166
6. People and Relationships	167
6.1. Employee Provisions	167
6.2. Key Management Personnel Remuneration	168
6.3. Related Party Disclosures	168
7. Managing Uncertainties	169
7.1. Contingent Assets and Liabilities	169
7.2. Financial Instruments	170
7.3. Administered – Financial Instruments	174
7.4. Fair Value Measurement	175
8. Other Information	176
8.1. Explanations of Major Departmental Budget Variances	176
8.2. Explanations of Major Administered Budget Variances	177



Auditor-General for Australia

**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 2018:

- (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 Department of Veterans' Affairs as at 30 June 2018 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 2018 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 an Overview 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 me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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
Valuation of Personal Benefit and Health Care Provisions	The audit procedures applied to address the matter included:
<i>Refer to Note 4.4 Administered – Provisions</i>	<ul style="list-style-type: none"> • I tested the accuracy and completeness of data used to calculate the provisions, including assessing the quality assurance and reconciliation processes used by the Department to provide data to their actuary; and • I obtained the Department's actuarial report and year-end adjustments and engaged an independent actuary to assist me to: <ul style="list-style-type: none"> ◦ assess the appropriateness of the valuation model and the reasonableness of the key assumptions used in the model; ◦ test a sample of historical payment data used in the valuation model; ◦ assess the completeness and impact of the valuation risks and uncertainties identified by the Department's actuary; and ◦ assess the reasonableness of the overall measurement of the provisions at year end.
The military compensation provisions balance at 30 June 2018 was (\$13.3 billion).	
This is a key audit matter due to the complexity associated with the unique compensation arrangements arising under legislation.	
The Department estimated the present value of the future payments of claims incurred at 30 June 2018 which includes potential claims not yet reported. This estimate is dependent on a number of key estimates and judgements, including the number of new claims not yet reported, the rates at which qualified veterans are expected to receive payments over their lifetime, future inflation in medical costs, the length of time payments are made for and the appropriate discount rate over the length of the scheme.	

Accountable Authority'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 Australian Accounting Standards – Reduced Disclosure Requirements 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'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 Secretary is also responsible for disclosing, as applicable, matters related to going concern 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.

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 my 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 my 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



Grant Hehir

Auditor-General

Canberra

10 September 2018

**DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT BY THE SECRETARY AND CHIEF FINANCE OFFICER**


In our opinion, the attached financial statements for the year ended 30 June 2018 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.



Liz Cosson AM CSC
Secretary

7 September 2018



Graeme Rochow
Chief Finance Officer

7 September 2018

DEPARTMENT OF VETERANS' AFFAIRS

STATEMENT OF COMPREHENSIVE INCOME*for the period ended 30 June 2018*

		2018	2017	Original
	Notes	\$'000	\$'000	Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	198,771	196,214	187,902
Suppliers	1.1B	185,910	128,911	193,527
Depreciation and amortisation	3.2A	23,865	24,073	26,632
Impairment of intangible assets	3.2A	-	96	-
Losses from asset sales ¹		869	3	-
Underwriting expenses	1.1C	27,739	34,058	29,500
Total expenses		437,154	383,355	437,561
Own-Source Income				
Own-source revenue				
Net premium revenue	1.1C	36,125	37,292	35,000
Investment revenue	1.1C	1,518	1,493	1,300
Insurance agency revenue	1.1C	2,891	2,810	3,100
Rendering of services ²	1.2A	6,866	7,256	6,905
Other revenue ³	1.2B	728	5,061	827
Total own-source revenue		48,128	53,912	47,132
Gains				
Revaluation increments	3.2A	-	121	-
Total gains		-	121	-
Total own-source income		48,128	54,033	47,132
Net cost of services		389,026	329,322	390,429
Revenue from Government - departmental appropriations		368,346	306,494	366,349
Deficit before income tax on continuing operations		(20,680)	(22,828)	(24,080)
Income tax expense - competitive neutrality		372	268	-
Deficit after income tax on continuing operations		(21,052)	(23,096)	(24,080)
Deficit after income tax		(21,052)	(23,096)	(24,080)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus	3.2A	654	2,004	-
Total other comprehensive income		654	2,004	-
Total comprehensive loss		(20,398)	(21,092)	(24,080)

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

¹Losses relates to makegood asset written-off and disposal of property, plant and equipment.²\$35.0m from the original budget figure (\$41.9m) from the Portfolio Budget Statements (PBS) is reclassified from "Rendering of Services" to "Net Premium Revenue".³The original budget figure (\$4.4m) from the PBS is reclassified from "Other Revenue" to "Investment"(\$1.3m), and "Insurance Agency Revenue"(\$3.1m).

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	7,974	6,413	5,673
Trade and other receivables	3.1B	75,660	45,496	9,100
Premiums and recoveries receivable	3.1C	15,606	15,490	12,500
Investments	3.1D	64,297	62,169	66,655
Total financial assets		163,537	129,568	93,928
Non-financial assets				
Land and buildings	3.2A	19,694	14,873	28,582
Property, plant and equipment	3.2A	588	1,076	2,781
Intangibles	3.2A	78,217	71,061	70,723
Other non-financial assets	3.2B	5,356	5,662	6,467
Total non-financial assets		103,855	92,672	108,553
Assets held for sale		1,350	1,350	-
Total assets		268,742	223,590	202,481
LIABILITIES				
Payables				
Suppliers	3.3A	73,555	28,010	19,061
Unearned premiums	3.3B	23,036	21,839	18,000
Other payables	3.3C	9,814	6,019	5,206
Total payables		106,405	55,868	42,267
Provisions				
Employee provisions	6.1A	63,192	68,669	65,364
Gross outstanding claims	3.4A	14,710	18,897	22,396
Other provisions	3.4B	1,734	3,217	1,256
Total provisions		79,636	90,783	89,016
Total liabilities		186,041	146,651	131,283
Net assets		82,701	76,939	71,198
EQUITY				
Contributed equity		276,853	250,693	273,662
Reserves		9,634	11,793	9,789
Accumulated deficit		(203,786)	(185,547)	(212,253)
Total equity		82,701	76,939	71,198

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 8.1.

ANNUAL REPORT 2017–18 FINANCIAL STATEMENTS

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original* Budget \$'000
CONTRIBUTED EQUITY				
Opening balance		250,693	217,849	250,692
Adjusted opening balance		250,693	217,849	250,692
Transactions with owners				
Contributions by owners				
Equity injection - Appropriation		12,526	19,562	9,336
Departmental capital budget		13,634	13,282	13,634
Total transactions with owners		26,160	32,844	22,970
Closing balance as at 30 June		276,853	250,693	273,662
RETAINED EARNINGS				
Opening balance		(185,547)	(160,841)	(188,175)
Adjustment for errors		-	(1,610)	-
Adjusted opening balance		(185,547)	(162,451)	(188,175)
Comprehensive income				
Deficit for the period		(21,052)	(23,096)	(24,078)
Total comprehensive income		(21,052)	(23,096)	(24,078)
Transfers between equity components		2,813	-	-
Closing balance as at 30 June		(203,786)	(185,547)	(212,253)
ASSET REVALUATION RESERVE				
Opening balance		11,793	9,789	9,789
Adjusted opening balance		11,793	9,789	9,789
Comprehensive income				
Other comprehensive income		654	2,004	-
Total comprehensive income		654	2,004	-
Transfers between equity components		(2,813)	-	-
Closing balance as at 30 June		9,634	11,793	9,789

*Subject to rounding difference in PBS budget

DEPARTMENT OF VETERANS' AFFAIRS
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	Original* Budget \$'000
TOTAL EQUITY			
Opening balance	76,939	66,797	72,308
Adjustment for errors	-	(1,610)	-
Adjusted opening balance	76,939	65,187	72,308
Comprehensive income			
Deficit for the period	(21,052)	(23,096)	(24,078)
Other comprehensive income	654	2,004	-
Total comprehensive income	(20,398)	(21,092)	(24,078)
Transactions with owners			
Contributions by owners			
Equity injection - Appropriation	12,526	19,562	9,334
Departmental capital budget	13,634	13,282	13,634
Total transactions with owners	26,160	32,844	22,968
Closing balance as at 30 June	82,701	76,939	71,198

*Subject to rounding difference in PBS budget

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.

ANNUAL REPORT 2017–18 FINANCIAL STATEMENTS

DEPARTMENT OF VETERANS' AFFAIRS

CASH FLOW STATEMENT

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		346,756	293,782	382,436
Rendering of services		7,197	8,300	51,995
Net premium revenue		43,000	42,762	-
Insurance agency revenue received		2,888	2,818	4,000
Reinsurance and other recoveries		1,902	507	-
Interest		1,613	1,252	-
GST received		11,505	8,045	9,910
Total cash received		414,861	357,466	448,341
Cash used				
Employees		199,927	195,517	190,481
Suppliers		155,595	131,566	207,447
Income tax paid - competitive neutrality		372	268	-
Claim payments		30,780	28,392	36,000
Reinsurance premiums		6,890	7,055	-
Acquisition costs		387	366	-
Fire brigade and emergency services contributions		1,482	1,143	-
Section 74 receipts transferred to the Official Public Account		6,330	7,222	8,207
Total cash used		401,763	371,529	442,135
Net cash from / (used by) operating activities		13,098	(14,063)	6,206
INVESTING ACTIVITIES				
Cash received				
Investments realised		24,364	6,563	-
Total cash received		24,364	6,563	-
Cash used				
Purchase of leasehold improvements		9,762	825	-
Purchase of property, plant and equipment		175	318	-
Purchase of intangibles		25,632	15,422	25,443
Purchase of investments		26,492	10,077	5,000
Total cash used		62,061	26,642	30,443
Net cash used by investing activities		(37,697)	(20,079)	(30,443)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		26,160	32,844	25,443
Total cash received		26,160	32,844	25,443
Net cash from financing activities		26,160	32,844	25,443
Net increase/(decrease) in cash held		1,561	(1,298)	1,206
Cash and cash equivalents at the beginning of the reporting period		6,413	7,711	4,467
Cash and cash equivalents at the end of the reporting period	3.1A	7,974	6,413	5,673

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 2018*

		2018	2017	Original Budget
	Notes	\$'m	\$'m	\$'m
NET COST OF SERVICES				
Expenses				
Employee benefits		8	9	9
Personal benefits	2.1A	7,401	6,356	5,905
Health care payments ¹	2.1B	5,295	5,286	4,936
Grants		14	6	13
Payments to Australian War Memorial		53	43	47
Other expenses		45	48	-
Total expenses		12,816	11,748	10,910
Income				
Non-taxation revenue				
Recoveries		13	18	31
Health reimbursements		4	2	-
Total non-taxation revenue		17	20	31
Total income		17	20	31
Net cost of services		12,799	11,728	10,879
OTHER COMPREHENSIVE INCOME				
Revaluations transferred to reserves		24	104	-
Total other comprehensive income		24	104	-
Total comprehensive loss		(12,775)	(11,624)	(10,879)

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 (\$4,936m) 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 2018

	Notes	2018 \$'m	2017 \$'m	Original Budget \$'m
ASSETS				
Financial assets				
Cash and cash equivalents	4.1A	57	77	38
Receivables	4.1B	63	79	120
Equity accounted investments	4.1C	1,463	1,430	1,316
Total financial assets		1,583	1,586	1,474
Non-financial assets				
Buildings	4.2A	70	5	5
Total non-financial assets		70	5	5
Total assets administered on behalf of Government		1,653	1,591	1,479
LIABILITIES				
Payables				
Personal benefits payables	4.3A	163	173	-
Health care payables	4.3B	50	47	-
Grants payables		1	-	-
Suppliers payables		30	49	38
Total payables		244	269	38
Provisions				
Employee provisions		2	2	2
Personal benefits provisions	4.4A	8,559	7,099	7,442
Health care provisions	4.4B	4,896	4,090	3,651
Total provisions		13,457	11,191	11,095
Total liabilities administered on behalf of Government		13,701	11,460	11,133
Net liabilities		(12,048)	(9,869)	(9,654)

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 2018*

	Notes	2018 \$'m	2017 \$'m
Opening assets less liabilities as at 1 July		(9,869)	(8,936)
Net (cost of)/contribution by services			
Income		17	20
Expenses			
Payments to eligible persons, their dependants and other providers		(12,763)	(11,705)
Payments to Australian War Memorial		(53)	(43)
Other comprehensive income			
Revaluations transferred to reserves		24	104
Transfers (to)/from the Australian Government			
Appropriation transfers from Official Public Account (OPA)			
Administered assets and liabilities appropriations (Australian War Memorial)		9	7
Annual appropriations			
Payments to other entities		107	100
Payments to Australian War Memorial		53	43
Special appropriations (unlimited)			
Payments to eligible persons, their dependants and other providers		10,560	10,589
Special accounts		10	12
Appropriation transfers to OPA			
Transfers to OPA		(193)	(59)
Special accounts		(15)	(1)
Changes in equity			
Asset transfer from the Department of Defence	4.2A	65	-
Closing assets less liabilities as at 30 June		(12,048)	(9,869)

Accounting PolicyAdministered 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 2018*

	Notes	2018 \$'m	2017 \$'m
OPERATING ACTIVITIES			
Cash received			
GST received		51	48
Other		26	17
Total cash received		<u>77</u>	<u>65</u>
Cash used			
Payments to employees		8	9
Personal benefits		5,934	5,989
Health payments		4,528	4,653
Grants		14	6
Payments to Australian War Memorial		53	43
Other		82	19
Total cash used		<u>10,619</u>	<u>10,719</u>
Net cash used by operating activities		<u>(10,542)</u>	<u>(10,654)</u>
INVESTING ACTIVITIES			
Cash used			
Payments to Australian War Memorial		9	7
Total cash used		<u>9</u>	<u>7</u>
Net cash used by investing activities		<u>(9)</u>	<u>(7)</u>
Net decrease in cash held		<u>(10,551)</u>	<u>(10,661)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>77</u>	<u>47</u>
Cash from Official Public Account			
Appropriations		10,729	10,739
Special Accounts		5	12
Total cash from the official public account		<u>10,734</u>	<u>10,751</u>
Cash to Official Public Account			
GST Transferred to Official Public Account		(51)	(47)
Appropriations		(142)	(12)
Special Accounts		(10)	(1)
Total cash to official public account		<u>(203)</u>	<u>(60)</u>
Cash and cash equivalents at the end of the reporting period	4.1A	<u>57</u>	<u>77</u>

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 2015* (FRR) ; 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 (DSHS) 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.

There is no change in accounting standards and interpretations that has an impact on DVA's financial statements in the current financial year.

Future Australian Accounting Standard requirements

The following new standards will have an impact in future reporting periods. The impact has not been quantified.

- AASB 16 Leases (preceded by AASB 117 Leases)
- AASB 2014-5 incorporates consequential amendments to a number of the Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 Revenue from Contracts with Customers.
- AASB 2014-7 incorporates consequential amendments to a number of the Australian Accounting Standards and Interpretations arising from the issuance of AASB 9 Financial Instruments.
- AASB 1058 Income of Not-for-Profit Entities.

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 2017-18 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

- 5.2A Special Accounts: Comparatives are adjusted to present the gross movement in investment accounts by \$26.03 million and are treated as an investment realised and an investment purchased when it flows through the DSHIS Special Account.
- A review of DSHIS Fire Brigade Levy resulted in a restatement of last year's Accumulated Deficit from \$185.20 million to \$185.55 million. (Refer to the DSHIS financial statements)

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 2017-18, 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 \$20.29 million for 2017-18 financial year (2016-17: \$19.75 million), comprising:

- \$16.42 million identified through the DVA debt register;
- \$1.64 million for 2017-18 financial year from clients moving from treatment pathway 1 to treatment pathway 2 under the Military Rehabilitation and Compensation Act 2004;
- \$0.68 million identified through DVA's internal testing of transactions; and
- \$1.55 million identified through other review processes.

Further details of the 2017-18 section 83 review are provided in Table A below.

DVA's Audit and Risk Committee and Financial and Performance 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 – 2017-18 Summary

Appropriations identified as subject to conditions	Expenditure in 2017-18	Review complete? (Yes/No)	Breaches identified to 30 June 2018		Potential breaches to date yet to be resolved		Remedial action taken or proposed ¹
			Were any breaches identified?	Total \$'000	Yes/No	Indicative extent \$'000	
	\$'000						
SPECIAL APPROPRIATIONS							
<i>Veterans' Entitlements Act 1986</i>	9,437,007	Yes	No	N/A	Yes	18,306	D,S
<i>Safety, Rehabilitation and Compensation Act 1988 / Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i>	205,838	Yes	No	N/A	Yes	42	D
<i>Military Rehabilitation and Compensation Act 2004</i>	728,744	Yes	No	N/A	Yes	1,944	D,L

¹ L= legislative change; S= systems change; P=planned; D=debt recovery

Notes to and forming part of the financial statements

1. Financial Performance

This section analyses the financial performance of DVA for 30 June 2018.

1.1. Expenses

	2018	2017
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	145,555	144,608
Superannuation		
Defined contribution plans	11,135	10,248
Defined benefit plans	17,882	18,816
Leave and other entitlements	16,131	17,616
Separation and redundancies	5,192	2,865
Payroll tax equivalent (competitive neutrality)	67	49
Other employee benefits	2,809	2,012
Total employee benefits	198,771	196,214

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	25,184	38,443
Claim processing fees	10,075	10,255
Lease expenses	6,680	7,206
Consultants	42,015	15,727
Contractors	26,933	14,570
Shared service arrangement	27,649	-
Travel	8,132	5,365
Training and development	3,360	2,392
Postage and office requisition	4,520	5,644
Printing and publications	2,077	1,673
Record management	3,579	474
Other	1,495	1,415
Total goods and services supplied or rendered	161,699	103,164

Goods supplied	7,925	6,396
Services rendered	153,774	96,768
Total goods and services supplied or rendered	161,699	103,164

Other suppliers

Operating lease rentals	20,224	21,020
Workers compensation expenses	3,987	4,727
Total other suppliers	24,211	25,747
Total suppliers	185,910	128,911

Leasing commitments**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows**

Within 1 year	21,090	22,941
Between 1 to 5 years	51,470	45,372
More than 5 years	32,571	21,522
Total operating lease commitments (gross)	105,131	89,835

Note: Commitments are GST inclusive where relevant.

Notes to and forming part of the financial statements

Accounting PolicyLeases

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.

	2018 \$'000	2017 \$'000
Note 1.1C: Insurance Activities		
Underwriting revenue		
Premium received	43,037	44,237
Total premium revenue	43,037	44,237
Less: Reinsurance expense	(6,912)	(6,945)
Net premium revenue	36,125	37,292
Underwriting expenses		
Claims expense	26,593	33,999
Less: Reinsurance and other recoveries	(723)	(1,767)
Net claims expense	25,870	32,232
Fire brigade and emergency services contributions	1,482	1,460
Acquisition costs	387	366
Total underwriting expenses	27,739	34,058
Other operating expenses¹	7,365	7,224
Underwriting result	1,021	(3,990)
Investment revenue		
Interest - deposits	1,518	1,493
Total investment revenue	1,518	1,493
Insurance agency revenue		
Insurance agency commission	2,891	2,810
Total insurance agency revenue	2,891	2,810

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

	2018			2017		
	Current year	Prior years	Total	Current year	Prior years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross incurred ¹	21,608	4,985	26,593	30,080	3,919	33,999
Less: Reinsurance and other recoveries	(215)	(508)	(723)	(1,630)	(137)	(1,767)
Net claims incurred	21,393	4,477	25,870	28,450	3,782	32,232

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.

