

Submission to the Joint Committee on Public Accounts and Audit

**Inquiry into Commonwealth Financial Statements 2021–22: Auditor-
General Report No. 8 of (2022–23)**

March 2023

[ndis.gov.au](https://www.ndis.gov.au)

ndis

1. Foreword

The National Disability Insurance Agency (NDIA or the Agency) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit's (JCPAA) inquiry into the Auditor-General Report No. 8 of 2022–23 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022.

2. Current Status of ANAO Findings

2.1 Auditor-General Report No.8 2022–23 - Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022

On 14 December 2022, the Auditor-General presented the ANAO's Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022 (Auditor-General Report No. 8).

The report carried forward one unresolved moderate finding from the Auditor General's report on the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021, relating to timeliness of IT user access terminations for the NDIA.

Details of the findings, together with the steps the NDIA is taking to remediate the issue, are set out below.

2.2 Timeliness of user access termination

2.2.1 Audit findings

During 2020–21, the ANAO's interim testing of user access found weaknesses in user access terminations processes. User accounts should be removed upon termination date as they no longer have a legitimate requirement to access the NDIA's network.

The report noted, the NDIA, with assistance from Services Australia, has implemented a monitoring process to address the issue. Services Australia provides system support to the NDIA and facilitates access management. The ANAO will test the design and implementation of the new processes during the 2022–23 financial statements audit.

2.2.2 NDIA Response

The NDIA accepted the ANAO's findings and took immediate action to mitigate and minimize the effect of the issue raised. The NDIA has reviewed and implemented a more streamlined system for early notification and processing of all cessations, covering NDIA staff, labour hire workers and partner organisations who have access to NDIA business systems. The process is automated, wherever possible, and centrally managed by NDIA's People and Culture Division. The new process was implemented in June 2021.

The NDIA is closely monitoring off boarding processes to ensure user access is terminated in a timely manner. The NDIA uses a combination of data from Services Australia supported systems, as well as data from the NDIA's new desktop and network services being rolled out under its Future Operating Environment program. This data reporting is used to investigate and manage access to NDIA systems by terminated personnel. The investigation seeks to confirm no inappropriate transactions or data has been accessed by personnel post termination.

2.3 Conclusion

The NDIA is working to address the outstanding finding and trusts the information above will be of benefit to the JCPAA.

The Auditor General's report also noted the NDIA's key elements of internal control were operating effectively to support the preparation of financial statements free from material misstatement.

2.4 Other

2.4.1 Key areas of financial statements risk

The ANAO's 2021–22 audit approach identified 7 key areas of financial statements risk with the potential to impact the Consolidated Financial Statements, and which were considered key audit matters (KAM). The KAM for 2021–22 is consistent with 2020–21.

Relevant financial statement item	Key audit matters	Audit risk rating	Factors contributing to the risk assessment
Personal benefits expense \$154.5 billion <i>Australian Taxation Office, Department of Education, Skills and Employment, Department of Social Services, National Disability Insurance Agency</i>	Accuracy and occurrence of personal benefits expense	Higher	<ul style="list-style-type: none"> • reliance on the correct self-disclosure of personal circumstances by a large number of diverse recipients, and • reliance on a complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining the correct payment amount.

2.4.2 NDIA Response

The NDIA as part of its annual financial statement preparation process undertakes a risk assessment of the potential for financial misstatement at a financial statement note level. It then prepares a financial statement preparation plan which outlines its procedures to reduce each potential risk of misstatement to an acceptable level.

This process naturally addresses the ANAO’s 7 key areas of financial statements risk, and the effectiveness of the process is confirmed through the ANAO’s aforementioned comment that NDIA’s key elements of internal control were operating effectively to support the preparation of financial statements free from material misstatement.