

# **Report on the Department of Veterans' Affairs' implementation of recommendations made by the Australian National Audit Office in its 2018 performance audit *Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs***

As at 31 July 2020

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This report documents actions taken by the Department of Veterans' Affairs (DVA) to implement the recommendations made by the Australian National Audit Office (ANAO) in its 2018 performance audit entitled *Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs*. The audit report was tabled in Parliament on 27 June 2018.

## **Background**

The ANAO audit was undertaken to address Recommendation 13 of the report *The Constant Battle: Suicide by Veterans*, delivered by the Senate Standing Committee on Foreign Affairs, Defence and Trade in August 2017. The Standing Committee recommended 'that the Australian National Audit Office commence the proposed performance audit of the "Efficiency of veterans' service delivery by the Department of Veterans' Affairs" as soon as possible'.

The audit considered two criteria:

- do business systems and processes in DVA support the efficient delivery of services to veterans and their dependants? and
- have compensation, support and health services been delivered efficiently by DVA to veterans and their dependants?

## **ANAO performance audit findings**

The [ANAO audit report](#) identified that while the majority of DVA Rehabilitation & Compensation (R&C) services were delivered within performance targets, a minority of rehabilitation and compensation claims took excessively long to process, and that such delays could have significant impacts on those veterans so affected.

Key areas of concern included: business systems and workflow management; lack of visibility and transparency in the progress of claims; periods of inactivity and delay; and information technology platforms, work processes, and record keeping that did not support effective claims processing.

The audit report made six recommendations to improve DVA's R&C claims processes.

On 27 June 2018, the day the report was tabled, the Minister for Veterans' Affairs and the Secretary for DVA issued a [joint statement](#) welcoming the audit report and accepting all six recommendations.

The Department's progress in implementing the ANAO audit report recommendations is overseen by DVA's Audit and Risk Committee (ARC). The ARC complies with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and PGPA Rule 17 *Audit Committees for Commonwealth Entities*. It consists of five members, with the majority being independent and external to DVA. The ARC provides independent assurance to DVA's Secretary on matters within its remit.

As at July 2020, the ARC has endorsed the closure of five of the six recommendations, and continues to monitor finalisation of the remaining recommendation.

***Efficiency of Veterans Service Delivery by the Department of Veterans' Affairs  
DVA's implementation of the audit recommendations***

***Recommendation 1: The ANAO recommends that DVA establish appropriate workflow management over R&C processes that will allow for identification of potentially problematic claims and delays in processing earlier in the claims investigation process.***

Recommendation status: This recommendation is **complete**.

The ANAO found that while a high level workflow methodology had been established for R&C claims, the Rehabilitation and Compensation Integrated Support Hub (R&C ISH) system was not being used to support compliance and management of workflow, but rather as a repository of records associated with a claim at the completion of processes. Furthermore, DVA's approach to claims allocation and management was leading to a situation where claims could be 'lost' in the various hand-off points between areas, causing delays and inefficiencies.

DVA actions

In response to this recommendation, DVA has updated its workflow management processing system to streamline the management of R&C claims. Since November 2016, R&C ISH has progressively replaced the use of 18 DVA legacy systems that were previously used for processing R&C claims, with a single R&C processing system.

The Clients' Benefits Management Committee meets monthly to monitor workflow. Membership consists of one Deputy Secretary, one Deputy President, two First Assistant Secretaries, seven Assistant Secretaries and the Chief Data Officer.

Importantly, R&C ISH identifies delays in the claims process through certain features, including:

- the "My Work" screen, which lists all liability claims assigned to, and not yet started, by an individual staff member;
- automatic notifications sent to a staff member when certain compensation claims, such as permanent impairment and incapacity claims, are not started within seven days of allocation;
- displaying overdue tasks on a staff member's "My Work" screen; and
- allowing Team Leaders to monitor their team members' "My Work" screens and any overdue notifications.

DVA continues to streamline access to information held by the Department of Defence (Defence) to support liability and incapacity claims. Regular stakeholder meetings are held between DVA and Defence to further this goal. Specifically, DVA is increasing its ability to self-service requests for information held by Defence by accessing systems through the Defence Restricted Network (DRN). In addition, the current Defence-DVA Electronic Information Exchange (DDEIE) and Request Management System (RMS) Projects aim to improve access to and transfer of information needed to determine client claims. The final DDEIE and RMS releases are scheduled to be completed by June 2021.

In addition, in 2019 the *Military Rehabilitation and Compensation Act 2004* (MRCA) was amended to explicitly authorise the Chief of Defence Force (CDF), with a member's consent, to lodge MRCA claims on behalf of a serving member.