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 ProvisionsUnearned 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

	2018	2017
Own-Source Revenue	\$'000	\$'000
Note 1.2A: Rendering of Services		
Rendering of services	6,866	7,256
Total rendering of services	6,866	7,256

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	728	731
Resources received free of charge - DHS	-	4,330
Total resources received free of charge	728	5,061

Accounting PolicyResources 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

	2018	2017
	\$'m	\$'m
Note 2.1A: Personal Benefits		
Direct		
Income support	2,164	2,330
Defence widow/ers support	1,457	1,561
Disability support	1,530	1,530
Military compensation	760	527
Military compensation - movement in provision	1,461	362
Children education scheme	14	14
Other	15	32
Total personal benefits	7,401	6,356

Accounting Policy

Payments to eligible veterans, their partners, war widow(er)s 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).

From 12 October 2017, the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA) replaced SRCA for current and former Australian Defence Force (ADF) members who have injuries or illnesses arising from their service prior to 1 July 2004.

Each of these 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

	2018	2017
	\$'m	\$'m
Note 2.1B: Health Care Payments		
Indirect		
Hospital services	1,375	1,488
Community care and support	1,211	1,319
General medical consultation and services	773	808
Counselling and other health services	602	576
Pharmaceutical benefits	321	306
Military compensation - health	175	124
Military compensation - movement in provision	838	665
Total health care payments	5,295	5,286

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

	2018	2017
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash at bank	4,776	3,771
Cash at bank (DSHS special accounts)	3,198	2,642
Total cash and cash equivalents	7,974	6,413
Note 3.1B: Trade and Other Receivables		
Goods and services receivables	2,335	840
Total goods and services receivables	2,335	840
Appropriations receivables		
Appropriations receivable	69,975	42,055
Total appropriations receivables	69,975	42,055
Other receivables		
Statutory receivables ¹	2,520	1,687
Salary recoveries	256	281
Other	574	633
Total other receivables	3,350	2,601
Total trade and other receivables (net)	75,660	45,496

Credit terms for goods and services were within 30 days (2017: 30 days).

¹Includes amounts owing from June 2018 Business Activity Statement and GST amounts on accrued expenses as at 30 June 2018.

Accounting PolicyReceivables

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	14,735	13,440
Reinsurance and other recoveries receivable	871	2,050
Total premiums and recoveries receivable	15,606	15,490
Total premiums and recoveries receivable (net)	15,606	15,490

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 PolicyReinsurance 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

PGPA Act section 58 investments		
Deposits	64,297	62,169
Total investments	64,297	62,169

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 2018						
	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 2017						
Gross book value	-	15,135	3,602	190,666	12,900	222,303
Accumulated depreciation/amortisation and impairment	-	(262)	(2,526)	(120,946)	(11,559)	(135,293)
Total as at 1 July 2017	-	14,873	1,076	69,720	1,341	87,010
Additions						
Purchase or internally developed	-	9,762	175	25,632	-	35,569
Revaluations recognised in other comprehensive income	-	654	-	-	-	654
Depreciation/amortisation	-	(4,827)	(562)	(18,476)	-	(23,865)
Other Movements	-	2	(2)	491	(491)	-
Disposals	-	-	-	-	-	-
Other	-	(770)	(99)	-	-	(869)
Total as at 30 June 2018	-	19,694	588	77,367	850	98,499
Total as at 30 June 2018 represented by						
Gross book value						
Fair value	-	19,679	3,547	-	-	23,226
Work in progress	-	920	14	-	-	934
Internally developed – in progress	-	-	-	28,314	-	28,314
Internally developed – in use	-	-	-	187,247	-	187,247
Purchased software	-	-	-	-	12,900	12,900
Accumulated depreciation/amortisation and impairment	-	(905)	(2,973)	(138,194)	(12,050)	(154,122)
Total as at 30 June 2018	-	19,694	588	77,367	850	98,499

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. Non-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 revalued by independent valuers as at 30 June 2017. A desktop revaluation was performed by independent valuers as at 30 June 2018.

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 held for sale	At cost
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	2018	2017
Buildings - Leasehold improvements	Lesser of estimated life or unexpired lease period	Lesser of estimated life or unexpired lease period
PP&E - Plant and furniture	1-10 years	7-15 years
PP&E - Office equipment	1-10 years	1-12 years
PP&E - Computer equipment	1-5 years	1-12 years

Notes to and forming part of the financial statements**Impairment**

All assets were assessed for impairment at 30 June 2018. 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 1-19 years (2016-17: 2-17 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

	2018 \$'000	2017 \$'000
Note 3.2B: Other Non-Financial Assets		
Prepayments		
Information technology	2,162	3,237
Rental agreements	2,148	1,221
Health care processing	265	648
Other prepayments	781	556
Total other non-financial assets	5,356	5,662

No indicators of impairment were found for other non-financial assets.

Notes to and forming part of the financial statements

3.3. Payables

	2018	2017
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	58,912	20,297
Lease incentive	14,643	7,713
Total suppliers	73,555	28,010

Settlement is usually made within 30 days.

Note 3.3B: Unearned Premiums

Unearned premiums	22,412	21,315
Premium received in advance	558	455
Insurance agency revenue received in advance	66	69
Total unearned premiums	23,036	21,839

Accounting PolicyUnearned Premiums

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 *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. DSHIS recognises revenue in advance at nominal value.

Note 3.3C: Other Payables

Wages and salaries	1,243	1,330
Superannuation	215	227
Separation and redundancies	5,247	852
Operating leases straight-lining	2,698	3,244
Reinsurance premiums	388	366
GST payable	23	-
Total other payables	9,814	6,019

Notes to and forming part of the financial statements

3.4. Provisions

	2018	2017
	\$'000	\$'000
Note 3.4A: Gross Outstanding Claims		
Gross outstanding claims	14,710	18,897
Less: reinsurer's liability	(871)	(2,050)
Net outstanding claims	13,839	16,847
Outstanding claims expected to be settled		
No more than 12 months	13,677	16,227
More than 12 months	162	620
Net outstanding claims	13,839	16,847

DSHS has incurred claims during 2017-18 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 12% (2017: 11%), to a central estimate of the expected present value of future payments for claims incurred of \$14,710,080 (2017: \$18,896,640), resulting in a risk margin component of \$1,576,080 (2017: \$1,872,640).

Accounting PolicyLiability 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 2018 and as such, DSHS has recognised no movement (2017: nil) and an unexpired risk liability of nil (2017: 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 2018 was \$21,475,000 (2017: \$21,315,000) and future cash flows relating to future claims under the risk associated with those premiums as advised by DSHS's independent actuaries was \$18,134,000 (2017: \$19,470,00).

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 2018. 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 2018 consists of:

- Predicting future claim payment cash flows in respect of claims incurred prior to 30 June 2018. 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 2018 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 2018:

- a) Inflation rates: 2.79% for 2017-18;
- b) Discount rates: 1.57% for 2017-18;
- c) Claims administration expenses (CAE): 5% of gross outstanding claims liability;
- d) Superimposed inflation: approximately 7.2% p.a. in the actuarial model with explicit superimposed inflation assumption;
- e) Prudential margin: 12% of central estimate (including CAE) of outstanding claims liability for 75% probability of sufficiency;
- f) Number of claims for the 2017-18 accident year: approximately 7,005; and
- g) Average claim size (in actual values) for the 2017-18 accident year (net of all recoveries): approximately \$3,678.

The following assumptions were 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.

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 2018;
- 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 2017/18 accident year: derived from actuarial models of past claim reporting patterns; and
- g) Average claim size (in actual values) for 2017/18 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

	2018	2017
	\$'000	\$'000
Note 3.4B: Other Provisions		
Provision for restoration obligations	<u>1,734</u>	<u>3,217</u>
Total other provisions	<u>1,734</u>	<u>3,217</u>

Reconciliation of other provisions

	Provision for restoration on leased property \$'000
As at 1 July 2017	3,217
Additional provisions made	(35)
Amounts used	(1,505)
Unwinding of discount or change in discount rate	57
Total as at 30 June 2018	1,734

DVA currently has 16 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

	2018	2017
	\$'m	\$'m
Note 4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	41	56
Cash in special accounts	16	21
Total cash and cash equivalents	57	77
Note 4.1B: Receivables		
Pensions ¹	50	50
Statutory receivables ²	4	4
Other receivables	12	29
Total receivables (gross)	66	83
Less Impairment allowance		
Pensions	(3)	(4)
Total impairment allowance	(3)	(4)
Total receivables (net)	63	79

¹ DVA recovers overpayments of pensions in accordance with relevant legislative requirements.

² Includes amounts owing from June 2018 Business Activity Statement and GST amounts on accrued expenses as at 30 June 2018.

**Reconciliation of the Impairment Allowance
Movements in relation to 2018**

	Pensions	Other receivables	Total
	\$'m	\$'m	\$'m
As at 1 July 2017	4	-	4
Decrease recognised in net cost of services	(1)	-	(1)
Total as at 30 June 2018	3	-	3

Movements in relation to 2017

	Pensions	Other receivables	Total
	\$'m	\$'m	\$'m
As at 1 July 2016	3	-	3
Amounts written off	1	-	1
Total as at 30 June 2017	4	-	4

Accounting PolicyReceivables

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.

Notes to and forming part of the financial statements

	2018	2017
	\$'m	\$'m
Note 4.1C: Equity Accounted Investments		
Investment in Commonwealth authorities		
Australian War Memorial ¹	1,463	1,430
Total investments accounted for using the equity method	1,463	1,430

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 2018.

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 PolicyAdministered 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 2018. 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 2018**

	Buildings	Total
	\$'m	\$'m
As at 1 July 2017		
Gross book value	5	5
Accumulated depreciation and impairment	-	-
Total as at 1 July 2017	5	5
Additions		
Transfer of Sir John Monash Centre from Department of Defence	65	65
Total as at 30 June 2018	70	70
Total as at 30 June 2018 represented by		
Gross value		
Fair value	-	-
Work in progress	70	70
Accumulated depreciation and impairment	-	-
Total as at 30 June 2018	70	70

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		
	2018	2017
	\$'m	\$'m
Note 4.3A: Personal Benefits Payables		
Direct		
Pension accruals	163	173
Total personal benefits payables	163	173
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 2018 are included as Administered Personal Benefits Payable.		
Note 4.3B: Health Care Payables		
Indirect		
Health services	50	47
Total health care payables	50	47
4.4. Administered - Provisions		
	2018	2017
	\$'m	\$'m
Note 4.4A: Personal Benefit Provisions		
Military compensation	8,559	7,099
Total personal benefit provisions	8,559	7,099
Personal benefit provisions expected to be settled		
No more than 12 months	758	496
More than 12 months	7,801	6,603
Total personal benefit provisions	8,559	7,099
Note 4.4B: Health Care Provisions		
Military compensation	4,693	3,855
Outstanding Treatment Accounts System (TAS) claims	152	160
Repatriation Pharmaceutical Benefits Scheme (RPBS)	17	16
Public Hospitals	34	59
Total health care provisions	4,896	4,090
Total health care provisions expected to be settled		
No more than 12 months	349	354
More than 12 months	4,547	3,736
Total personal benefit provisions	4,896	4,090

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 2017	7,099	3,855	160	16	59
Actuarial changes in provisions	1,075	206	-	-	-
Increase in provisions	703	293	152	17	34
Claims paid during the year	(751)	(136)	(160)	(16)	(59)
Unwinding of discount	133	67	-	-	-
Change in interest rate	300	408	-	-	-
As at 30 June 2018	8,559	4,693	152	17	34

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 (Defence-related Claims) Act 1988* (DRCA) arising from service rendered before 30 June 2018. 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:

- 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 DRCA to MRCA is likely to have distorted the claims experience over the transition period, with a jump in DRCA 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

Notes to and forming part of the financial statements

- MRCA is far from fully mature with experience available for analysis limited to a maximum of thirteen and a half years after the injury date. This needs to be compared with DRCA experience which indicates that payments can extend out to 50 years or more after the injury. While it is necessary to rely on DRCA 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.

The estimate of the DRCA liability as at 2018 derived from the 2017 valuation is around 13% higher than was projected last year (on a constant 5% discount rate basis), driven by experience in the permanent impairment head of damage. The increase in permanent impairment was a result of increasing numbers of new claimants. There is still considerable uncertainty about future outcomes for DRCA, in particular, the trajectory of future claim numbers.

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 DRCA 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 2018 derived from the 2017 valuation is around 10% higher than was projected last year (on a constant 5% discount rate basis), driven by experience in the permanent impairment head of damage. Assumptions underpinning the 2018 liability estimate have been based on unit record data to 30 June 2017 and 31 December 2017 for some heads of damage. 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 2018 for the estimated cost of claims incurred, but not necessarily reported, at the reporting date.

Notes to and forming part of the financial statements

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 2018 liability estimates are based on the results of the full valuation of the Military Compensation Scheme as at 30 June 2017. This valuation drew on unit record data to 30 June 2017 and 31 December 2017 for some heads of damage 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 2015 to 2017;
- DRCA 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;
- 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 2018 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 2018. The interest rates forming the yield curve vary from 1.9% in year 1 to a forward rate of 3.5% beyond year 40. These compare to respective rates of 1.6% and 4.6% in 2017. The net result of the change is an increase in the provision of approximately \$700 million.

This reverses the experience of the previous year, where increasing yields had led to a decrease of almost \$1 billion between 2016 and 2017. 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 DRCA 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.

Notes to and forming part of the financial statements

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% (2016-17: 4.0%);
- permanent impairment and non-economic loss (DRCA) – 5.0% (2016-17: 5.0%);
- permanent impairment (MRCA) – 2.5% (2016-17: 2.5%);
- medical – 4.0% (2016-17: 4.0%);
- rehabilitation (DRCA) – 5.0% (2016-17: 5.0%);
- rehabilitation (MRCA) – 4.0% (2016-17: 4.0%);
- death (DRCA) – 4.0% (2016-17: 4.0%);
- death (MRCA) – 2.5% (2016-17: 2.5%);
- other (Medical) (DRCA) – 6.0% (2016-17: 6.0%);
- other (Legal) (DRCA) – 3.0% (2016-17: 3.0%);
- other (Medical and Legal) (MRCA) – 6.0% (2016-17: 6.0%); and
- other (Household and Attendant Care) – 4.0% (2016-17: 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

	2018 \$m	2017 \$m
Projected Liability at beginning of financial year	10,954	9,928
Changes in estimated liability by head of damage		
Incapacity	219	325
Permanent impairment (PI) / non-economic loss	893	221
Medical	154	867
Attendant care and household services/ Medical examinations	(32)	7
Other	47	41
Total changes in estimated liability by head of damage	1,281	1,461
Revised Projected Liability at beginning of financial year	12,235	11,388
Roll forward adjustment		
Notional premiums	995	983
Payments	(886)	(610)
Imputed interest	200	175
Projected Liability at 30 June before change in interest rate	12,544	11,937
Change in interest rate	708	(983)
Projected Liability at 30 June	13,252	10,954

The movement in the liability is the net effect of changes in assumptions as a result of analysis of new data that was not available as at 30 June 2017, the allowance for liabilities incurred or met over 2017-18 and the impact of the increase in yields between 30 June 2017 and 30 June 2018.

In terms of modelling and assumption changes, the major factors are:

- an increase in the permanent impairment liability of \$893 million, as a result of increasing claims experience and a MRCA claim backlog which is likely to increase outlays in the short term;

Notes to and forming part of the financial statements

- an increase in forecast incapacity costs of \$219 million in total across both DRCA and MRCA, due primarily to increased projected claim numbers and
- an increase in the medical liability of \$154 million, primarily attributable to an increased number of claimants in MRCA.

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 2017-18 Financial Statements, DVA has used a yield curve derived from the yields on Commonwealth Government securities as at 30 June 2018.

If the yield curve as at 30 June 2017 (rolled forward to 2018) continued to be used the liability would increase to \$12,544 million. Alternatively if the long term discount rate used in the 2017 actuarial review (5.0%) was used, the estimated liability at 30 June 2018 would reduce to \$10,266 million.

Sensitivity Analysis

Given the changes in experience observed over recent years, there is necessarily considerable uncertainty around the assumptions to be adopted. The AGA has provided some advice on the sensitivity of the liability estimate to some of the key assumptions for two of the larger 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 three subsequent years but they remain 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 7%.

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 upper bound on the sensitivity to this assumption, results in an increase in the MRCA medical liability of around 20%.

Notes to and forming part of the financial statements

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 DRCA.

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 2018. 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 2018. 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.

Notes to and forming part of the financial statements

5. Funding

This section identifies DVA's funding structure.

5.1. Appropriations

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2018

	Annual appropriation ¹ \$'000	Adjustments to appropriation ² \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance ³ \$'000
Departmental					
Ordinary annual services	368,346	6,330	374,676	(346,379)	28,297
Capital Budgets ⁴	13,634	-	13,634	(13,469)	165
Other services					
Equity	12,526	-	12,526	(13,068)	(542)
Total departmental	394,506	6,330	400,836	(372,916)	27,920
Administered					
Ordinary annual services					
Administered items	119,821	-	119,821	(103,496)	16,325
Payments to Australian War Memorial	53,040	-	53,040	(53,040)	-
Other services					
Payments to Australian War Memorial	8,980	-	8,980	(8,980)	-
Total administered	181,841	-	181,841	(165,516)	16,325

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 2016-17, \$0.419 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.

(b) In 2016-17, \$0.250 million funds were quarantined from the Administered Appropriations Act 3 as a result of the Movement of Funds process. They were related to the Military Rehabilitation and Compensation Acts – Income Support and Compensation program.

(c) In 2016-17, \$1 million funds were quarantined from the Administered Appropriations Act 3 as a result of the Movement of Funds process. They were related to the Veterans' Counselling and Other Health Services program.

2. The adjustments to appropriation of \$6.330 million were related to the PGPA Act Section 74 receipts for 2017-18.

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). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Notes to and forming part of the financial statements

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive') (continued)

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					
Administered items	108,653	-	108,653	(79,131)	29,522
Payments to Australian War Memorial	42,720	-	42,720	(42,720)	-
Other services	-	-	-	-	-
Administered assets and liabilities	7,154	-	7,154	(7,154)	-
Payments to Australian War Memorial	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.

Notes to and forming part of the financial statements

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')

	2018 \$'000	2017 \$'000
Departmental		
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
Appropriation Act (No. 1) 2017-18 ¹	59,319	-
Appropriation Act (No. 1) 2017-18 (DCB)	10,353	-
Appropriation Act (No. 2) 2017-18	3,090	-
Appropriation Act (No. 3) 2017-18	1,997	-
Appropriation Act (No. 4) 2017-18	3,190	-
Total departmental	77,949	48,468
Administered		
Appropriation Act (No. 2) 2014-15	-	179
Appropriation Act (No. 1) 2015-16	2,149	2,149
Appropriation Act (No. 3) 2015-16	151	362
Appropriation Act (No. 1) 2016-17	6,484	9,077
Appropriation Act (No. 3) 2016-17	4,971	4,972
Appropriation Act (No. 1) 2017-18	11,961	-
Appropriation Act (No. 3) 2017-18	5,841	-
Total administered	31,557	16,739

¹Departmental: *Appropriation Act (No. 1) 2017-18* includes closing cash balance of \$7,974,000. *Appropriation Act (No. 1) 2016-17* includes closing cash balance of \$6,413,000.

