



Australian Government
Department of Veterans' Affairs

Ref: IS23-000001

Inquiry Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Inquiry Secretary,

I refer to your letter of 10 March 2023 inviting the Department of Veterans' Affairs (DVA) to make a submission to the Inquiry by the Joint Committee of Public Accounts and Audit into Annual Performance Statements 2021–22, based on Auditor-General Report No. 13 of 2022–23 *Audits of the Annual Performance Statements of Australian Government Entities — 2021–22*.

Please find attached a submission from the Department.

[Redacted]

Yours faithfully,

[Redacted Signature]

Alison Frame /

Secretary

4 May 2023

JOINT



Australian Government

Department of Veterans' Affairs

Submission to the
JOINT COMMITTEE OF PUBLIC
ACCOUNTS AND AUDIT
Inquiry into the Annual Performance
Statements 2021-22

April 2023

Joint Committee of Public Accounts and Audit Inquiry into the Annual Performance Statements
2021-22

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1. Introduction

In 2019-2020, the Department of Veterans' Affairs (DVA) was one of three entities that participated in the ANAO's two year pilot program auditing entities' annual performance statements. The outcomes of the pilot were published in *Audits of the Annual Performance Statements of Australian Government Entities — Pilot Program 2020–21* (ANAO Report No. 23 of 2021-22). DVA was subsequently one of six agencies audited in the first scheduled program of annual audits of entities' performance statements.

DVA recognises the importance of performance information to assist the general public and the Parliament in understanding how the entity has achieved against its outcomes and purpose, and welcomes the findings in the ANAO Report *Audits of the Annual Performance Statements of Australian Government Entities — 2021–22* (the Report).

2. Audit Outcomes

Overall, DVA's 2021-22 Annual Performance Statements were found to be largely effective in meeting the requirements of the performance framework and reporting the performance of the entity in achieving its purposes. The audit noted improvements in governance and preparation, timeliness and quality of supporting information, and the structure and quality of performance information. Concerns were raised over some information sources and methodologies, record keeping practices as well as internal quality assurance controls.

As such, the audit opinion was qualified with respect to two of 46 performance measures, both relating to Program 3.1 Providing and Maintaining War Graves. As noted at paragraph 2.63 of the Report, 'While the department accurately stated 'unable to report' against the results for these two measures and the disclosure in the performance statements noted the issues of incomplete data, these measures are material to the performance reporting as maintenance of war graves is a part of the department's purpose. On this basis the ANAO issued a qualified audit conclusion.'

3. DVA response

DVA's performance reporting capability continues to grow and mature. DVA is in the process of addressing the issues highlighted in this most recent audit.

Improvements and streamlining of the performance measurement suite will be reflected in the 2022-23 Annual Performance Statements and the 2023-24 Portfolio Budget Statements. However it may take several planning and reporting cycles to

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fully realise the improvements, as outlined in the challenges below.

DVA's ongoing performance reporting improvements are facilitated via a central performance team, implementation of a centralised quality assurance function, internal education, and active participation in the Department of Finance performance community of practice.

4. Challenges

Performance reporting is an area that is continuing to evolve across the public sector. DVA's capability has benefited from its participation in the ANAO's pilot and program of auditing annual performance statements. However, there are a number of unique challenges to auditing performance statements, compared to traditional performance or financial statements audits:

- Annual audits do not fit well with the planning and performance cycle and potentially misses opportunities for improvement. The planning and performance cycle requires entities' performance information for the upcoming reporting year to be finalised in May in order to be published in Portfolio Budget Statements. This is well before the current reporting years' audit is finalised (and in some cases, before the interim management letter has been received). This does not give entities adequate time to absorb and appropriately address the feedback, and could lead to entities taking a compliance focus (a risk acknowledged at paragraph 20 of the Report). DVA suggests that consideration be given to an alteration of the depth and frequency of audits, for example through the use of light touch audits, or biennial audit cycles.
- Supporting an audit process is resource intensive. The availability of these resources is also constrained by the small pool of capable staff within the Australian Public Service. There is no professional stream for performance specialists, whilst the skill set required is niche and subject to market competition. The limited capacity is often stretched while attempting to improve performance reporting, deliver the Annual Performance Statements and support the ANAO during audit cycles, all in parallel.
- Beyond the high level principles articulated in the PGPA Rule, there are no detailed standards against which performance measures can be audited, equivalent to the Australian Accounting Standards for financial statements. This has necessitated an evolving approach to the audits and interpretation of the

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requirements, such as the concept of materiality. While this has created some challenges, DVA has welcomed the ongoing engagement with the ANAO as the process matures, including the provision of an audit strategy document for the 2022-23 audit.

5. Conclusion

DVA has been actively involved in the ANAO's performance statements audits since the pilot program commenced in 2019-2020. While there have been challenges, the audits have helped to improve the transparency, robustness and completeness of DVA's annual performance statements. DVA welcomes the opportunity to continue working with the ANAO as the processes mature.