CDF Initiated Claims are intended to ensure that serving members who discharge from the Australian Defence Force, having had liability accepted during their service, are able to more seamlessly transition into a range of DVA services and supports, including rehabilitation, DVA funded treatment and financial support.

In line with this DVA and Defence are working together on a new process to enable the CDF to lodge liability claims (with the member's consent). It is intended that this new process will be piloted in the near future.

The ARC endorsed closure of this recommendation on 11 June 2019.

***Recommendation 2: The ANAO recommends that DVA review the current approach to processing R&C claims to address efficiency issues including aggregation and disaggregation of DRCA claims, multiple instances of information requests to third parties and the number of staff involved in the processing of individual claims.***

Recommendation status: This recommendation is **complete**.

The ANAO found that although R&C processes for *Veterans' Entitlements Act 1986* (VEA) claims are designed as an end-to-end process, processes for *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA) and MRCA claims are not designed to maximise efficiency.

The ANAO observed that the approach to assessment of these claims was resulting in the unnecessary disaggregation and re-aggregation of components within some DRCA claims; information requests to third parties being lodged multiple times for the same claims; and multiple areas of DVA being required to review the same large case files. The ANAO also found that information requests from Defence and medical specialists took a large proportion of the elapsed time taken to process (TTTP) a claim.

#### DVA actions

In August 2018, in response to the recommendation and as part of business improvement initiatives, DVA introduced combined benefits processing. These arrangements mean that for some clients, a single claims manager is responsible for investigating and determining their liability claims; completing their needs assessment; and determining any resulting permanent impairment claims for compensation. Under DVA's former operating model, those three tasks were often processed by three different claims managers. The reduction in the number of staff processing a claim has also led to a reduction in claims processing times.

These arrangements are currently being used for claims under the MRCA in all four of DVA's major compensation claims processing locations. In 2019, these arrangements were expanded to claims under DRCA in DVA's Brisbane, Perth, and Melbourne offices.

Further to this, and particularly in relation to efficiency concerns, DVA has also updated the medical forms that are auto-generated by R&C ISH when advice needs to be sought on a particular claimed condition. These medical forms now include liability and permanent impairment questions, which eliminates duplication in the evidence-gathering process, as it reduces the need for separate medical visits for diagnosis and then assessment.

The ARC endorsed closure of this recommendation on 9 October 2019.

***Recommendation 3: The ANAO recommends that DVA implement claims processing targets that include consideration of the distribution of the time taken to process (TTTP) as well as the average/median.***

Recommendation status: This recommendation is **complete**.

The ANAO found that DVA focused on the median and the mean TTTP in both operational and external reporting for the performance of the R&C business. Reporting indicated that the average TTTP, number of cases-on-hand, and average age of cases fell across all R&C claim categories in the period 2015 to 2017. Total average (mean) TTTPs (as at February 2018) were under DVA's targets of 90 days (VEA) and 240 days (MRCA and DRCA) for end-to-end processing.

The ANAO found that there was no evidence of the rationale for the setting of the TTTP targets or an objective assessment of the appropriateness of the target times. It considered that DVA's focus on the use of the median and the average TTTP did not provide a sufficiently complete picture of performance as it did not necessarily address critical risks, given that even a small number of very high TTTP claims can have significant impacts for individual veterans and DVA's reputation.

#### DVA actions

In response to this recommendation, the Department has developed a number of processing targets for compensation claims to assist delegates to meet TTTP targets. These targets include consideration of both of the measurements proposed by the ANAO recommendation.

For example, 'age analysis' reports are in place for cases that are yet to be finalised, as well as finalised cases, to measure the percentile distribution of performance against the timeliness target.

Of relevance to this recommendation, in DVA's 2016-17 Annual Report, Performance Indicators for Programs 1.2, 1.3 and 1.6 (under which, compensation claims are reported) moved to a percentile band approach, with the 'median' indicating the number of days within which 50 per cent of claims were processed. While the percentile band approach has been maintained, in 2018-19 DVA also moved to expressing performance in terms of the 'percentage of claims completed within target days'. This will be reviewed annually, and updated if necessary.

From 2019-20, TTTP reporting will measure the percentage of claims processed within the target timeframe. For example, in 2019-20 the timeliness performance measure for VEA disability pensions will be reported as 'x' per cent of claims were processed within 100 days'.

The ARC endorsed closure of this recommendation on 11 June 2019.

***Recommendation 4: The ANAO recommends that DVA addresses weaknesses in information and records management, in particular: retention of records outside of primary systems, inconsistent use of naming conventions, and ensuring the completeness and accuracy of client records.***

Recommendation status: This recommendation is **complete**.

The ANAO identified inconsistencies in naming conventions for records in DVA's Rehabilitation and Compensation Integrated Support Hub (R&C ISH) and HP Content Manager, DVA's primary records management system. As a result, it was found that locating all relevant documentation associated with a claim was inefficient and time consuming.