Notes to and forming part of the financial statements

Note 5.1C: Special Appropriations ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2018 \$'000	2017 \$'000
<i>Veterans' Entitlements Act 1986</i> , s.199, Administered	9,437,007	9,912,957
<i>Papua New Guinea (Members of the Forces Benefits) Act 1957</i> , s.8A, Administered	27	11
<i>Defence Service Homes Act 1918</i> , s.41, Administered	635	837
<i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i> , s.160, Administered	205,838	181,823
<i>Military Rehabilitation and Compensation Act 2004</i> , s.423, Administered	728,744	449,694
<i>Australian Participants in British Nuclear Tests and British Commonwealth Occupation Force (Treatment) Act 2006</i> , s.49, Administered	6,831	371
<i>Compensation (Japanese Internment) Act 2001</i> , s.13, Administered	25	-
<i>Public Governance, Performance and Accountability Act 2013</i> , s.77, Administered	100	-
<i>Investment of public money: Public Governance, Performance and Accountability Act 2013</i> , s.58, Departmental and Administered	27,592	37,576 ¹
Total	10,406,799	10,583,269

¹The appropriation applied was disclosed on a net basis in the 2016-17 DSHIS 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
2018	\$'000	\$'000
Total receipts	47,965	79,888
Total payments	(47,997)	(79,851)
	Department of Social Services	Department of Defence
2017	\$'000	\$'000
Total receipts	51,081	73,721
Total payments	(50,999)	(73,506)

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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	289	79	165	2,642	2,171	170	216	20,866	9,399
Increases										
Royalties received	-	6	-	-	-	-	-	-	-	-
Realised investments	-	-	1,660	1,590	24,364	32,592	-	-	-	-
Premiums received	-	-	22	35	42,941	42,762	-	-	-	-
Other receipts	-	-	79	26	6,746	4,697	87	73	9,837	12,137
Total increases	-	6	1,761	1,651	74,051	80,051	87	73	9,837	12,137
Available for payments	-	295	1,840	1,816	76,693	82,222	257	289	30,703	21,536
Decreases										
Departmental										
Claim payments	-	-	-	-	(30,779)	(28,392)	-	-	-	-
Reinsurance premiums paid	-	-	-	-	(6,889)	(7,055)	-	-	-	-
Other payments	-	-	-	-	(9,335)	(8,027)	-	-	-	-
Total departmental	-	-	-	-	(47,003)	(43,474)	-	-	-	-
Relevant money										
Payments made for ad-hoc requests	-	-	-	(5)	-	-	-	-	-	-
Payments made to beneficiaries on attaining 18 years of age	-	-	(628)	(262)	-	-	-	-	-	-
PGPA Act section 58 investments	-	-	(1,100)	(1,470)	(26,492)	(36,106)	-	-	-	-
Other payments made	-	(295)	-	-	-	-	(60)	(119)	(14,350)	(670)
Total relevant money	-	(295)	(1,728)	(1,737)	(26,492)	(36,106)	(60)	(119)	(14,350)	(670)
Total decreases	-	(295)	(1,728)	(1,737)	(73,495)	(79,580)	(60)	(119)	(14,350)	(670)
Total balance carried to the next period	-	-	112	79	3,198	2,642	197	170	16,353	20,866
Balance represented by:										
Cash held in entity bank accounts	-	-	112	79	-	-	197	170	-	-
Cash held in the Official Public Account	-	-	-	-	3,198	2,642	-	-	16,353	20,866
Total balance carried to the next period	-	-	112	79	3,198	2,642	197	170	16,353	20,866

Notes to and forming part of the financial statements

- 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: *PGPA Act (Military Death Claim Compensation Special Account 2015 - Establishment) Determination 2015/08*
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.

Notes to and forming part of the financial statements

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	2018	2017
	\$'000	\$'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	126	194
Receipts	9	2
Other payments	-	(70)
Closing balance	135	126
Represented by:		
Cash	135	126
Total	135	126

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

	2018	2017
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Annual leave	18,524	20,081
Long service leave	44,294	48,236
Other employee provisions	374	352
Total employee provisions	63,192	68,669
Employee provisions expected to be settled		
No more than 12 months	17,076	18,893
More than 12 months	46,116	49,776
Total employee provisions	63,192	68,669

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 2018 represents outstanding contributions.

Notes to and forming part of the financial statements

6.2. Key Management Personnel Remuneration

	2018 \$'000	2017 \$'000
	Substantive managers	Substantive managers
Short-term employee benefits	1,758,486	2,095,866
Post-employment benefits	239,424	328,118
Other long-term employee benefits	217,942	226,057
Total key management personnel remuneration expenses¹	2,215,852	2,650,041

The total number of senior management personnel that are included in the above table is 7. (2017: 7)

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 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.

Notes to and forming part of the financial statements

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	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Contingent liabilities				
Balance from previous period	33,900	35,024	33,900	35,024
Re-measurement	5,608	(1,124)	5,608	(1,124)
Total contingent liabilities	39,508	33,900	39,508	33,900
Net contingent liabilities	39,508	33,900	39,508	33,900

Quantifiable Contingencies

The indemnity of \$39,508,000 (2017: \$33,900,000) 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 (2017: nil).

Unquantifiable Administered Contingencies

As at 30 June 2018 DVA had no legal claims against it that DVA is defending which could give rise to gains or losses.

Notes to and forming part of the financial statements

7.2. Financial Instruments

	Notes	2018 \$'000	2017 \$'000
Note 7.2A: Categories of Financial Instruments			
Financial Assets			
Held-to-maturity investments			
Investments	3.1D	64,297	62,169
Total held-to-maturity investments		64,297	62,169
Loans and receivables			
Cash and cash equivalents	3.1A	7,974	6,413
Trade receivables	3.1B	2,335	840
Premiums and recoveries receivables	3.1C	15,606	15,490
Other receivables	3.1B	574	633
Total loans and receivables		26,489	23,376
Total financial assets		90,786	85,545
Financial Liabilities			
Financial liabilities measured at amortised cost			
Payables - suppliers	3.3A	58,912	20,297
Gross outstanding claims	3.4A	14,710	18,897
Other payables - reinsurance premiums	3.3C	388	366
GST payable	3.3C	23	-
Total financial liabilities measured at amortised cost		74,033	39,560
Total financial liabilities		74,033	39,560

Accounting Policy**Financial Assets**

DVA classifies its financial assets in the following categories:

- a) held-to-maturity investments;
- b) available-for-sale financial assets; and
- c) 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.

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

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.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Notes to and forming part of the financial statements**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).

	Notes	2018 \$'000	2017 \$'000
Note 7.2B: Net Gains or Losses from Financial Assets			
Held-to-maturity investments			
Interest revenue	1.1C	<u>1,518</u>	<u>1,493</u>
Net gains on held-to-maturity investments		<u>1,518</u>	<u>1,493</u>
Net gains on financial assets		<u>1,518</u>	<u>1,493</u>

Net income/expense from financial assets not at fair value through the profit or loss is nil (2017: nil).

Note 7.2C: Net Gains or Losses from Financial Liabilities

There was no income or expense from financial liabilities.

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 2018 net provision to various changes in assumptions

Item	Amount		Change from final estimate				Note
	2018 \$'000	2017 \$'000	2018 \$'000	2018 %	2017 \$'000	2017 %	
Net liability, including prudential margin	14,286	17,759	-	-	-	-	(a)
Inflation +1%	14,346	17,791	60	0.4	32	0.2	(b)
Inflation -1%	14,226	17,729	(60)	-0.4	(30)	-0.2	(b)
Discount +1%	14,205	17,674	(81)	-0.6	(85)	-0.5	(c)
Discount -1%	14,370	17,846	84	0.6	87	0.5	(c)
Superimposed inflation +1%	14,347	17,791	61	0.4	32	0.2	(d)
Superimposed inflation - 1%	14,226	17,727	(60)	-0.4	(32)	-0.2	(d)
10% more IBNR claims in PPCI models	14,366	17,857	80	0.6	98	0.6	(e)
10% less IBNR claims in PPCI models	14,206	17,661	(80)	-0.6	(98)	-0.6	(e)

Notes:

(a) Net provisions, including prudential margin:

	2018 \$'000	2017 \$'000
Estimated gross outstanding claims	15,463	20,645
Less: Estimated outstanding recoveries	1,177	2,886
Net outstanding claims (incl GST and claims administration)	14,286	17,759
Less: GST	754	1,749
Net outstanding claims (incl claims administration expense)	13,532	16,010

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			
		2018	2017
		\$'m	\$'m
Note 7.3A: Categories of Financial Instruments			
Financial Assets	Notes		
Loans and receivables			
Cash and cash equivalents	4.1A	<u>57</u>	<u>77</u>
Total loans and receivables		<u>57</u>	<u>77</u>
Available-for-sale financial assets			
Investments in Commonwealth entities	4.1C	<u>1,463</u>	<u>1,430</u>
Total available-for-sale financial assets		<u>1,463</u>	<u>1,430</u>
Total financial assets		<u>1,520</u>	<u>1,507</u>
Financial Liabilities			
Financial liabilities measured at amortised cost			
Health care payables	4.3B	<u>50</u>	<u>47</u>
Grants payables		<u>1</u>	<u>-</u>
Other payables		<u>30</u>	<u>49</u>
Total financial liabilities measured at amortised cost		<u>81</u>	<u>96</u>
Total financial liabilities		<u>81</u>	<u>96</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 desktop revaluation of all non-financial assets at 30 June 2018. 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.

Note 7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2018	2017
	\$'000	\$'000
Non-financial assets³		
Leasehold improvements	19,694	14,873
Property, plant and equipment	588	1,076
Total non-financial assets	20,282	15,949
Total fair value measurements of assets in the statement of financial position	20,282	15,949

A single non-financial asset was measured at fair value on a non-recurring basis as at 30 June 2018 \$1,350,000 (2017: \$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.

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 are higher than budget \$66.1 million, largely reflect the appropriations receivable (\$28.3 million) and timing relating to payment of suppliers (\$39.5 million).	Cash and cash equivalents and Trade and other receivables (Statement of Financial Position)
The variance of \$8.8 million for land and Building, property, plant and equipment, intangible 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)
Premium increases were implemented from 1 January 2018 with an average increase of 4% applied. DSHIS also trialled a dedicated sales team which has had great success in selling new policies. This has resulted in higher than budgeted unearned revenue	Premiums and recoveries receivable (Statement of Financial Position), Unearned premiums (Statement of Financial Position)
No budget was provided against the land, reclassified in 2015-16 to assets held for sale.	Assets held for sale (Statement of Financial Position)
The suppliers cost is higher than budget \$54.5 million which reflects the additional costs associated with project related work and timing of payments.	Suppliers, Other payables (Statement of Financial Position)
DSHIS' claims expenses were lower than budget due to a benign claims experience, There were no major catastrophe events during 2017-18. However due to Cyclone Debbie occurring late in 2016-17 there were a higher than budgeted amount of claim payments paid in 2017-18 as these claims were finalised.	Claims expense (Statement of Comprehensive Income), Claim payments (Cash Flow Statement)
Other payables are higher than originally budgeted by \$4.6 million which relate to separations and redundancies.	Other payables (Statement of Financial Position)
Employee expenditure is \$10.9 million above the original budget due to budgeting for reductions in FTE numbers.	Employee expense (Statement of Comprehensive Income), Employee provision (Statement of Financial Position)
DSHIS' outstanding claims provision is lower than budget (\$7.7million) due to a lack of catastrophe events as discussed above. There were only a small number of claims relating to previous years outstanding which has also reduced the amount of the provision.	Gross outstanding claims (Statement of Financial Position)
DSHIS' rate of return on the investment portfolio has been higher than budgeted due to recent changes in the investment policy which allows more of the portfolio to be invested in term deposits.	Interest (Statement of Comprehensive Income), Interest (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 \$1,496 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 \$1,172 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>. The \$298 million overspend is mainly related to the increased Permanent Impairment payments driven by the increased number of claims and improvements in claims processing times.</p>	<p>Personal Benefits (Administered Schedule of Comprehensive Income)</p>
<p>The variance of \$359 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 \$730 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 \$104 million underspend due to a declining treatment population and price stability for public hospitals.</p> <p>- <i>Veterans' Community Care and Support</i>. There was a \$150 million underspend mainly due to Residential Care. This is consistent with the decreasing number of veteran clients in residential aged care.</p> <p>- <i>Veterans' Counselling and Other Health Services</i>. The decrease of \$76 million was mainly due to an underspend of \$42 million related to the British Nuclear Tests health care program, as well as reduced frequency of claims by providers and veterans in the Travel for Treatment program (\$30 million).</p>	<p>Health care payments (Administered Schedule of Comprehensive Income)</p>
<p>The increase of \$19 million includes the additional cash drawdown that occurred on 30 June 2018, as well as the recognition of special accounts balances as cash as a result of changes in the special accounts reporting requirements.</p>	<p>Cash and cash equivalents (Administered Statement of Financial Position)</p>
<p>The decrease of \$57 million is primarily driven by the reduction of cash advances (\$28 million) to the Repatriation Pharmaceutical Benefits Scheme in relation to pharmaceutical and medical payments made to clients, reclassification of \$9 million as a result of change in special accounts reporting requirements, \$14 million decrease in the debt recoveries, and \$5 million reduction in relation to residential care.</p>	<p>Receivables (Administered Statement of Financial Position)</p>
<p>The variance of \$65 million represents the increase in the Asset Under Construction balance in relation to the Sir John Monash Centre.</p>	<p>Non-financial assets (Administered Statement of Financial Position); Revaluations transferred from Reserves (Administered Statement of Comprehensive Income)</p>

Notes to and forming part of the financial statements

The increase of \$147 million primarily reflects the increase in the net asset position of the Australian War Memorial as at 30 Jun 2018.	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 2017-2018

Table of Contents	
Independent Auditor's report	180
Statement by the Secretary and General Manager	182
Statement of Comprehensive Income	183
Statement of Financial Position	184
Statement of Changes in Equity	185
Cash Flow Statement	186
Notes to and forming part of the Financial Statements	187



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 2018:

- (a) are in all material respects based on, and in agreement with, proper accounts and records;
- (b) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (c) present fairly the financial position of the Defence Service Homes Insurance Scheme as at 30 June 2018 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 2018 and for the year then ended:

- Statement by the Secretary and General Manager;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Notes to and forming part of the financial statements, comprising an Overview 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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.

Secretary of the Department of Veterans' Affairs' Responsibility for the Financial Statements

The Secretary of the Department of Veterans' Affairs is responsible under the *Defence Service Homes Act 1918* for the preparation and fair presentation of annual financial statements that comply with the form approved by the Finance Minister, being the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* which incorporates Australian Accounting Standards – Reduced Disclosure Requirements. The Secretary is also responsible for keeping proper accounts and records and 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 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 Secretary is also responsible for disclosing, as applicable, matters related to going concern 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 Secretary;
- conclude on the appropriateness of the Secretary'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
12 September 2018

Statement by the Secretary and General Manager

The accompanying financial statements of the Defence Service Homes Insurance Scheme for the year ended 30 June 2018 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*.

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, and are in all material respects based on, and in agreement with, proper accounts and records.

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.....



Liz Cosson AM CSC
Secretary, Department of Veterans' Affairs

12
September 2018

Signed.....



Karen Pickering
General Manager, Defence Service Homes Insurance Scheme

12 September 2018

Defence Service Homes Insurance Scheme
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2018

	Notes	2018 \$'000	2017 Restated ¹ \$'000	Original Budget 2018 \$'000
NET COST OF SERVICES				
Claims expense				
Claims expense		26,593	33,999	27,700
Less: Reinsurance and other recoveries	3.1A	(723)	(1,767)	-
Net claims expense		25,870	32,232	27,700
Premium revenue				
Insurance premium revenue		43,037	44,237	43,000
Less: Reinsurance expense		(6,912)	(6,945)	(8,000)
Net premium revenue		36,125	37,292	35,000
Operating expense				
Employee benefits equivalent	1.1A	3,411	3,632	4,200
Fire brigade and emergency services contributions		1,482	1,460	1,400
Suppliers	1.1B	3,879	3,517	3,325
Amortisation		75	75	75
Acquisition costs		387	366	400
Total operating expense		9,234	9,050	9,400
Underwriting result		1,021	(3,990)	(2,100)
Own-Source Income				
Own-source revenue				
Commissions received	1.2A	2,891	2,810	3,100
Interest	1.2B	1,518	1,493	1,300
Resources received free of charge	1.2C	58	56	57
Total own-source revenue		4,467	4,359	4,457
Total own-source income		4,467	4,359	4,457
Net contribution by/(cost of) services		5,488	369	2,357
Revenue from Government	1.2D	120	120	120
Surplus/(Deficit) attributable to the Australian Government		5,608	489	2,477
Other comprehensive income		-	-	-
Total comprehensive income/(loss) attributable to the Australian Government		5,608	489	2,477

1. Refer to Overview section for details

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 7. Budget figures are as per the original PBS.

Defence Service Homes Insurance Scheme
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$'000	2017 Restated ¹ \$'000	Original Budget 2018 \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	3,198	2,642	3,511
Trade and other receivables	2.1B	16,114	16,294	12,500
Investments	2.1C	64,297	62,169	66,655
Total financial assets		83,609	81,105	82,666
Non-financial assets				
Intangibles	2.2A	230	305	230
Other non-financial assets	2.2B	98	48	2,000
Total non-financial assets		328	353	2,230
Total assets		83,937	81,458	84,896
LIABILITIES				
Payables				
Suppliers	2.3A	6,272	6,456	4,500
Unearned revenue	3.1C	23,036	21,839	18,000
Other payables	2.3B	411	366	1,500
Total payables		29,719	28,661	24,000
Provisions				
Gross claims outstanding	3.1B	14,710	18,897	22,396
Total provisions		14,710	18,897	22,396
Total liabilities		44,429	47,558	46,396
Net assets		39,508	33,900	38,500
EQUITY				
Retained surplus		39,508	33,900	38,500
Total equity		39,508	33,900	38,500

1. Refer to Overview section for details

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 7. Budget figures are as per the original PBS.

Defence Service Homes Insurance Scheme
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2018

	2018	2017	Original Budget
	\$'000	Restated ¹	2018
	\$'000	\$'000	\$'000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	33,900	35,024	36,023
Adjustment for errors	-	(1,613)	-
Adjustment for changes in accounting policies	-	-	-
Adjusted opening balance	33,900	33,411	36,023
Comprehensive income			
Surplus/(Deficit) for the period	5,608	489	2,477
Other comprehensive income	-	-	-
Total comprehensive income	5,608	489	2,477
Total comprehensive income attributable to Australian Government	5,608	489	2,477
Closing balance at 30 June	39,508	33,900	38,500
Closing balance attributable to Australian Government	39,508	33,900	38,500

1. Refer to Overview section for details

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 7. Budget figures are as per the original PBS.

Defence Service Homes Insurance Scheme**CASH FLOW STATEMENT***for the period ended 30 June 2018*

			Original Budget 2018 \$'000
	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash received			
Premiums received		43,000	42,762
Commissions received		2,888	2,818
Interest		1,613	1,252
GST received		224	-
Receipts from Government		120	120
Reinsurance and other recoveries		1,902	507
Total cash received		49,747	47,459
Cash used			
Claim payments		30,780	28,392
Employees		3,411	3,632
Suppliers		4,113	2,651
Fire brigade and emergency services contributions		1,482	1,143
Reinsurance premiums		6,890	7,055
Net GST paid		-	235
Acquisition costs		387	366
Total cash used		47,063	43,474
Net cash from/(used by) operating activities		2,684	3,985
INVESTING ACTIVITIES			
Cash received			
Investments realised		24,364	32,592
Total cash received		24,364	32,592
Cash used			
Purchase of investments		26,492	36,106
Total cash used		26,492	36,106
Net cash from/(used by) investing activities		(2,128)	(3,514)
Net increase in cash held		556	471
Cash and cash equivalents at the beginning of the reporting period		2,642	2,171
Cash and cash equivalents at the end of the reporting period	2.1A	3,198	2,642

The above statement should be read in conjunction with the accompanying notes.

For budgetary reporting information refer to Note 7. Budget figures are as per the original PBS.

The cash related to investing activities was disclosed on a net basis in the 2016-17 financial statements.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

Index to Notes

Overview	188
1. Financial Performance.....	191
1.1. Expenses	191
1.2. Own-Source Income and Gains	192
2. Financial Position.....	193
2.1. Financial Assets.....	193
2.2. Non-Financial Assets.....	194
2.3. Payables	195
3. Insurance underwriting activities	196
3.1. Insurance underwriting activities	196
4. Funding.....	199
4.1. Appropriations.....	199
4.2. Special Accounts	199
5. People and Relationships.....	200
5.1. Related Party Disclosures	200
6. Managing Uncertainties.....	201
6.1. Contingent Assets and Liabilities.....	201
6.2. Financial instruments.....	201
6.3. Risk Management.....	203
7. Other Information.....	205
7.1. Explanations of Major Budget Variances	205

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

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 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*; 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 period ended 30 June 2018

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.

Future Australian Accounting Standards

The following new standards will have a disclosure impact only in future reporting periods, the impact has not yet been quantified:

- AASB 2014-5 incorporates consequential amendments to a number of the Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 Revenue from Contracts with Customers.
- AASB 2014-7 incorporates consequential amendments to a number of the Australian Accounting Standards and Interpretations arising from the issuance of AASB 9 Financial Instruments.
- AASB 1058 Income of Not-for-Profit Entities.

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.

Investments Cash Flow Movements

In 2017-18, DSHIS has used "gross-up" figures to account for movements in its Investment accounts as reported in its Cash Flow Statement and Note Disclosure on Special Accounts. The prior year comparatives have been adjusted to conform to the changes in presentation for the current financial year. Comparatives are adjusted to account for the gross movement in investment accounts and are treated as an investment realised and an investment purchased when it flows through the DSHIS Special Account.

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

Correction of Prior Period Errors - Fire Services Levy

A fire services levy is charged by the NSW Government on insurers who issue insurance policies. Insurers are allowed to pass on this cost to policyholders. The levy is used to fund the metropolitan and rural fire services in NSW. The amount of levy charged to an insurer is based on the amount of premium written in a financial year. The levy is paid in quarterly instalments in advance.

In 2018 it was identified that the levy collected from policyholders was being incorrectly recognised on the inception of the policy rather than over the life of the policy on a similar basis to premium revenue. As this change in treatment impacted the prior year's results, DSHIS adjusted the fire services levy revenue which resulted in an increase in revenue of \$0.965m which represents unearned revenue which was recorded as revenue in 2015-16.

The fire services levy expense was also not being fully recognised in accordance with the obligation to NSW Government. The expense was being recognised as a prepayment with an asset representing the prepaid portion of the fire services levy which had not been earned yet. DSHIS adjusted the fire services levy expense to recognise the full cost in 2016-17 which resulted in a decrease in expenses of \$0.304m which represents the unwinding of prepaid expenses in 2015-16. The prepaid asset was also removed which resulted in a \$0.344m reduction in other non-financial assets.

This was an error in accounting treatment only and did not impact on DSHIS's obligations to NSW Government or the amount of fire services levy collected from policyholders.

The below table shows the affected line items of the financial statements:

	Actual in 2017 \$'000	Correction of Error \$'000	Restated Actual 2017 \$'000
Statement of Comprehensive Income			
Premium revenue			
Insurance premium revenue	43,272	965	44,237
Net premium revenue	36,327	965	37,292
Operating expense			
Fire brigade and emergency services contributions	1,764	(304)	1,460
Total operating expenses	9,354	(304)	9,050
Underwriting result	(5,259)	1,269	(3,990)
Surplus/(Deficit) attributable to the Australian Government	(780)	1,269	489
Statement of Financial Position			
ASSETS			
Financial assets			
Other non-financial assets	392	(344)	48
Total non-financial assets	697	(344)	353
Total assets	81,802	(344)	81,458
Net assets	34,244	(344)	33,900
EQUITY			
Retained surplus	34,244	(344)	33,900
Total equity	34,244	(344)	33,900

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

1. Financial Performance

This section analyses the financial performance of DSHIS for the year ended 2018.

1.1. Expenses

	2018 \$'000	2017 \$'000
Note 1.1A: Employee benefits equivalent		
Wages and salaries	2,885	3,080
Superannuation		
Defined contribution plans	292	280
Defined benefit plans	216	258
Leave and other entitlements	18	14
Total employee benefits	3,411	3,632

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 2018 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	816	742
Contractors	2,042	1,795
Travel	71	53
IT services	579	595
Other	371	332
Total goods and services supplied or rendered	3,879	3,517
Goods supplied	143	80
Services rendered	3,736	3,437
Total goods and services supplied or rendered	3,879	3,517

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

1.2. Own-Source Income and Gains

Own-Source Revenue	2018	2017
	\$'000	\$'000
<u>Note 1.2A: Commissions received</u>		
Insurance agency commission	<u>2,891</u>	<u>2,810</u>
Total commissions received	<u>2,891</u>	<u>2,810</u>

Accounting Policy

Commissions received revenue is recognised when it becomes due to the Scheme.

Note 1.2B: Interest

Deposits	<u>1,518</u>	<u>1,493</u>
Total Interest	<u>1,518</u>	<u>1,493</u>

Note 1.2C: Resources received free of charge

Remuneration of auditors	<u>58</u>	<u>56</u>
Total resources received free of charge	<u>58</u>	<u>56</u>

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 1.2D: Revenue from Government

Interest appropriations	<u>120</u>	<u>120</u>
Total revenue from Government	<u>120</u>	<u>120</u>

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.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

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

	2018 \$'000	2017 \$'000
<u>Note 2.1A: Cash and cash equivalents</u>		
Cash at bank	3,198	2,642
<i>Total cash and cash equivalents</i>	3,198	2,642
<u>Note 2.1B: Trade and other receivables</u>		
Goods and services receivables		
Premiums receivable	14,735	13,440
Other receivables		
GST receivable	-	201
Recoveries receivable	871	2,050
Interest receivable	508	603
<i>Total trade and other receivables</i>	16,114	16,294

Receivables past 90 days are not considered impaired as policies are cancelled after this period if not paid.

Note 2.1C: Investments

Deposits	64,297	62,169
<i>Total investments</i>	64,297	62,169

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 period ended 30 June 2018

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 2018

	Intangibles \$'000
As at 1 July 2017	
Gross book value	4,088
Accumulated amortisation and impairment	(3,783)
Total as at 1 July 2017	305
 Amortisation expense	 (75)
Total as at 30 June 2018	230
 Total as at 30 June 2018 represented by	
Gross book value	4,088
Accumulated amortisation and impairment	(3,858)
Total as at 30 June 2018	230

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 (2016-17: 10 years).

Impairment

All intangible assets were assessed for impairment at 30 June 2018. 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.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000
Note 2.2B: Other non-financial assets		
Prepaid fire brigade and emergency services contributions ¹	-	-
Other prepayments	98	48
Total other non-financial assets	98	48

No indicators of impairment were found for other non-financial assets.

1. Refer to Overview section for details.

2.3. Payables

	2018 \$'000	2017 \$'000
Note 2.3A: Suppliers		
Trade creditors	4,440	4,202
Accrued expenses	1,832	2,254
Total suppliers	6,272	6,456

Settlement is usually made net 30 days.

Note 2.3B: Other payables		
Reinsurance premiums	388	366
GST payable	23	-
Total other payables	411	366

Settlement is usually made net 30 days.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

3. Insurance underwriting activities

This section describes DSHIS's insurance underwriting activities.

3.1. Insurance underwriting activities

	2018	2017
	\$'000	\$'000
Note 3.1A: Reinsurance and other recoveries		
Reinsurance recoveries	483	1,416
Other recoveries	240	351
Total reinsurance and other recoveries	723	1,767

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	14,710	18,897
Less: reinsurers liability	(871)	(2,050)
Net claims outstanding	13,839	16,847

The Scheme has incurred claims during 2017-18 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 12% (2017: 11%), to a central estimate of the expected present value of future payments for claims incurred of \$14,710,080 (2017: \$18,896,640), resulting in a risk margin component of \$1,576,080 (2017: \$1,872,640).

No unexpired risk liability is necessary for 2018 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 2018 and as such, the Scheme has recognised no movement (2017: nil) and an unexpired risk liability of nil (2017: 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 2018 was \$21,475,000 (2017: \$21,315,000) and future cash flows relating to future claims under the risk associated with those premiums as advised by the Scheme's independent actuaries was \$18,134,000 (2017: \$19,470,000).

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

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 2018. 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 2018 consists of:

- Predicting future claim payment cash flows in respect of claims incurred prior to 30 June 2018. 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 2018 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 2018:

- **Inflation rates:** 2.79% for 2017-18;
- **Discount rates:** 1.57% for 2017-18;
- **Claims administration expenses (CAE):** 5% of gross outstanding claims liability;
- **Superimposed inflation:** approximately 7.2% p.a. in the actuarial model with explicit superimposed inflation assumptions;
- **Prudential margin:** 12% of net central estimate (including CAE) of outstanding claims liability for 75% probability of sufficiency;
- **Number of claims for the 2017-18 accident year:** approximately 7,005; and
- **Average claim size (in actual values) for the 2017-18 accident year (net of all recoveries):** approximately \$3,678.

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.

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 period ended 30 June 2018

- **Discount rates:** derived from a yield curve fitted to the actual yields on Commonwealth Government bonds as at 30 June 2018;
- **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 2017-18 accident year:** derived from actuarial models of past claim reporting patterns;
- **Average claim size (in actual values) for 2017-18 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.

	2018	2017
	\$'000	\$'000
Note 3.1C: Unearned revenue		
Unearned premiums	22,970	21,770
Insurance agency revenue received in advance	66	69
Total unearned revenue	23,036	21,839

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

	2018			2017		
	Current year	Prior years	Total	Current year	Prior years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross incurred*	21,608	4,985	26,593	30,080	3,919	33,999
Less: Reinsurance and other recoveries	(215)	(508)	(723)	(1,630)	(137)	(1,767)
Net claims incurred	21,393	4,477	25,870	28,450	3,782	32,232

*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.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

4. Funding

This section identifies DSHIS's funding structure.

4.1. Appropriations

Note 4.1A: Special appropriations applied ('recoverable GST exclusive')

	Appropriation applied	
	2018	2017
Authority	\$'000	\$'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>		
	26,492	36,106
Total special appropriations applied	26,492	36,106

The appropriation applied was disclosed on a net basis in the 2016–17 financial statements.

4.2. Special Accounts

Note 4.2A: Special accounts (recoverable GST exclusive)

	Defence Service Homes Insurance Account	
	2018	2017
	\$'000	\$'000
Balance brought forward from previous period	2,642	2,171
Premiums received	42,941	42,762
Other receipts	6,746	4,697
Investments credited to the special account	24,364	32,592
Total increases	74,051	80,051
Available for payments	76,693	82,222
Decreases		
Departmental		
Claim payments	(30,779)	(28,392)
Reinsurance premiums paid	(6,889)	(7,055)
Other payments	(9,335)	(8,027)
PGPA Act section 58 investments	(26,492)	(36,106)
Total departmental	(73,495)	(79,580)
Total decreases	(73,495)	(79,580)
Total balance carried to the next period	3,198	2,642
Balance represented by:		
Cash held in the Official Public Account	3,198	2,642
Total balance carried to the next period	3,198	2,642

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.

The 'Investments credited to the special account' and 'PGPA Act section 58 investments' figures were disclosed on a net basis in the 2016–17 financial statements.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

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.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

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 2018 (nil at 30 June 2017).

Unquantifiable Contingencies

The Scheme had no unquantifiable contingencies as at 30 June 2018 (nil at 30 June 2017).

6.2. Financial instruments

	2018 \$'000	2017 \$'000
Note 6.2A: Categories of financial instruments		
Financial Assets		
Held-to-maturity investments		
Investments	64,297	62,169
Total held-to-maturity investments	64,297	62,169
Loans and receivables		
Cash and cash equivalents	3,198	2,642
Trade and other receivables	16,114	16,093
Total loans and receivables	19,312	18,735
Total financial assets	83,609	80,904
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	6,272	6,456
Other payables	411	366
Outstanding claims	14,710	18,897
Total financial liabilities measured at amortised cost	21,393	25,719
Total financial liabilities	21,393	25,719

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.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

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.

	2018	2017
	\$'000	\$'000
<u>Note 6.2B: Net gains or losses on financial assets</u>		
Held-to-maturity investments		
Interest revenue	1,518	1,493
Net gains on held-to-maturity investments	1,518	1,493
Net gains on financial assets	1,518	1,493

The net income/expense from financial assets not at fair value through profit and loss is nil (2017: nil).

Note 6.2C: Net gains or losses on financial liabilities

There was no income or expense from financial liabilities (2017: nil).

Note 6.2D: Financial assets reclassified

During the year there has been no financial assets that have been reclassified.

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

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 2018 net provision to various changes in assumptions*

Item	Amount	Amount	Change from final estimate		Change from final estimate		Note
	2018 \$'000	2017 \$'000	2018 \$'000	2018 %	2017 \$'000	2017 %	
Net liability, including prudential margin	14,286	17,759	-	0.0	-	0.0	(a)
Inflation +1%	14,346	17,791	60	0.4	32	0.2	(b)
Inflation -1%	14,226	17,729	(60)	-0.4	(30)	-0.2	(b)
Discount +1%	14,205	17,674	(81)	-0.6	(85)	-0.5	(c)
Discount -1%	14,370	17,846	84	0.6	87	0.5	(c)
Superimposed inflation +1%	14,347	17,791	61	0.4	32	0.2	(d)
Superimposed inflation -1%	14,226	17,727	(60)	-0.4	(32)	-0.2	(d)
10% more IBNR claims in PPCI models	14,366	17,857	80	0.6	98	0.6	(e)
10% less IBNR claims in PPCI models	14,206	17,661	(80)	-0.6	(98)	-0.6	(e)

*Figures extracted from PricewaterhouseCoopers report (Table 36), Defence Service Homes Insurance Scheme Outstanding Claims Liability as at 30 June 2018

Notes: (a) Net provision, including prudential margin.

	2018 \$'000	2017 \$'000
Estimated Gross Outstanding Claims	15,463	20,645
less: Estimated Outstanding Recoveries	1,177	2,886
Net Outstanding claims (incl GST and claims administration expense)	14,286	17,759
less: GST	754	1,749
Net Outstanding claims (incl claims administration expense)	13,532	16,010

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%.

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

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.

Defence Service Homes Insurance Scheme

Notes to and forming part of the Financial Statements

for the period ended 30 June 2018

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 2017–18 Portfolio Budget Statements (PBS) budget and the final financial outcome in the 2017-18 financial statements. The Budget is not audited.

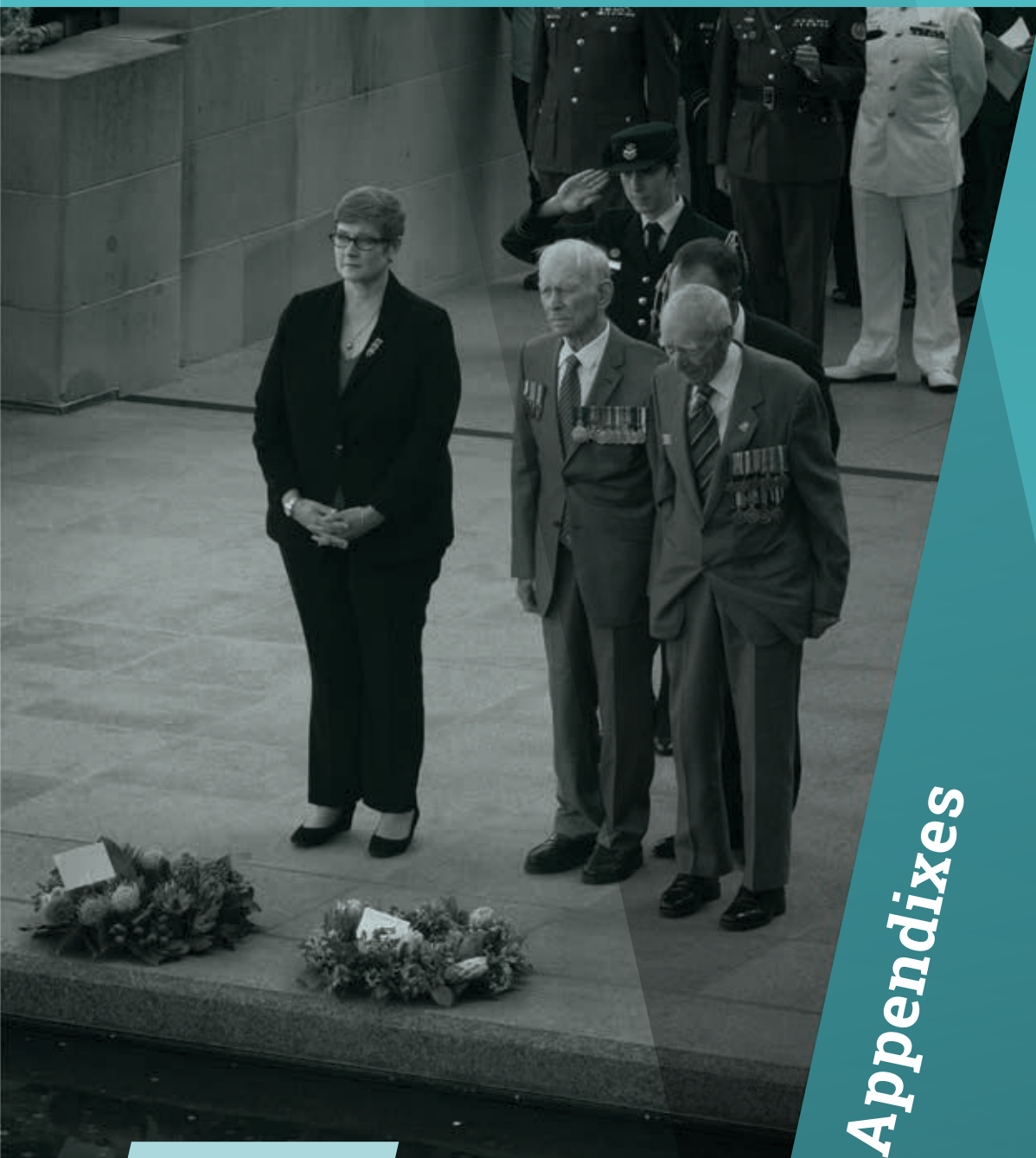
Variances are considered to be 'major' based on the following criteria:

- 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 lower than budget due to a benign claims experience. There were no major catastrophe events during 2017–18. However due to Cyclone Debbie occurring late in 2016-17 there were a higher than budgeted amount of claim payments paid in 2017-18 as these claims were finalised.	<i>Claims expense (Statement of Comprehensive Income), Claim payments (Cash Flow Statement)</i>
<u>Outstanding Claims Provision</u> The outstanding claims provision is lower than budget (\$7.7m) due to a lack of catastrophe events as discussed above. There are only a small number of claims relating to previous years outstanding which has also reduced the amount of the provision.	<i>Gross claims outstanding (Statement of Financial Position)</i>
<u>Premiums & Unearned Revenue</u> Premium increases were implemented from 1 January 2018 with an average increase of 4% applied. DSHI also trialled a dedicated sales team which has had great success in selling new policies. This has resulted in higher than budgeted unearned revenue.	<i>Unearned revenue (Statement of Financial Position)</i>
<u>Reinsurance Recoveries</u> Recoveries from Cyclone Debbie in 2016-17 are still outstanding, there were also some large individual claims which can be recovered through reinsurance. DSHI is able to recover \$0.749m 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> At the time the budget was prepared Cyclone Debbie had not occurred so it was anticipated the investments balance would grow to \$66.655m.	<i>Investments (Statement of Financial Position)</i>
<u>Investments Cash Movement</u> DSHIS has changed the methodology for reporting investment cash movement from net to gross. This has resulted in a significant increase in cash movement and a significant variance to budget.	<i>Investments realised, 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 (10 as at 30 June 2018). 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>

Defence Service Homes Insurance Scheme
Notes to and forming part of the Financial Statements
for the period ended 30 June 2018

Explanation of major variances	Affected line items (and statement)
<u>Interest Rates</u> The rate of return on the investment portfolio has been higher than budgeted due to recent changes in the investment policy which allows more of the portfolio to be invested in term deposits. Term deposits attract a greater return than negotiable certificates of deposit as they are less liquid.	<i>Interest (Statement of Comprehensive Income), Interest (Cash Flow Statement)</i>
<u>Fire Brigade Contribution</u> At the time the budget was prepared DSHIS was recognising fire service levy paid on policies whose premium had not yet been earned as prepaid fire service levy (an asset). This treatment was incorrect and has been rectified in 2018. This has resulted in a significant reduction in other non-financial assets.	<i>Other non-financial assets (Statement of Financial Position)</i>
<u>Reinsurance Recoveries</u> Due to the unpredictable nature of claims that will result in reinsurance recoveries, usually relating to catastrophe weather events, no budget is included for reinsurance recoveries.	<i>Reinsurance and other recoveries (Statement of Comprehensive Income)</i>
<u>Reinsurance Expenses</u> Reinsurance premiums were lower than budgeted due to an oversupply of capital in the reinsurance market and downward pressure on premiums. This also resulted in the adjustment premium which is paid after the end of the financial year to be lower which resulted in lower than budgeted 'other payables'.	<i>Reinsurance expense (Statement of Comprehensive Income), Other payables (Statement of Financial Position), Reinsurance premiums (Cash Flow Statement)</i>



Appendixes

The then Minister for Defence, Senator the Hon Marise Payne, with veterans William Grayden AM and Les Cook at the service held in Canberra to mark the 75th anniversary of the Battle of Kokoda and the Battle of the Beachheads.