### DVA actions

The improvements to DVA's workflow management system (R&C ISH) for rehabilitation and compensation claims (as outlined above in response to recommendation 1), go some way to addressing the identified weaknesses in the Department's information and records management.

In October 2018, DVA reviewed the R&C ISH document naming conventions. R&C ISH was then enhanced to enable a direct link to DVA's records management system. This has facilitated the application of consistent naming conventions across departmental platforms as well as assisting with the retention of records on primary systems.

DVA then developed and delivered a tailored face-to-face records management training package to staff, which included information on searching documents across DVA platforms, naming conventions, and features of the records management system that can assist staff in their processing of claims. Delivery of this training to 307 staff was completed by August 2019, with the intent to run this training periodically for new staff going forward.

Additional improvements have been made with the implementation of R&C ISH processing capability for most claims that are reviewed or appealed under the suite of DVA's portfolio legislation.

The ARC endorsed closure of this recommendation on 24 July 2020.

***Recommendation 5: The ANAO recommends that DVA implement greater control and monitoring over its requirement for information from medical specialists. This should include contractual arrangements that prescribe timeliness and quality for independent medical specialists engaged directly by the DVA and prompt and frequent follow up where the client has elected to use their own treating medical specialist.***

Recommendation status: This recommendation is **in progress**. It is anticipated that this recommendation will be completed in June 2021.

The ANAO identified two main drivers of the high time taken to process claims. These were the need to wait for responses from medical specialists, and 'inactivity'. Unlike the Single Access Mechanism (SAM) arrangements with Defence, which give DVA a single point of contact to seek client records from Defence, there was no formal control or monitoring of requests for information from medical specialists.

The ANAO found that the time spent waiting for responses from medical specialists was, on average, 10 times greater than for information requests to Defence. In relation to 'inactivity' the ANAO identified two main reasons for its contribution to high TTTP: where claims were effectively 'lost' in the system, and where the claims assessor did not immediately take action after requested information was received and the claim was actionable.

### DVA actions

DVA has addressed this recommendation through a suite of medical evidence projects and initiatives which are ongoing.

DVA developed Guidelines in mid-2019 in relation to requesting that medical information be returned within 28 days from treating doctors and specialists and the follow-up of these requests. These will be fully implemented in the second half of 2020 when system letters are updated. Along with this, administrative control has been strengthened with senior manager approval now required for independent medical examinations. That was relaxed in April 2020, in response to the COVID-19 pandemic, to allow managers the authority to approve independent medical examinations. This will be reviewed in the context of the pandemic to determine whether that should continue or whether approval will revert to senior manager level.

A project which analysed the gathering and use of medical evidence by DVA was completed in November 2018. Implementation of the project recommendations included a significant procurement exercise for medical evidence gathering.

As recommended by the ANAO, the procurement exercise will specify response times for medico-legal companies as part of the acquisition strategy. The procurement has commenced but the approach to market delayed due to the COVID-19 environment. Contract negotiations are expected to be finalised in the first half of 2021, with the transition period for new provider(s) to commence mid-2021.

***Recommendation 6: The ANAO recommends that DVA develop and implement R&C reporting into its RACER system that:***

***(a) will allow the identification of claims that are potentially problematic at an individual claim level for operational management and at an aggregated level for oversight and governance; and (b) provides transparent flow of consistent information at levels suitable for governance, module management and team and individual performance management.***

Recommendation status: This recommendation is **complete**.

The ANAO found that an extensive suite of reports and analysis were prepared at various frequencies containing key metrics and analysis on R&C operations within DVA. However, the ANAO considered that this reporting had limited analysis about emerging risks or the reasons behind changes in performance. Furthermore, management reporting did not identify progress on claims or the reasons for any delays, and was largely unutilised by team leaders.

#### DVA actions

Since June 2019, all of DVA's source system data is now loaded into the single integrated source for rehabilitation and compensation claims reporting system, known as the Rehabilitation and Compensation Enterprise Reporting (RaCER) system. RaCER draws its data from the current workflow management systems as well as the historical data from DVA's legacy systems.

A range of reports is currently available, and DVA's RaCER technical support team, in consultation with business areas, is continuing to refine DVA's reporting functionality to better serve its data and claims monitoring needs. It is envisaged that further enhancements to RaCER will provide strategic and tactical reports for executive and management level staff, as set out in the recommendation. Training in the use of the RaCER system was completed in August 2019, with further targeted data literacy and analysis training continuing to be made available as required.

The move towards more responsive and up-to-date reporting further support the real-time functionality in R&C ISH to identify any potential problematic claims.

The ARC endorsed closure of this recommendation on 9 October 2019.