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 2017–18.

Table A1: Number of employees by classification and location at 30 June 2018

	NSW	QLD	SA	NT	TAS	VIC	WA	ACT	Total
APS 1	1	1	–	–	–	–	1	–	3
APS 2	11	8	1	1	1	4	1	6	33
APS 3	49	48	38	3	19	19	7	13	196
APS 4	38	40	9	2	6	23	10	63	191
APS 5	64	123	46	2	14	88	44	85	466
APS 6	72	98	23	3	16	75	19	178	484
EL 1	34	52	17	1	1	33	11	183	332
EL 2	8	12	2	1	1	8	2	93	127
GAPS	1	–	–	–	–	–	–	14	15
MO 3	–	1	–	–	–	–	–	–	1
MO 4	–	1	–	–	–	–	–	–	1
MO 6	–	–	–	–	–	–	–	1	1
SES 1	1	1	1	–	–	1	1	17	22
SES 2	–	–	–	–	–	1	–	6	7
SES 3	–	–	–	–	–	–	–	1	1
Statutory	1	–	–	–	–	–	–	4	5
Total	280	385	137	13	58	252	96	664	1,885

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 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 A3: Full-time and part-time employees by gender and location at 30 June 2018

	NSW	QLD	SA	NT	TAS	VIC	WA	ACT	Total
Full-time male	115	119	47	4	19	104	27	239	674
Full-time female	139	215	77	8	26	111	58	360	994
Part-time male	3	3	–	–	2	8	1	7	24
Part-time female	23	48	13	1	11	29	10	58	193
Total	280	385	137	13	58	252	96	664	1,885

Table A4: 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 A5: Non-ongoing employees by gender and location at 30 June 2018

	NSW	QLD	SA	NT	TAS	VIC	WA	ACT	Total
Male	8	26	3	–	3	16	3	9	68
Female	27	41	20	2	3	19	11	12	135
Total	35	67	23	2	6	35	14	21	203

Table A6: 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 A7: Administrative and Executive Level salaries effective from 1 July 2017 to 30 June 2018

APS structure	DVA broadband	Salary from 1 July to 12 January (\$)	Salary from 13 January (\$)
APS 1	DVA Band 1	45,764	46,450
		46,970	47,675
		48,176	48,899
		49,721	50,467
		51,265	52,034
APS 2	DVA Band 1	53,220	54,018
		54,274	55,088
		55,328	56,158
		56,771	57,623
		58,213	59,086
APS 3	DVA Band 2	60,075	60,976
		61,068	61,984
		61,874	62,802
		63,204	64,152
		64,534	65,502
APS 4	DVA Band 2	67,841	68,859
		68,729	69,760
		69,616	70,660
		70,987	72,052
		72,358	73,443

Table A7: Administrative and Executive Level salaries effective from 1 July 2017 to 30 June 2018 (continued)

APS structure	DVA broadband	Salary from 1 July to 12 January (\$)	Salary from 13 January (\$)
APS 5	DVA Band 2	75,632	76,766
		76,164	77,306
		76,698	77,848
		77,759	78,925
		78,819	80,001
APS 6		83,127	84,374
		85,631	86,915
		88,133	89,455
		91,262	92,631
		94,393	95,809
EL 1		104,571	106,140
		107,086	108,692
		109,600	111,244
		112,215	113,898
		114,833	116,555
EL 2		126,113	128,005
		129,597	131,541
		133,082	135,078
		137,514	139,577
		141,947	144,076

APS = Australian Public Service, DVA = Department of Veterans' Affairs, EL = Executive Level

Table A8: Medical Officer salaries effective from 1 July 2017 to 30 June 2018

APS structure	Salary from 1 July to 12 January (\$)	Salary from 13 January (\$)
Medical Officer 1	95,151	96,578
	103,051	104,597
	110,891	112,554
	117,373	119,134
	123,855	125,713
Medical Officer 2	133,721	135,727
	136,046	138,087
	137,790	139,857
	139,535	141,628
	140,697	142,807
Medical Officer 3	149,414	151,655
	151,118	153,385
	152,824	155,116
	154,528	156,846
	156,232	158,575
Medical Officer 4	162,934	165,378
	169,278	171,817
	172,552	175,140
	175,828	178,465
	179,103	181,790

APS = Australian Public Service

Table A9: Transitional salaries effective from 1 July 2017 to 30 June 2018

APS structure	Previous DVA designation	Salary from 1 July to 12 January (\$)	Salary from 13 January (\$)
APS 5	Public Affairs Officer 1	75,632	76,766
		78,819	80,001
APS 6	Public Affairs Officer 2	89,157	90,494
		97,255	98,714
EL 1	Public Affairs Officer 3	120,207	122,010
		127,817	129,734
EL 2	Senior Public Affairs Officer	135,523	137,556
		144,363	146,528
APS 6	Legal 1	85,895	87,183
		90,618	91,977
EL 1	Legal 1	106,839	108,442
		112,009	113,689
		127,817	129,734
		137,668	139,733
EL 2	Legal 2	145,570	147,754
		83,570	84,824
APS 6	VVCS Professional	85,631	86,915
		88,133	89,455
		91,262	92,631
		94,393	95,809
		106,838	108,441
EL 1	VVCS Professional	114,833	116,555
		119,547	121,340
EL 2	VVCS Professional	126,113	128,005
		135,523	137,556
		137,514	139,577
		141,947	144,076

APS = Australian Public Service, EL = Executive Level, VVCS = Veterans and Veterans Families Counselling Service

Appendix B: Resource summary tables

Table B1: Agency resource statement 2017–18

	Actual available appropriation for 2017–18 \$'000 (a)	Payments made 2017–18 \$'000 (b)	Balance remaining 2017–18 \$'000 (a) – (b)
Ordinary annual services			
Departmental appropriation			
Departmental appropriation ¹	381,980	359,848	22,132
Section 74 relevant agency receipts ¹	6,358	6,330	28
Total	388,338	366,178	22,160
Administered expenses			
Outcome 1	53,726	52,340	
Outcome 2	12,212	10,921	
Outcome 3	53,883	47,201	
Payments to corporate Commonwealth entities	53,040	53,040	
Total	172,861	163,502	
Total ordinary annual services	A	561,199	529,680
Other services			
Administered expenses			
Administered non-operating			
Payments to corporate Commonwealth entities – non-operating	8,980	8,980	
Total	8,980	8,980	
Departmental non-operating			
Equity injections	12,526	13,068	(542)
Total	12,526	13,068	(542)
Total other services	B	21,506	22,048
Total available annual appropriations	582,705	551,728	
Special appropriations			
Special appropriations limited by criteria/entitlement			
Outcome 1			
<i>Papua New Guinea (Members of the Forces Benefits) Act 1957</i>		27	
<i>Veterans' Entitlements Act 1986</i>		5,134,962	
<i>Defence Service Homes Act 1918</i>		635	
<i>Safety, Rehabilitation and Compensation Act 1988</i>		162,059	
<i>Military Rehabilitation and Compensation Act 2004</i>		598,839	
Total Outcome 1		5,896,522	

Table B1: Agency resource statement 2017–18 (continued)

	Actual available appropriation for 2017–18 \$'000 (a)	Payments made 2017–18 \$'000 (b)	Balance remaining 2017–18 \$'000 (a) – (b)
Outcome 2			
<i>Veterans' Entitlements Act 1986</i>		4,302,045	
<i>Safety, Rehabilitation and Compensation Act 1988</i>		43,779	
<i>Military Rehabilitation and Compensation Act 2004</i>		129,904	
<i>Australian Participants in British Nuclear Tests (Treatment) Act 2006</i>		6,831	
<i>Public Governance, Performance and Accountability Act 2013</i>		100	
Total Outcome 2		4,482,659	
Special appropriations limited by amount – Outcome 1			
<i>Compensations (Japanese Internment) Act 2001</i>		25	
Total special appropriations C		10,379,207	
Total appropriations excluding Special Accounts	582,705	10,930,934	
Opening balance	2,642		
Appropriation receipts	120		
Non-appropriation receipts to Special Accounts	38,542		
Payments made		47,003	
Total Special Accounts D	41,304	47,003	
Total resourcing A+B+C+D	624,009	10,977,937	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or corporate Commonwealth entities through annual appropriations	62,140	62,140	
Total net resourcing for DVA	561,869	10,915,797	

1 Does not include appropriation receivable and investment opening balance which were available for spending in 2017–18.

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 2017–18 \$'000 (a)	Actual expenses² 2017–18 \$'000 (b)	Variation 2017–18 \$'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	2,167,461	2,166,369	1,092
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	70,102	70,511	(409)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	4,764	4,722	42
Total for Program 1.1	2,242,327	2,241,602	725
Program 1.2: Veterans' Disability Support			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	22,920	20,880	2,040
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	1,497,824	1,509,192	(11,368)
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	51,507	51,816	(309)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	3,500	3,470	30
Total for Program 1.2	1,575,751	1,585,359	(9,608)
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	1,459,789	1,457,006	2,783
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	14,324	14,392	(68)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	971	964	7
Total for Program 1.3	1,475,084	1,472,362	2,722

Table B2: Expenses and resources for Outcome 1 (continued)

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 2017–18 \$'000 (a)	Actual expenses² 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 1.4: Assistance and Other Compensation for Veterans and Dependants			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	8,439	7,506	933
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	11,565	11,444	121
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	30,453	30,619	(166)
Special Accounts	36,008	33,384	2,624
Expenses not requiring appropriation in the Budget year	2,069	2,051	18
Total for Program 1.4	88,534	85,005	3,529
Program 1.5: Veterans' Children Education Scheme			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	14,960	13,555	1,405
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	–	–	–
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	4,399	4,436	(37)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	299	297	2
Total for Program 1.5	19,658	18,287	1,371
Program 1.6: Military Rehabilitation and Compensation Acts – Income Support and Compensation			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	7,444	6,359	1,085
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	758,290	753,860	4,430
Special Accounts	634	628	6
Departmental expenses			
Departmental appropriation	70,831	71,252	(421)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	4,813	4,772	41
Total for Program 1.6	842,012	836,871	5,141

Table B2: Expenses and resources for Outcome 1 (continued)

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.	Budget ¹ 2017–18 \$'000 (a)	Actual expenses ² 2017–18 \$'000 (b)	Variation 2017–18 \$'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	272,400	1,459,700	(1,187,300)
Departmental expenses			
Departmental appropriation	–	–	–
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	–	–	–
Total for Program 1.7	272,400	1,459,700	(1,187,300)
Outcome 1 totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	53,763	48,300	5,463
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	5,894,929	5,897,871	(2,942)
Special Accounts	634	628	6
Expenses not requiring appropriation in the Budget year	272,400	1,459,700	(1,187,300)
Departmental expenses			
Departmental appropriation	241,616	243,026	(1,410)
Special Accounts	36,008	33,384	2,624
Expenses not requiring appropriation in the Budget year	16,416	16,277	139
Total expenses for Outcome 1	6,515,766	7,699,187	(1,183,421)
	2016–17	2017–18	
Average staffing level (number)	1,214	1,202	

¹ Full year budget, including any subsequent adjustment made to the 2017–18 Budget.

² The actual expense totals may differ from the 2017–18 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.	Budget ¹ 2017–18 \$'000 (a)	Actual expenses ² 2017–18 \$'000 (b)	Variation 2017–18 \$'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	790,278	773,431	16,847
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	10,640	10,714	(74)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	723	718	5
Total for Program 2.1	801,641	784,863	16,778
Program 2.2: Veterans' Hospital Services			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	–	–	–
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	1,460,189	1,375,296	84,893
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	6,842	6,901	(59)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	465	462	3
Total for Program 2.2	1,467,496	1,382,659	84,837
Program 2.3: Veterans' Pharmaceuticals Benefits			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	–	–	–
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	335,959	320,884	15,075
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	4,136	4,162	(26)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	281	279	2
Total for Program 2.3	340,376	325,325	15,051

Table B3: Expenses and resources for Outcome 2 (continued)

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 2017–18 \$'000 (a)	Actual expenses² 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 2.4: Veterans' Community Care and Support			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	3,563	3,504	59
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	1,263,720	1,210,357	53,363
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	19,813	19,917	(104)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	1,346	1,334	12
Total for Program 2.4	1,288,442	1,235,113	53,329
Program 2.5: Veterans' Counselling and Other Health Services			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	8,649	8,541	108
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	623,372	606,421	16,951
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	39,701	39,932	(231)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	2,698	2,674	24
Total for Program 2.5	674,420	657,568	16,852
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	176,512	174,768	1,744
Special Accounts	–	–	–
Departmental expenses			
Departmental appropriation	22,558	22,700	(142)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	1,533	1,520	13
Total for Program 2.6	200,603	198,989	1,614

Table B3: Expenses and resources for Outcome 2 (continued)

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 2017–18 \$'000 (a)	Actual expenses² 2017–18 \$'000 (b)	Variation 2017–18 \$'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	211,400	838,300	(626,900)
Departmental expenses			
Departmental appropriation	–	–	–
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	–	–	–
Total for Program 2.7	211,400	838,300	(626,900)
Outcome 2 totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	12,212	12,045	167
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	4,650,030	4,461,158	188,872
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	211,400	838,300	(626,900)
Departmental expenses			
Departmental appropriation	103,690	104,326	(636)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	7,046	6,987	59
Total expenses for Outcome 2	4,984,378	5,422,816	(438,438)
	2016–17	2017–18	
Average staffing level (number)	521	587	

¹ Full year budget, including any subsequent adjustment made to the 2017–18 Budget.

² The actual expense totals may differ from the 2017–18 Financial Statements due to Special Accounts, Competitive Neutrality payments and rounding adjustments.

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 2017–18 \$'000 (a)	Actual expenses² 2017–18 \$'000 (b)	Variation 2017–18 \$'000 (a) – (b)
Program 3.1: War Graves			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	23,915	23,641	274
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	–	–	–
Special Accounts	72	60	12
Departmental expenses			
Departmental appropriation	11,845	28,939	(17,094)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	805	1,938	(1,133)
Total for Program 3.1	36,637	54,577	(17,940)
Program 3.2: Commemorative Activities			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	29,968	21,460	8,508
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	–	–	–
Special Accounts	28,780	14,350	14,430
Departmental expenses			
Departmental appropriation	18,809	1,897	16,912
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	1,278	127	1,151
Total for Program 3.2	78,835	37,834	41,001
Outcome 3 totals by appropriation type			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	53,883	45,101	8,782
Other Services (Appropriation Act No. 2)	–	–	–
Special appropriations	–	–	–
Special Accounts	28,852	14,410	14,442
Departmental expenses			
Departmental appropriation	30,654	30,835	(181)
Special Accounts	–	–	–
Expenses not requiring appropriation in the Budget year	2,083	2,065	18
Total expenses for Outcome 3	115,472	92,411	23,061
	2016–17	2017–18	
Average staffing level (number)	154	87	

¹ Full year budget, including any subsequent adjustment made to the 2017–18 Budget.

² The actual expense totals may differ from the 2017–18 Financial Statements due to Special Accounts, Competitive Neutrality payments and rounding adjustments.

Appendix C: Claims, service and liability provision statistics

Tables C1 to C7 provide an overview of the claims processed and transport arranged by DVA under the *Veterans' Entitlements Act 1986*, the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA) and the *Military Rehabilitation and Compensation Act 2004* (MRCA) in 2017–18.

Tables C8 and C9 provide an updated actuarial assessment of movement in the liability for income support, compensation, health and other care services under the DRCA and MRCA.

Veterans' Entitlements Act

Table C1: VEA claims processed 2016–17 and 2017–18

	2016–17	2017–18	Change (%)
New claims	10,917	11,071	1.4
Pensioner initiated reviews	74,874	63,210	–15.6
Primary disability claims ¹	14,505	12,267	–15.4
War widow/ers' pension claims	1,489	1,316	–11.6
Funeral benefit claims	4,203	3,740	–11.0

VEA = *Veterans' Entitlements Act 1986*

¹ Includes applications for disability pensions, applications for increases in disability pension and assessments/reviews.

Note: Where results for 2016–17 are provided for comparison, they have been updated based on information available after the end of the 2016–17 financial year, and therefore may differ from results published in the 2016–17 Annual Report.

Table C2: VEA determinations and acceptance rates 2016–17 and 2017–18

	2016–17		2017–18	
	Number determined	Acceptance rate (%)	Number determined	Acceptance rate (%)
<i>Disability support</i>				
Compensation conditions determined	15,713	59.2	14,272	61.2
Applications for increases in disability pension determined	1,615	58.9	1,517	66.2
Cases on hand at 30 June	2,447	n.a.	2,819	n.a.
<i>War widow/ers and dependants</i>				
Pension claims determined	1,328	71.8	1,130	68.1
Cases on hand at 30 June	104	n.a.	129	n.a.

n.a. = not applicable, VEA = *Veterans' Entitlements Act 1986*

Table C3: Top 15 claimed conditions under the VEA (based on Statements of Principles) 2017–18

Disability	Number accepted	Acceptance rate (%)	Number not accepted	Total
Osteoarthritis	1,157	69	522	1,679
Sensorineural hearing loss	1,020	93	78	1,098
Tinnitus	972	93	77	1,049
Lumbar spondylosis	614	76	195	809
Posttraumatic stress disorder	371	69	166	537
Solar keratosis	463	94	27	490
Depressive disorder	288	61	185	473
Non-melanotic malignant neoplasm of the skin	393	96	18	411
Sprain/strain	313	79	81	394
Alcohol dependence	236	63	136	372
Rotator cuff syndrome	64	24	199	263
Cervical spondylosis	68	27	186	254
Fracture	133	62	81	214
Ischaemic heart disease	139	74	49	188
Acquired cataract	163	98	3	166
Total	6,394	76	2,003	8,397

VEA = *Veterans' Entitlements Act 1986*

Note: In determining the majority of liability cases, the Department refers to the Repatriation Medical Authority Statements of Principles (SOPs). The 15 most frequently used SOPs covered 59% of the conditions determined under the VEA in 2017–18.

Safety, Rehabilitation and Compensation (Defence-related Claims) Act

Table C4: DRCA claims processed 2016–17 and 2017–18

	2016–17	2017–18
<i>Liability</i>		
Claims received	7,139	10,122
Conditions determined	6,462	6,917
Proportion of conditions accepted	55.0%	56.0%
Cases on hand at 30 June	1,822	2,478
<i>Permanent impairment</i>		
Claims received	5,934	6,423
Claims determined	5,265	5,453
Proportion of claims accepted	30.0%	33.9%
One-off lump-sum payments	1,630	2,017
Cases on hand at 30 June	1,370	1,344
<i>Incapacity compensation</i>		
Compensation paid	\$75.9m	\$80.3m
Payees	2,126	2,185
<i>Compensation for dependants</i>		
Compensation paid	\$17.2m	\$14.6m
Payees	78	72

DRCA = Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (previously the Safety, Rehabilitation and Compensation Act 1988)

Military Rehabilitation and Compensation Act

Table C5: MRCA claims processed 2016–17 and 2017–18

	2016–17	2017–18
<i>Liability</i>		
Claims received	9,316	13,185
Conditions determined	19,683	23,222
Proportion of conditions accepted	73.3%	79.3%
Cases on hand at 30 June	2,314	3,308
<i>Permanent impairment</i>		
Claims received	6,155	7,295
Claims determined	4,895	6,088
Proportion of claims accepted	59.7%	74.7%
One-off lump-sum payments	2,157	3,398
Cases on hand at 30 June	1,998	1,695
<i>Incapacity compensation</i>		
Compensation paid	\$132.9m	\$153.8m
Payees	4,180	4,910
<i>Compensation for dependants</i>		
Compensation paid	\$13.7m	\$35.2m
Payees	68	165

MRCA = Military Rehabilitation and Compensation Act 2004

Table C6: Top 15 most frequently claimed conditions under the MRCA (based on Statements of Principles) 2017–18

Condition	Accepted	Acceptance rate (%)	Not accepted	Total claims
Sprains and strains	2,247	92	206	2,453
Osteoarthritis	1,756	94	110	1,866
Tinnitus	1,656	99	24	1,680
Sensorineural hearing loss	1,121	93	87	1,208
Lumbar spondylosis	1,114	96	47	1,161
Depressive disorder	830	84	161	991
Rotator cuff syndrome	955	97	29	984
Fracture	778	89	92	870
Posttraumatic stress disorder	641	89	79	720
Labral tear	431	95	23	454
Chondromalacia patella	415	96	17	432
Shin splints	414	96	17	431
Alcohol use disorder	354	86	57	411
Joint instability	364	89	43	407
Adjustment disorder	288	78	83	371
Total	13,364	93	1,075	14,439

MRCA = *Military Rehabilitation and Compensation Act 2004*

Note: In determining the majority of liability cases, the Department refers to the Repatriation Medical Authority Statements of Principles (SOPs). The 15 most frequently used SOPs covered 62% of the conditions determined under the MRCA in 2017–18.

Repatriation Transport Scheme

Table C7: Claims for reimbursement and arranged transport 2013–14 to 2017–18

	2013–14	2014–15	2015–16	2016–17	2017–18
Claims for reimbursement	159,905	150,871	146,537	143,256	168,970
Arranged transport trips ¹	1,002,844	1,273,128	1,211,805	1,323,956	1,301,691

¹ Provided through the Booked Car with Driver Scheme.

Adjustments to the military rehabilitation and compensation Acts liability provisions

Tables C8 and C9 show the movement in the long-term liability for income support and compensation and health and other care services under the DRCA and MRCA over the past two years, 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 liability provision, significant adjustments can occur between years.

Table C8: Movement in DRCA and MRCA liability under Outcome 1 2016–17 and 2017–18

	2016–17			2017–18		
	DRCA (\$m)	MRCA (\$m)	Total (\$m)	DRCA (\$m)	MRCA (\$m)	Total (\$m)
Changes in valuation assumptions	24.1	532.7	556.8	316.1	759.3	1,075.4
Movements in income support and compensation payments	-116.8	410.7	293.9	-142.7	227.3	84.6
Interest rate	-103.6	-385.6	-489.2	46.0	253.7	299.7
Total expenses	-196.3	557.8	361.5	219.4	1,240.3	1,459.7

DRCA = *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (previously the *Safety, Rehabilitation and Compensation Act 1988*),
MRCA = *Military Rehabilitation and Compensation Act 2004*

Table C9: Movement in DRCA and MRCA liability under Outcome 2 2016–17 and 2017–18

	2016–17			2017–18		
	DRCA (\$m)	MRCA (\$m)	Total (\$m)	DRCA (\$m)	MRCA (\$m)	Total (\$m)
Changes in valuation assumptions	-62.8	966.2	903.4	76.8	128.8	205.6
Movements in health and other care services	-24.3	279.4	255.1	-26.2	250.6	224.4
Interest rate	-82.9	-411.1	-494.0	56.5	351.5	408.0
Total expenses	-170.0	834.5	664.5	107.1	730.9	838.0

DRCA = *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (previously the *Safety, Rehabilitation and Compensation Act 1988*),
MRCA = *Military Rehabilitation and Compensation Act 2004*

Appendix D: 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; the next one will be submitted in 2019.

This appendix focuses on the operation of the program within DVA in 2017–18.

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
- 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 the detection of invalid tax file numbers by contacting the person and obtaining the correct number.

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 a person 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 that all data-matching business rules are applied.

Investigations

All investigations of discrepancies involve the examination of the person's DVA electronic records and then, if necessary, hard-copy records. Any administrative errors are corrected at this stage without the person needing to be contacted.

If the discrepancy remains after the initial checking, the person is sent correspondence in accordance with section 11 of the Data-matching Act, requesting further information and documentation to assist with the investigation. The person is 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 use section 11(4), whereby a section 11 letter is not sent as it may prejudice the effectiveness of an investigation into the possible commission of an offence.

Based on the information that the person provides, the payment rate is corrected and, where appropriate, overpayments are calculated, raised and recovered.

Further information may be obtained from Australian Government, state or territory government or private agencies to help ascertain the correct details.

The person's right to privacy is protected at all times by the application of the Australian Privacy Principles (under the *Privacy Act 1988*), which govern 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 D1 details the discrepancies in 2017–18, and the ensuing actions.

Table D1: Actions under the Data-matching Act 2017–18

Discrepancies and actions	2017–18
Total number of records read	1,012,485
Number of matches that resulted in discrepancies ¹	6,387
Proportion of matches that resulted in discrepancies	0.63%
Number of discrepancies referred for investigation	1,069
Number of discrepancies referred for investigation that resulted in a notice under section 11 of the Act being sent	127
Number of cases where the section 11 letter was followed up by action being undertaken ²	105
Proportion of discrepancies that resulted in action being taken	1.64%
Proportion of discrepancies which did not proceed to action after a section 11 letter was sent	4.72%
Number of overpayments raised ³	129
Number of cases where debt was fully recovered ⁴	122
Number of pensions reduced	93
Number of pensions cancelled or suspended	19
Number of pensions that were continued	37
Number of pensions that were increased	21

Data-matching Act = *Data-matching Program (Assistance and Tax) Act 1990*

1 Discrepancies include those resulting from the 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 in which an offence may have been committed under the *Veterans' Entitlements Act 1986*, *Safety, Rehabilitation and Compensation Act 1988*, *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988*, *Military Rehabilitation and Compensation Act 2004*, *Social Security Act 1991*, *Criminal Code Act 1995*, or *Crimes Act 1914*.

The Department's role in the prosecution process is to investigate cases in which it appears that an offence may have been committed and to forward those 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.

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 D2 details the prosecutions prompted by the Data Matching Program in 2017–18.

Table D2: Prosecutions prompted by the Data Matching Program 2017–18

Cases	2017–18
Cases referred to the Personnel, Security and Investigations Section identified through data matching	–
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	–
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 that substantial savings can be gained through comparison of data held by different agencies.

Expenses

Table D3 sets out the costs to DVA of operating the program in 2017–18.

Table D3: Costs to DVA of operating the Data Matching Program 2017–18 (\$)

Costs	2017–18
Salary costs	95,914
Administrative overheads	26,153
Support costs for data-matching processing system	1,578
Total	123,645

Projected savings

DVA calculates savings for people whose payments are suspended, cancelled or reduced. For a person 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 D4 and D5 set out the pension adjustments resulting in projected savings and the total savings achieved in 2017–18. Table D6 shows savings achieved through the program in the past three years.

Table D4: Pension adjustments resulting in projected savings 2017–18

Pension adjustments	2017–18
Number of pensions reduced	93
Number of pensions suspended/cancelled	19
Total	112

Table D5: Total savings achieved through the Data Matching Program 2017–18

Detail	2017–18
Number of pensions cancelled or reduced/suspended ¹	112
Number of potential overpayments identified ²	83
Number of overpayments raised ³	129
Number of debts fully recovered	122
Value of overpayments raised	\$959,980
Debts waived or written off	–\$15,658
Subtotal	\$944,322
Value of projected savings	\$673,369
Total gross savings	\$1,617,691
Departmental expenses	–\$123,645
Net savings	\$1,494,046

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 D6: Cumulative savings achieved through the Data Matching Program 2015–16 to 2017–18 (\$)

Detail	2015–16	2016–17	2017–18
Value of overpayments raised	1,236,951	997,939	959,980
Debts waived or written off	–27,680	–12,586	–15,658
Value of projected savings	579,490	766,222	673,369
Total gross savings	1,788,761	1,751,575	1,617,691
Departmental expenses	–171,598	–120,751	–123,645
Net savings	1,617,163	1,630,824	1,494,046
Cumulative net savings	30,532,091	32,162,915	33,656,961

Note: For a full explanation of previous years' savings, this table should be read in conjunction with previous data-matching annual reports.

Appendix E: Advertising and market research

In 2017–18, 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.

Tables E1 to E3 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 \$13,200 have not been included.

Table E1: Payments to market research agencies 2017–18

Organisation	Service provided	Amount paid (including GST) (\$)
Inside Story	To understand the insurance needs of the under-50s cohort	18,932.60
SODA Strategic	Phase 1—testing concepts for a possible new brand for the Veterans and Veterans Families Counselling Service	76,078.00
ORIMA Research Pty Ltd	Professional services: M2—final report	39,522.50
	Project fees	39,522.50
	ORIMA Research Survey	19,000.00
	Veterans employment commitment research and branding	21,840.00
	Revised veterans employment commitment research	22,190.00
	User research to inform the Prime Minister's Veterans' Employment Program website redevelopment (Milestone 1)	39,991.50
Total		277,077.10

Table E2: Payments to direct mail organisations 2017–18

Organisation	Service provided	Amount paid (including GST) (\$)
PMP Print Pty Ltd	<i>Vetaffairs</i> newspaper packaging and lodgement	61,055.95
National Mailing & Marketing	2017 Remembrance Day mail-out	36,699.23
	2018 Anzac Day education mail-out	76,500.21
Total		174,255.39

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 E3: Payments to media advertising agencies 2017–18

Organisation	Service provided	Amount paid (including GST) (\$)
Dentsu X Australia Pty Ltd	Advertising, public notices and recruitment	565,321.57
Total		565,321.57

Note: 'Media advertising agencies' are the central agencies that place government campaign and non-campaign advertising in the media.

Appendix F: 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.

The Veterans and Veterans Families Counselling Service provides relationship and family counselling to veterans, their families and those who face the unique challenges of caring for those exposed to the military lifestyle.

The new Family Support Package for Veterans and their Families, which came into effect from 1 May 2018, provides additional support for families of *Military Rehabilitation and Compensation Act 2004* veterans.

Information for carers, including links to the contact details for a range of carer services, is provided on the Department's website (www.dva.gov.au/carers).

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 2015–18 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. Those 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 DVA 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 roundtable 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.

Additionally, the Younger Veterans—Contemporary Needs Forum, which meets three times a year, assists by identifying emerging issues for veterans' families and support networks.

Appendix G: 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. In 2017–18, DVA focused on promoting a healthy culture for mental and physical wellbeing.

The Department 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 quarterly and is supported by a network of state-based committees that also meet quarterly.

DVA's leaders demonstrate 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 2017–18, including:

- training programs such as Accidental Counselling, Mental Health First Aid, Planning and Managing Change, and Domestic and Family Violence Awareness
- Employee Assistance Program presentations, delivered across Australia and customised for local needs
- annual flu vaccinations, subsidies for eyeglasses and fitness equipment, and ergonomic workstation assessments
- a draft wellbeing strategy (a component of the broader Workforce Strategy), for implementation in 2018–19).

Outcomes

The average unscheduled absence rate dropped by 0.6 days from 14.6 in 2016–17 to 14.0 days, and the number of accepted workers compensation claims reduced to two in 2017–18 compared to seven in 2016–17.

Table G1 shows the key results for 2016–17 and 2017–18.

Table G1: Key work health and safety results 2016–17 to 2017–18

	2016–17	2017–18
Workers compensation premium	\$3.286m	\$4.493m
Workers compensation (proportion of payroll)	2.8%	2.2%
Workers compensation claims accepted	7	2
Notifiable incidents reported to Comcare	6	1

Appendix H: 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* (EPBC Act).

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 in which 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 EPBC Act. The Department's contribution is in the effective delivery of Australian Government services with as little environmental impact as possible.

In 2017–18, 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 EPBC 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 H1 shows data from 2014–15 to 2016–17. Due to energy consumption reporting processes, information relating to energy performance for 2017–18 will not be available until the end of October 2018.

Table H1: Tenant light and power 2014–15 to 2016–17

	2014–15	2015–16	2016–17	EEGO target
Electricity (kilowatt hours)	4,038,959	4,229,411	2,844,971	Not available
Megajoules per occupied work point per year	1,937	2,028	1,438	7,500

EEGO = Energy Efficiency in Government Operations

Fleet and fuel usage

At the start of 2017–18, 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 2017–18, seven vehicles were renewed for DVA and four were renewed for the OAWG. A further six 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.

DVA has adopted an in-vehicle asset management system for managing its fleet vehicles. The system will provide more reliable data on vehicle use and assist with fringe benefits tax reporting.

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, 3,451 kilograms of organic waste were collected in 2017–18 (equivalent to 18.6 cubic metres).

Water consumption at commemorative sites

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. A trial of a remotely controlled irrigation system is currently underway at the Lutwyche War Cemetery in Brisbane. It is expected that the system will maximise water efficiency at the site.

The OAWG maintains the Sir John Monash Centre at the Australian National Memorial in France. The recently completed centre incorporates a number of sustainable design systems to reduce water and energy consumption. A geothermal system is used for heating and cooling the building and its mechanical systems by drawing on the consistent temperature of the earth using heat-exchange pumps to cycle water from sources as deep as 185 metres below the ground. Rain and stormwater run-off is collected in a series of tanks for greywater use.

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.

In 2017–18, the Department purchased 31,465 reams of photocopy paper, of which 88 per cent had a recycled component. 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.

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.

Appendix I: Lists of figures and tables

Figures

Figure 1	DVA outcomes, programs and purposes 2017–18	13
Figure 2	DVA organisational structure at 30 June 2018	14
Figure 3	DVA governance framework at 30 June 2018	92
Figure 4	Expenditure on learning and development 2013–14 to 2017–18	104

Tables

Table 1	Clients by age group and location at 30 June 2018	21
Table 2	Numbers of benefit recipients by type of benefit 2013–14 to 2017–18	22
Table 3	Numbers of veterans with accepted disability by Act 2013–14 to 2017–18	23
Table 4	Estimated numbers of living veterans 2013–14 to 2017–18	23
Table 5	Financial performance and financial position for DVA and DSHIS 2015–16 to 2017–18	90
Table 6	VEA, DRCA and MRCA matters considered by the Administrative Appeals Tribunal 2017–18	96
Table 7	External legal services expenditure (GST exclusive) and number of male and female counsel briefed 2017–18	100
Table 8	Employee commencements and cessations 2017–18	102
Table 9	Expenditure on consultancies 2015–16 to 2017–18 (\$m)	106
Table 10	Complaints and compliments 2013–14 to 2017–18	109
Table 11	Proportion of people satisfied with the Department's response to their feedback in 2017–18 (%)	110
Table 12	Grant programs administered by DVA 2017–18	112
Table A1	Number of employees by classification and location at 30 June 2018	208
Table A2	Number of employees by classification and location at 30 June 2017	209
Table A3	Full-time and part-time employees by gender and location at 30 June 2018	209
Table A4	Full-time and part-time employees by gender and location at 30 June 2017	209
Table A5	Non-ongoing employees by gender and location at 30 June 2018	210
Table A6	Non-ongoing employees by gender and location at 30 June 2017	210
Table A7	Administrative and Executive Level salaries effective from 1 July 2017 to 30 June 2018	210
Table A8	Medical Officer salaries effective from 1 July 2017 to 30 June 2018	212
Table A9	Transitional salaries effective from 1 July 2017 to 30 June 2018	213
Table B1	Agency resource statement 2017–18	214
Table B2	Expenses and resources for Outcome 1	216
Table B3	Expenses and resources for Outcome 2	219
Table B4	Expenses and resources for Outcome 3	222

ANNUAL REPORT 2017–18 APPENDIXES

Table C1	VEA claims processed 2016–17 and 2017–18	223
Table C2	VEA determinations and acceptance rates 2016–17 and 2017–18	223
Table C3	Top 15 claimed conditions under the VEA (based on Statements of Principles) 2017–18	224
Table C4	DRCA claims processed 2016–17 and 2017–18	225
Table C5	MRCA claims processed 2016–17 and 2017–18	226
Table C6	Top 15 most frequently claimed conditions under the MRCA (based on Statements of Principles) 2017–18	227
Table C7	Claims for reimbursement and arranged transport 2013–14 to 2017–18	227
Table C8	Movement in DRCA and MRCA liability under Outcome 1 2016–17 and 2017–18	228
Table C9	Movement in DRCA and MRCA liability under Outcome 2 2016–17 and 2017–18	228
Table D1	Actions under the Data-matching Act 2017–18	231
Table D2	Prosecutions prompted by the Data Matching Program 2017–18	232
Table D3	Costs to DVA of operating the Data Matching Program 2017–18 (\$)	232
Table D4	Pension adjustments resulting in projected savings 2017–18	233
Table D5	Total savings achieved through the Data Matching Program 2017–18	233
Table D6	Cumulative savings achieved through the Data Matching Program 2015–16 to 2017–18 (\$)	234
Table E1	Payments to market research agencies 2017–18	235
Table E2	Payments to direct mail organisations 2017–18	235
Table E3	Payments to media advertising agencies 2017–18	235
Table G1	Key work health and safety results 2016–17 to 2017–18	239
Table H1	Tenant light and power 2014–15 to 2016–17	241



Glossary and indexes

Vietnam War veterans and family members march into the national service marking the 50th anniversary of the Battles at Fire Support Bases Coral and Balmoral. More than 1,700 veterans and family members attended the service, held on Anzac Parade in Canberra on 13 May 2018. DVA supported the attendance of 33 family members for the 26 servicemen killed in action.

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* (VEA) 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.

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.

Non-Liability Health Care—A DVA program that funds treatment for certain medical conditions without the need for the conditions to be accepted as service related.

outcomes and programs—Programs are government actions taken to deliver stated outcomes; outcomes are desired results, impacts or consequences for the community.

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.

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*.

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
ADF	Australian Defence Force
AIHW	Australian Institute of Health and Welfare
ANU	Australian National University
APS	Australian Public Service
APSC	Australian Public Service Commission
ARP	Applied Research Program
ATO	Australian Taxation Office
BEST	Building Excellence in Support and Training
BETA	Behavioural Economics Team of the Australian Government
CCS	Coordinated Client Support
CDPP	Commonwealth Director of Public Prosecutions
CJTF 633	Commander Joint Task Force 633
CVC	Coordinated Veterans' Care
Data-matching Act	<i>Data-matching Program (Assistance and Tax) Act 1990</i>
Defence	Refers to the Australian Defence Force and the Department of Defence
DHS	Department of Human Services
DRCA	<i>Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988</i>
DSHI	Defence Service Homes Insurance
DSS	Department of Social Services
DTA	Digital Transformation Agency
DVA	Department of Veterans' Affairs
FOI Act	<i>Freedom of Information Act 1982</i>
GP	general practitioner
GST	goods and services tax
ICT	information and communications technology
MOU	memorandum of understanding
MRCA	<i>Military Rehabilitation and Compensation Act 2004</i>
MRCC	Military Rehabilitation and Compensation Commission
NCF	National Consultation Framework
NLHC	Non-Liability Health Care
OAWG	Office of Australian War Graves
OBAS	On Base Advisory Service

PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PTSD	posttraumatic stress disorder
RMA	Repatriation Medical Authority
SES	Senior Executive Service
SFP	Strategic Financial Plan
SMEs	small and medium enterprises
SMRC	Specialist Medical Review Council
SOF	Special Operations Forces
SOPs	Statements of Principles
SRCA	<i>Safety, Rehabilitation and Compensation Act 1988</i>
VAN	Veterans' Access Network
VEA	<i>Veterans' Entitlements Act 1986</i>
Veterans' MATES	Veterans' Medicines Advice and Therapeutics Education Services
VIS	Veterans' Information Service
VRB	Veterans' Review Board
WCS	Veterans and Veterans Families Counselling Service
WHS	work health and safety

List of requirements

Part of report	Requirement	Page(s)
Letter of transmittal		
Letter of transmittal	Mandatory	iii–v
Aids to access		
Table of contents	Mandatory	vi–vii
Alphabetical index	Mandatory	253–262
Glossary, abbreviations and acronyms	Mandatory	246–248
List of requirements	Mandatory	249–252
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	14
Outcomes and programs	Mandatory	13
Purpose as included in corporate plan	Mandatory	13
Portfolio structure	Portfolio departments – mandatory	10–12
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	74–89
Report on financial performance		
A discussion and analysis of the entity's financial performance	Mandatory	90
A table summarising the total resources and total payments of the entity	Mandatory	214–222

Part of report	Requirement	Page(s)
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	93–94
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	92
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	106
External scrutiny		
Significant developments in external scrutiny	Mandatory	95–97
Judicial decisions and decisions of administrative tribunals and the Australian Information Commissioner	Mandatory	95–97
Reports by the Auditor-General, parliamentary committees or the Commonwealth Ombudsman	Mandatory	97
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	85–86
Statistics on the entity's APS employees on an ongoing and non-ongoing basis	Mandatory	208–210
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	102

Part of report	Requirement	Page(s)
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	102
Salary ranges available for APS employees by classification level	Mandatory	210–213
Description of non-salary benefits provided to employees	Mandatory	102
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
Assets management		
Assessment of effectiveness of assets management	If applicable, mandatory	105
Purchasing		
Assessment of entity performance against the Commonwealth Procurement Rules	Mandatory	106
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	106–107
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	106
Policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	106
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	106
Australian National Audit Office access clauses		
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	107

Part of report	Requirement	Page(s)
Exempt contracts		
Contracts exempt from publication in AusTender	Mandatory	106
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	107
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	107
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	107
Financial statements		
Financial statements	Mandatory	120–206
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	235
If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	235
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	112
Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	115
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	115
Correction of material errors in previous annual report	If applicable, mandatory	Not applicable
Information required by other legislation	Mandatory	229–242

Alphabetical index

A

- Aboriginal and Torres Strait Islander employment initiatives, 105
- Aboriginal and Torres Strait Islander people, DVA employees identifying as, 105
- Aboriginal and Torres Strait Islander veterans, access to entitlements, 20, 110–111
- Accelerated Access to Rehabilitation pilot, 51
- accommodation management, 105
- accountable authority statement, annual performance statements, 74
- achievements in 2017–18
 - overview, 43–46
 - DVA transformation, 43–46
 - Purpose 1: Compensation and Support, 48–53
 - Purpose 2: Health and Wellbeing, 57–66
 - Purpose 3: Commemorations, 69–72
- acronyms and abbreviations, 247–248
- Administrative Appeals Tribunal, review of decisions, 95–96
- advertising and market research expenditure, 115, 235
- Advocacy Training and Development Program, 48, 52
- aged care arrangements, 16–17, 57, 58, 88
- agency resource statement, 214–215
- allied health services, 16, 57
 - review of arrangements for, 65
- analytics capability, new, 3, 17, 46, 88
- annual performance statements, 74–89
- Anzac Centenary Program 2014–2018, 3, 9, 70–71
- Anzac Day Act 1995*, 12
- Anzac Day services, 71, 72
- Anzac Day Schools' Awards, 72
- Anzac Portal website, 69, 72, 84
- Applied Research Program, 64, 89
- APS statistical bulletin*, 115
- Armistice Centenary Grants Program, 71, 72, 112, 114
- asset management, 105, 241
- assistance dogs trial, 4, 65, 67
- At Ease portal, 63, 65
- Audit and Risk Committee, 93, 97
- Auditor-General, 95, 97
 - access to contractors' premises, 107
 - see also Australian National Audit Office
- AusTender, 106
- Australia Post self-service kiosks, access to DVA information, 45
- Australian Defence Force Federation Guard, 70
- Australian Defence Force personnel
 - access to WVCS, 7, 8, 62
 - transition to civilian life, services for, 3–4, 7, 8–9, 43–44, 49, 64, 65, 87
- Australian Defence Human Research Ethics Committee merger with DVA Human Research Ethics Committee, 58
- Australian Federal Police, 70, 231
- Australian Government Actuary, 15, 17–18, 87
- Australian Information Commissioner, 94
 - review of decisions, 96–97
- Australian Institute of Health and Welfare, 96–97
 - relationship with, 15, 18, 58, 64, 87, 88
- Australian National Audit Office, 106
 - cross-entity performance report, 97
 - independent financial audit, 86, 122–124, 180–181
 - performance audit of DVA service delivery, 5, 97
- Australian National Memorial, Villers-Bretonneux, 70, 71
- Australian National University, research project, 111
- Australian Network on Disability, 105
- Australian peacekeeping, 70th anniversary, 9, 71
- Australian Remembrance Trail (Western Front), additions to, 70, 72
- Australian Soldiers' Repatriation Act 1920*, 26
- Australian War Memorial, 11
- Australian War Memorial Act 1980*, 12
- Australian War Memorial (London), 69

B

- Battle of Beersheba, centenary, 9, 71
- Battle of El Alamein, 75th anniversary, 9, 71
 - reunion of friends from, 73
- Battle of Hamel, centenary, 72
- Battle of Kokoda, 75th anniversary, 9, 71
- Battle of Milne Bay, 75th anniversary, 9, 71
- Battle of Polygon Wood, centenary, 9, 71
- Battle of the Atlantic, 75th anniversary, 9, 71
- Battle of the Beachheads, 75th anniversary, 9, 71
- Battle of Villers-Bretonneux, centenary, 9, 71
- Battles at Fire Support Bases Coral and Balmoral, 50th anniversary, 9, 71
- Behavioural Economics Team of the Australian Government, 17, 88
- beyondblue*, 4, 65

British Commonwealth Occupation Force, Gold Cards for, 48
 British nuclear test program, Gold Cards for participants in, 48, 110
 Building Excellence in Support and Training, 48, 58, 112
 transitioning to Community Grants Hub, 58
 Business Continuity Plan, 93
 By the Left campaign, 117

C

call back services, 6, 107
 Carer and Volunteer Support program, 60
Carer Recognition Act 2010, 115, 236
 carer recognition policies and practices, 17, 115, 236–237
 case management practices, initiatives to improve, 3, 7, 8, 19, 46, 62, 65, 109
 Centenary of Anzac Centre, 8
 Centenary of the First World War, 70; *see also* Anzac Centenary Program 2014–2018
 Centre for Service and Therapy Dogs of Australia, 67
 Century of Service program, 70, 71; *see also* Anzac Centenary Program 2014–2018
 cessations, employee, 101–102
 Chair of the Military Rehabilitation and Compensation Commission, Secretary's appointment as, 10, 27
 Chief Operating Officer's report, 6–9
 childcare arrangements, expansion of, 8, 50
 children's education schemes, 48, 52–53, 78, 79
 survey of, 52, 79
 claims processing, 2
 quality of, 76, 78
 statistics, 223–227
 streamlining, 2, 7, 45, 46, 49, 53
 timeliness of, 6, 50, 53, 61, 76–77, 78, 79, 81–82
 see also MyService
 classification, staff, 208–209
 client management system, VVCS, upgrade, 8, 62
 client satisfaction survey, children's education schemes, 52, 79
 client statistics, 20–23
 clinical advice services, 61
 Comcare, 10
 Comcover Risk Management Benchmarking Survey, 93
Coming home: an investigation of the armistice and repatriation (publication), 72
 commemorative activities, 9, 70–71, 72, 83, 84
 commencements, employee, 101–102

Commonwealth Contracting Suite, 107
 Commonwealth Director of Public Prosecutions, referrals of matters to, 94, 231
 Commonwealth Disability Strategy, 115
Commonwealth Electoral Act 1918, 115, 235
 Commonwealth Fraud Control Framework, 93
 Commonwealth Ombudsman, 95, 109
 Commonwealth Procurement Framework, 106
 Commonwealth Resource Management Framework, 105
 Commonwealth Risk Management Policy, 93
 Commonwealth Superannuation Corporation, 43, 44
 Commonwealth War Graves Commission, 84
 Community Commemorative Grants, 114
 community education, 84
 community engagement team model, piloting of, 8, 62
 Community Grants Hub, 17, 58, 72, 88, 112
 community mental health counselling; *see* Veterans and Veterans Families Counselling Service
 Community Nursing Program, 57, 65; *see also* nursing services
 community support advisers, 58
 compensation claim assessment processes
 mental health impacts of, 5, 53
 review of use of medico-legal firms for, 5, 53
 complaints and compliments, 109–110; *see also* feedback, stakeholder
 compliance report, finance law, 106
Comradeship: stories of friendship and recreation in wartime (publication), 72
The constant battle: suicide by veterans (report), 7, 50, 53, 66
 consultants, 106
 contact details, viii
 Coordinated Client Support program, 108–109
 Coordinated Veterans' Care Mental Health Pilot, 63, 65, 98
 Coordinated Veterans' Care Program, 63
 corporate governance, 92–94
 Corporate Plan 2017–2021, 12, 75
 Corporate Plan 2018–2022, 86
 counselling services, 8, 57; *see also* Veterans and Veterans Families Counselling Service
 Cross of Sacrifice, 69
 cultural awareness training, staff, 105, 111
Curiosity: stories of those who report during wartime (publication), 72

D

Data Matching Program, 115, 229–234
Data-matching Program (Assistance and Tax) Act 1990, 115
David Kalman and Department of Veterans' Affairs (Freedom of information) [2017], 96
 day procedure centres, 57, 60
 contracting arrangements, 58–59
 Defence
 information sharing with, 2, 7, 19, 43
 relationship with, 15, 87
 Defence DVA Executive Committee, 15, 87
 Defence Links Steering Committee, 15, 87
Defence Service Homes Act 1918, 10, 12
 Defence Service Homes Insurance Scheme, 52, 53, 90
 Defence Service Homes loans, 78
 dental and allied health services, review of arrangements, 65
 dental services, DVA clients, 57, 65
 Department of Foreign Affairs and Trade, 70
 Department of Health, 62, 88
 relationship with, 15, 16–17, 57, 65, 87, 88
 Department of Home Affairs, 70
 Department of Human Services, 15
 client contact through, 45, 108–109
 partnership with, 15–16, 87
 Department of Social Services
 partnership agreement on Community Grants Hub, 17, 88
 relationship with, 15, 17, 87, 88
 Department of the Prime Minister and Cabinet, 15, 17, 87, 88
 Departments of Defence and Veterans' Affairs Human Research Ethics Committee, 58
 dependants, access to services and benefits, 8, 15, 20, 26, 29, 34, 37, 48; *see also* children's education schemes; widow/ers and dependants, assistance for
 Deputy President of the Repatriation Commission, 10
 Deregulation Agenda, DVA contribution to, 97
 Digital Service Standard, 16, 17, 88
 digital services, as enabling service, 75, 85, 87
 Digital Transformation Agency, 15, 17, 87, 88
 Digital Transformation Agenda, 87, 88
 digital transformation process, DVA, 15, 17, 18, 43; *see also* ICT systems, transformation of
 disability pensioners, decline in numbers, 20
 disability reporting mechanisms, 115
 discretionary grants, 71, 114; *see also* grants
 Diversity Strategy 2018–23, 104–105

Drug Review Safety and Pain Management Program, 63
 DVA Enterprise Agreement 2015–18, 102, 103, 236
 DVA Human Research Ethics Committee, 97
 merger with Australian Defence Human Research Ethics Committee, 58
DVA Towards 2020, 93
 DVA–DHS Partnership Committee, 87
 DVA–DHS statement of intent, 16, 87
 DVA–Health dataset, development of integrated, 17, 88
 DVA–Health statement of intent, 88

E

Early Engagement Model for ADF members, 43; *see also* transition services for ADF personnel
 ecologically sustainable development and environmental performance report, 240–242
 education and awareness activities, community, 84
 education schemes, children's, 48, 52–53, 78, 79
 online payment system, 46, 53
 satisfaction survey, 79
Efficiency of veterans service delivery by the Department of Veterans' Affairs (report), 97
Efficiency through Contestability Programme (report), 97
 employee engagement index, 86
 employment arrangements, DVA staff, 102, 103
 Enabling Services, analysis of performance, 86–89
 Enabling Services 4.1: Provide a professional, engaged and flexible workforce, 75
 performance criteria and results, 85
 Enabling Services 4.2: Deliver sound financial management, 75
 performance criteria and results, 85
 Enabling Services 4.3: Provide reliable, responsive, accessible and cost-effective digital services, 75
 performance criteria and results, 85
 Enabling Services 4.4: Partner with other Commonwealth agencies including Defence, Health and Human Services, 75
 performance criteria and results, 85
 Enabling Services 4.5: Engage with stakeholders including ex-service organisations and Defence, 75
 performance criteria and results, 85
 Enabling Services 4.6: Undertake a program of strategic research, 75
 performance criteria and results, 85
 energy consumption, 240
 Enterprise Agreement 2015–18, 102, 103, 236

Environment Protection and Biodiversity Conservation Act 1999, 115; *see also* ecologically sustainable development and environmental performance report

environmental commitment statement, 240
environmental impact of operations, 240–242
excELerate, 105

Ex-Service Organisation Round Table, 88, 237
ex-service organisations, 5, 8

advocacy and support roles, 5, 52, 58, 108
consultation with, 44, 58, 63, 88, 99, 237
grants to, 48, 58, 71, 112–114
health and wellbeing activities, 58

exempt contracts, 106

expenses and resources, by outcome, 216–222

external legal services, 99–100

external scrutiny, 95–97

F

face-to-face contact points, new, 3, 44, 45

families, support for, 7, 8, 50; *see also* dependants, access to services and benefits; Family Support Package; Veterans and Veterans Families Counselling Service

Family Support Package, 50, 98, 236

Federal Court, lodgement of applications to, 96

feedback, staff, 86, 101

feedback, stakeholder, 63, 82, 109–110

children's education schemes, 52, 79

commemorative activities, 84

Defence Service Homes Insurance, 52

mechanisms, 20, 59, 65, 82, 84

Office of Australian War Graves, 84

Female Veterans and Veterans' Families Policy Forum, 2, 44, 88, 117

financial management, as enabling service, 75, 85, 86

financial performance, summary report, 90; *see also* financial statements

financial statements

Defence Service Homes Insurance Scheme, 179–206

independent audit report, 180–181

Department of Veterans' Affairs, 120–178

independent audit report, 122–124

First World War Armistice, centenary, 72

fleet and fuel usage, 241

fraud and noncompliance, management, 93–94

Fraud Control Plan, 94

Freedom of Information Act 1982, 96, 106, 115

funeral benefits, 78

G

Gallipoli, Anzac Day dawn service, 71

Galumbany 2017–18, 105

gender, staff, 105, 209–210

Gender Equality Action Plan 2017–19, 105

glossary, 246

Gold Card, eligibility criteria, 48, 110

governance framework, 3, 5, 92–94

Graduate Program, 104

grants, 53, 58, 71–72, 112–114; *see also* Community Grants Hub

Grants-in-Aid program, 113

H

Harmony Day, 105

health professionals, veteran-specific online training, review of, 5, 66

Health Programs Performance Assurance Strategy, 59

health treatment cards, 20; *see also* Gold Card, eligibility criteria; White Cards, for transitioning ADF members

hearing health and wellbeing of Australia inquiry, 64

hearing services, 57, 60, 64, 88

Heart Health program, 58

Hellfire Pass,

Anzac Day service, 71

75th anniversary, 72

Hellfire Pass Interpretive Centre (Thailand), 69, 72

Here they come: a day to remember (picture book), 72

home assistance services, after death of spouse or partner, 8

homelessness, in veteran community, research into, 4, 18, 66

hospital services, 57, 58–59, 60

House of Representatives Standing Committee on Health, Aged Care and Sport Inquiry into the hearing health and wellbeing of Australia, 64

human research ethics committee, 58, 97

human resources system, transition to DHS shared services hub, 16

I

ICT systems, transformation of, 3, 46; *see also* digital transformation process, DVA; Improving Processing Systems Program; MyService; Veteran Centric Reform program

Improving Processing Systems Program, 7, 49, 78

incapacity payments, 8, 10, 22, 46, 50, 51, 53, 77, 78, 98

Incidence of suicide in serving and ex-serving Australian Defence Force personnel: detailed analysis 2001–2015 (report), 64

income support payments, 8, 10, 22, 46, 48, 50–51, 77, 78

Indigenous Apprenticeships Program, 105

Indigenous Employees Staff Network (APS), 105

Indigenous employment, DVA, 105

Indigenous Graduate Recruitment Program (APSC), 105

Indigenous Mentoring Program, 105

Indigenous Procurement Policy, 107

Indigenous veterans, 20, 110–111

Indigenous Veterans Forum, 110

Indigenous Veterans' Strategy, 20, 110–111

individual flexibility arrangements, employee, 102

Induction Program, employee, 103

Industry Advisory Committee on Veterans' Employment, 51

ineligible payments, identification of, 94

Information Management Working Group, 87

Information Publication Scheme, 115

information sharing, with Defence, 2, 7, 19, 43

Institute of Internal Auditors standards, compliance with, 93

interdepartmental committees, 15, 17, 88

interim income support payment; *see* veteran payment

internal audit services, 93

International Day against Homophobia, Biphobia, Intersexism and Transphobia, 105

International Day of People with Disability, 105

International Fraud Awareness Week, 94

Intra-Agency Network Program, 103

Invictus Games 2018, 4

J

Jawun, 105

Joint Committee of Public Accounts and Audit, 97

Jones Lang LaSalle, property management provider, 105

judicial reviews, 95–96

Judiciary Act 1903, 99

K

Keeping the peace: investigating Australia's contribution to peacekeeping (publication), 72

Korean War Armistice 65th anniversary, 72

KPMG, provision of internal audit services, 93

L

Lae War Cemetery, 69

leadership development, DVA, 46, 103

Leadership Pathways Program, 103

Leadership Talent Management Program, 103

Leading Transformation pilot, 103

Leading Transformation Program, 46

learning and development, staff, 5, 94, 103–104
expenditure, 104

legal services, 98–100

expenditure, 99–100

legislation program, 98–99

legislative framework, 12

liability provisions, 228

list of requirements, 249–252

lists of figures and tables, 243–244

locations, staff, 208–210

Long Tan Bursary Scheme, 98, 112, 113

M

'MA' and Department of Veterans' Affairs (Freedom of information) [2017], 96

Major Commemorative Grants, 114

management and accountability, 92–115

medico-legal firms, review of use of for compensation claims, 5, 53

mefloquine consultation forums, 4, 66

memorandum of understanding

with Australian Government Actuary, 17

with Australian Institute of Health and Welfare, 18, 88

with Defence, 15, 87

with Department of the Prime Minister and Cabinet, 17, 88

Memorandum of understanding in relation to funding for the APS Indigenous Employment Programs 2016–2019 (APSC), 105

Men's Health Peer Education program, 58

Mental Health and the Military Experience (webinar series), 62

Mental health prevalence (research report), 9, 64

mental health support, 3, 4, 7–8, 57, 62–64

expansion of eligibility for, 4, 7, 49, 62

online resources, 63–64, 65

2017–18 Budget funding for, 4, 7, 49

see also Veterans and Veterans Families
Counselling Service

Mentoring Program, 103

Military and Veteran Research Study Roll (database), 97

Military Memorials of National Significance Act 2008, 12

Military Rehabilitation and Compensation (Accelerated Access to Rehabilitation) Determination 2017, 99

Military Rehabilitation and Compensation Act

Education and Training Scheme, 48, 79; *see also* children's education schemes

Military Rehabilitation and Compensation Act 2004 (MRCA), 10, 12, 34, 98

administration of, 36–37

benefits paid under, 22, 23, 48, 57

claims under, 226–227

liability provisions, 228

review of decisions made under, 95–96

Military Rehabilitation and Compensation Commission, 10, 88, 96

annual report 2017–18, 33–37

functions and powers, 34

membership, 35–36

relationship with DVA, 36

review of decisions, 95–96

transmittal letter, iv

Military Rehabilitation and Compensation (Consequential and Transitional Provisions) Act 2004, 34

Military Rehabilitation and Compensation (Family Support) Instrument 2018, 99

Minister for Veterans' Affairs, 4, 12, 71, 114

mission, organisational, 2, 13

mobile service centres, 16, 45

moral injury scale development (VVCS research project), 65

My Aged Care portal, Department of Health, 17

MyAccount, 109

myGov, 17

MyService, 2, 3, 6, 16

claims processing, 6, 16, 45, 49, 87

future expansion of, 46

N

NAIDOC Week events, DVA, 105, 111

NAIDOC Week Lifetime Achievement Award, 110

National Aged and Community Care Forum, 88

National Aged Care Advocacy Program, 58

National Archives Awards for Digital Excellence, 46

National Consultation Framework, 88–89, 237

National Disability Insurance Scheme, 17, 57

National Disability Strategy 2010–2020, 115

National Health and Medical Research Council, 58

National 10,000 Steps Challenge, 58

National Strategy for Quality Use of Medicines, 63

Non-Liability Health Care program, 7

accessing online, 45

claims processing, 50, 78

expansion of eligibility, 7, 9, 49, 62

non-ongoing employees, 101–102, 210; *see also* workforce statistics

non-salary benefits, 102

noncompliance, health providers, management of, 65

North Africa Campaigns, 75th anniversary, 9, 71

Notes for community nursing providers, 60

notifiable incidents; *see* work health and safety

Nursing Approvals and Advisory Centre, 60

nursing services, 60

O

Office of Australian War Graves, 69, 84

Office of the Australian Information Commissioner, 94

On Base Advisers, 108

On Base Advisory Service, 108

1RAR Association, grant to, 71

ongoing employees, 101–102; *see also* workforce statistics

Open Arms—Veterans and Families Counselling, 3, 66; *see also* Veterans and Veterans Families Counselling Service

operating model, adaptation of, 6

operating surplus, 90; *see also* financial statements

Operation Life initiative, 64

Operational Working Party, 88

organisational structure, DVA, 14

Outcome 1: Compensation and Support, 13

expenses and resources, 216–218

see also Purpose 1: Compensation and Support

Outcome 2: Health, 13

expenses and resources, 219–221

see also Purpose 2: Health and Wellbeing

Outcome 3: Commemorations, 13

expenses and resources, 222

see also Purpose 3: Commemorations

outcome and program structure, 13

Overseas Privately Constructed Memorial Restoration Program, 71, 112, 114

P

'PA' and Department of Veterans' Affairs (Privacy) [2018], 96–97

Papua New Guinea, commemorative sites, 69

participants in British nuclear test program, Gold

- Cards for, 48, 110
- Pathways to care* (research report), 9, 64
- payroll services, transition to DHS shared services hub, 16
- people management, 86, 100–105
- people with disability, 105, 115
- performance agreements, employee, 86
- performance criteria and results, 76–77, 80–81, 83, 85
- Performance Feedback Scheme, employee, 86, 103
- performance framework, 12, 13
- performance report, DVA, 41–90
- permanent impairment claims, 10, 20, 36, 46, 50, 77, 78
- Perth War Cemetery, 69
- pharmaceutical benefits, access to, 57; *see also* Repatriation Pharmaceutical Benefits Scheme
- Phoenix Australia – Centre for Posttraumatic Mental Health, 8
- Planned Support Unit, establishment of, 61
- Port Moresby (Bomana) War Cemetery, Anzac Day service, 71
- Portfolio Budget Statements 2017–18, 12, 90
- portfolio structure, 10–12
- posttraumatic stress disorder, 4, 64, 65, 66, 67
 - centre for research into, 8
 - see also* PTSD Coach Australia mobile app, evaluation of
- President of the Repatriation Commission, Secretary's appointment as, 10, 27
- Preventable Re-admissions Quality Initiative, 65
- Prime Minister's Veterans' Employment Awards, 8, 51, 55
- Prime Minister's Veterans' Employment Program, 4, 8, 51, 55
- priorities for 2018–19, 3–5, 46, 53, 65–66, 72
- Privacy Act 1988*, 94, 96
- privacy issues, 94
- private hospital services, 57, 58, 60, 65
- Proactive Interventions, 18
- procurement policies and practices, 106, 107, 242
- Productivity Commission, review of compensation and rehabilitation support, 5, 53
- Program 1.1: Deliver income support and allowances, 48, 75
 - performance criteria and results, 76
- Program 1.2: Deliver disability support, 48, 75
 - performance criteria and results, 76
- Program 1.3: Deliver assistance to Defence Widow/ers and their dependants, 48, 75
 - performance criteria and results, 76
- Program 1.4: Deliver other compensation, 48, 75
 - performance criteria and results, 76
- Program 1.5: Deliver the children's education scheme, 48, 75
 - performance criteria and results, 76–77
- Program 1.6: Deliver income support and compensation under DRCA and MRCA, 48, 75
 - performance criteria and results, 77
- Program 2.1: Provide access to general medical consultations and services, 57, 75
 - performance criteria and results, 80
- Program 2.2: Provide access to hospital services, 57, 75
 - performance criteria and results, 80
- Program 2.3: Provide access to pharmaceutical benefits, 57, 75
 - performance criteria and results, 80
- Program 2.4: Provide access to community care and support, 57, 75
 - performance criteria and results, 80
- Program 2.5: Provide counselling and other health services, 57, 75
 - performance criteria and results, 81
- Program 2.6: Provide access to health and other care services under DRCA and MRCA, 57, 75
 - performance criteria and results, 81
- Program 3.1: Provide and maintain war graves, 69, 75
 - performance criteria and results, 83
- Program 3.2: Deliver commemorative activities, 69, 75
 - performance criteria and results, 83
- property portfolio, outsourcing of, 105
- prosecutions, fraud, 93; *see also* Data Matching Program
- psychiatric assistance dogs, trial, 4, 65, 67
- PTSD Coach Australia mobile app, evaluation of, 64, 65
- Public Governance, Performance and Accountability Act 2013*, 92, 93, 112
- Public Governance, Performance and Accountability Rule 2014, 115
- public hospital services, 57, 58
- Public Service Act 1999*, 102
- purchasing policies and practices, 106, 107, 242
- Purpose 1: Compensation and Support, 13, 75
 - achievements in 2017–18, 48–53
 - analysis of performance, 77–79
 - performance criteria and results, 76–77
 - priorities for 2018–19, 53

Purpose 2: Health and Wellbeing, 13, 75
 achievements in 2017–18, 57–65
 analysis of performance, 82
 performance criteria and results, 80–81
 priorities for 2018–19, 65–66

Purpose 3: Commemorations, 13, 75
 achievements in 2017–18, 69–72
 analysis of performance, 84
 performance criteria and results, 83
 priorities for 2018–19, 72

Q

quality targets, 76–77, 78

R

Rapid Exposure Supporting Trauma Recovery (RESTORE) trial, 65

Reconciliation Action Plan, 105

Reconciliation Week events, 105, 111

records, digitisation of, 2, 3, 7, 46

RecruitAbility scheme (APS), 105

recruitment and retention, employees, 100–101

regional and rural areas, access to support services, 6, 16, 45, 61, 63

regulatory reforms, APS; *see* Deregulation Agenda, DVA contribution to

Rehabilitation Appliances Program, 59, 65

rehabilitation claims processing, 7, 78, 82

rehabilitation services, 50–51, 57

reimbursement, of privately incurred medical expenses, 61

relationships with Commonwealth agencies, 15–18, 57–58, 87–88

'Repat'—A concise history of repatriation in Australia (book), 30–31

Repatriation Commission, 9, 10, 88, 96

annual report 2017–18, 25–29

functions and powers, 26

history of, 9, 30–31

membership, 27–28

relationship with DVA, 28

review of decisions, 95–96

transmittal letter, iii

Repatriation Commissioner (the Services member), 11, 27, 35

Repatriation Medical Authority, 11

Repatriation Pharmaceutical Benefits Scheme, 57

Repatriation Transport Scheme, 65, 227

report on financial performance, 90; *see also* financial statements

research and policy development, milestones, 64–65

Research Board, 89

research ethics committees, 58

reservists, extension of mental health support services to, 4, 7, 49, 62

residential aged care, 16, 57, 58; *see also* aged care arrangements

resource management, 105–107

resource summary tables, 214–222

review of decisions, 11, 95–97

Risk and Fraud Management Committee, 94

risk management, 93

Risk Management Framework 2016–2020, 93

Royal Thai Armed Forces, 69

rural and regional areas, access to support services, 6, 16, 45, 61, 63

S

Safety, Rehabilitation and Compensation Act 1988 (SRCA), 12, 20, 95, 98

Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988 (DRCA), 10, 12, 20, 34, 98

administration of, 36–37

benefits paid under, 22, 23, 48, 57

claims under, 225

liability provisions, 228

review of decisions made under, 95–96

Safety, Rehabilitation and Compensation Legislation Amendment (Defence Force) Act 2017, 98

Safety, Rehabilitation and Compensation Legislation (Defence Force) Consequential Amendment Regulations 2018, 98

salaries, staff, 210–213

Saluting Their Service Commemorative Grants Program, 71–72, 114

Sandakan (Malaysia) Anzac Day service, 71

satellite centres, VCS, 8, 62

Secretary

accountable authority statement, annual performance statements, 74

appointment as Chair of the MRCC, 10

appointment as President of the Repatriation Commission, 10, 27

report, 2–5

section 24(1) determinations, 102

Senate Foreign Affairs, Defence and Trade References Committee inquiry into suicide by veterans and ex-service personnel, 4, 7, 50

recommendations from, 7, 50, 53, 66

- Service Charter, 20
- service delivery, approach to, 18–20, 61–64
- service delivery and support services, reviews of, 3, 5
- service pensioners, decline in numbers, 20
- Services member, of Repatriation Commission, 11, 27, 35
- Serving our country: a history of Aboriginal and Torres Strait Islander people in the defence of Australia* (research project), 111
- Serving our country: Indigenous Australians, war, defence and citizenship* (book), 111
- Shared and Common Services Programme, 87
- shared services arrangements
- with Department of Human Services, 16
 - with Department of Social Security, 17
- Sinai–Palestine campaign, centenary, 9
- Sir John Monash Centre (France), 9, 70, 72
- small and medium-sized business, procurement initiatives to support, 106
- snapshot of the veteran community, 20–23
- social health programs, 3, 6, 64, 65, 66
- social media presence, 108
- Special Operations Forces Pilot, 44, 87
- Specialist Medical Review Council, 11
- stakeholder engagement, 3, 19, 43, 46, 88–89, 99; *see also* ex-service organisations
- State of the Service employee census (APS), 86, 101
- State of the service report* (APSC), 115
- Statement for Australia's Carers, 115; *see also* carer recognition policies and practices
- statements of intent, 16, 87, 88
- Statements of Principles
- determination of, 11
 - review of use in compensation claims, 5
 - satisfaction of requirements, 45
- Stepping Out: Attention Reset trial (VVCS research project), 65
- Still waiting to be heard...* (report), 64
- Strategic Financial Plan, 86
- Strategic Plan, 93
- Strategic Research Model, 89
- Streamlined Grants Administration, 87
- Student Payment System Pilot, 46
- suicide in ADF and veteran communities,
- prevention initiatives, 4, 7–8, 50, 53, 62, 64, 66, 98, 108
 - research into, 4, 50, 64, 66
 - see also* mental health support; Veterans and Veterans Families Counselling Service
- Support Continuum, 15
- support services, 107–111
- Supporting Younger Veterans, 113
- Synergy trial (VVCS research project), 65
- ## T
- Talent Management Program pilot, 103
- telephone access, to information services, 3, 45, 46, 107
- telephony consolidation project, 6, 45, 46
- Thai–Burma railway, 75th anniversary, 72
- training, staff; *see* learning and development, staff
- transformation, DVA, 3, 6, 31
- achievements in 2017–18, 43–46
 - and Workforce Strategy, 86, 100
 - digital, 15, 17, 18, 43, 46, 87, 88
 - priorities for 2018–19, 46
- Transformation Program Board, 15, 87
- Transition and Wellbeing Research Programme, 4, 9, 64, 66, 97
- Transition Health Assessment Pilot, 43
- transition services for ADF personnel, 3–4, 7, 8–9, 43–44, 49, 64, 65, 87
- symposium, 4
- Transition Taskforce, 44, 87
- transmittal letter
- Department of Veterans' Affairs, v
 - Military Rehabilitation and Compensation Commission, iv
 - Repatriation Commission, iii
- transport contractors, management, 59
- travel for treatment claims, 82, 227
- treatment principles, amendments to, 29, 37
- turnover, employee, 101–102
- 2017 Anzac Day Schools' Awards, 72
- 2017 Remembrance Day mail-out, 72
- 2017–18 Budget, 4, 7, 110
- funding for mental health support, 4, 7, 49
- 2017–18 Portfolio Budget Statements, 12, 90
- 2018 Anzac Day mail-out, 72
- 2018 Education Schemes Satisfaction Survey, 79
- 2018 National Archives Awards for Digital Excellence, 46
- 2018–19 Budget, 4, 7, 49, 65, 113
- 2019–2020 Commemorations and War Graves Program, scoping, 72

U

unscheduled absence rate, 86, 238

V

Veteran and Community Grants, 113

Veteran Centric Reform Interdepartmental Committee, 15

Veteran Centric Reform program, 43, 45
legislative measures to enact, 98–99
service delivery improvements under, 19, 45, 53, 61, 109
streamlining of claims processing under, 49

veteran payment, 7–8, 50–51, 98

veteran-specific online training for health professionals, review of, 5, 66

Veteran Suicide Prevention pilot, 98, 108

Veterans' Access Network, 107–108

Veterans' Advocacy and Support Services Scoping Study, 5, 53
funding for, 7

veterans' advocates, training program, 48, 52

Veterans' Affairs Legislation Amendment (Omnibus) Act 2017, 98

Veterans' Affairs Legislation Amendment (Veteran-centric Reforms No. 1) Act 2018, 98

Veterans' Affairs Legislation Amendment (Veteran-centric Reforms No. 2) Act 2018, 98

Veterans' Affairs Pharmaceutical Advisory Centre, 63

Veterans and Veterans Families Counselling Service, 8, 62

client satisfaction, 82

expansion of eligibility for, 7, 8, 62

rebranding of, 3, 66

research projects support, 65

Veterans' Children Education Scheme, 48, 79; *see also* children's education schemes

Veterans' Entitlements Act 1986 (VEA), 10, 12, 20, 98
administration of, 28–29

appointment of Secretary as President of the Repatriation Commission, 10

claims under, 223–224

pensions, allowances and assistance under, 22, 23, 48

review of decisions made under, 95–96

role and function of Repatriation Commission under, 26

Veterans' Entitlements Amendment (Travel Expenses) Regulations 2017, 98

Veterans' Entitlements (Expanded Access to Non-Liability Health Care for Mental Health Treatment)

Determination 2018, 99

Veterans' Entitlements (Provisional Access to Medical Treatment) Determination 2017, 99

Veterans' Entitlements (Veteran Payment) Instrument 2018, 99

Veterans' Health Week, 58

Veterans' Home Care program, 57, 61, 236

Veterans' Information Service, 16

Veterans' Medicines Advice and Therapeutics Education Services, 59, 63

Veterans' Review Board, 11, 95, 100

Veterans' Stories oral history project, 72

Vietnam Veterans Memorial Fund, 69

Vietnam War, films of Australians' experiences, 69

Vignacourt 14–18 interpretive centre, 70

Villers-Bretonneux Military Cemetery, 70

VVCS National Advisory Committee, 8

W

War Graves Act 1980, 10, 12

war graves and commemorations, 69, 72, 84

waste and recycling, 241

water consumption at commemorative sites, 241

Way Back Support Service, The (*beyondblue*), 65

Wear it Purple Day, 105

webinars, 62–63, 65

website

relaunch of, 6, 46

traffic, 108

Welfare Payment Infrastructure Transformation Programme, 87

White Card on Discharge initiative, 49

White Cards, for transitioning ADF members, 9, 49, 62

White Ribbon Day, 105

widow/ers and dependants, assistance for, 26, 29, 37, 48; *see also* dependants, access to services and benefits

Women Veterans Network Australia, 117

work health and safety, 115, 238–239

workers compensation; *see* work health and safety

workforce diversity, 104–105

workforce management, performance, 86

workforce statistics, 101–102, 208–213

Workforce Strategy, 86, 100–101

World wide effort: Australia's peacekeepers (publication), 72

Y

Younger Veterans—Contemporary Needs Forum, 2, 88, 237

