



Australian Government

**Department of Climate Change, Energy,
the Environment and Water**

Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2022-23

Date 22 March 2024

Overview

Following the Committee's invitation, the Department of Climate Change, Energy, the Environment and Water (the Department) makes the following submission to the Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2022–23.

Audit findings

The Department received an unqualified audit opinion from the Auditor-General for its financial statements ending 30 June 2023. The ANAO audit included two moderate audit findings that had transferred from the former Department of Agriculture, Water, and the Environment (DAWE) as part of the Machinery of Government (MoG) Changes in 2022. These findings were:

- a) Audit logs of privileged user activities were not regularly reviewed and that reviews confirming the currency of user access had not been regularly completed.
- b) The provisioning of access to the FMIS ensure that users only have access to functions and transactions within the FMIS that are appropriate to their role. User accounts should be removed or updated when there is no longer a business requirement for access after this date.

The ANAO reported, in its *Auditor-General Report No. 9 2023–24 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023*.

In light of the key areas of risk and the ANAO's understanding of the operations of DCCEEW, the ANAO has assessed the overall risk of material misstatement in the 2022–23 financial statements audit as high. This risk rating reflects the nature of the maturing system of internal control supporting financial management and the complexity of the preparation of the financial statements following the establishment of DCCEEW on 1 July 2022.

Maturing System of Internal Control: The preparation of the Department's 2022-23 financial statements

The Department was established on 1 July 2022, bringing together functions from four previous agencies as part of a Machinery of Government change.

Financial year 2022-23 was the Department's inaugural reporting year. Preparation of the Department's first set of financial statements drew information from three disparate financial management information systems (FMIS); two instances of TechnologyOne, one belonging to the Department of Agriculture, Fisheries and Forestry (DAFF) and one belonging to the Department of Industry, Science and Resources (DISR); and one instance of SAP. The Department's financial transactions were operating through these three systems for the full financial year.

During this period the Department was reliant on both DAFF and DISR for access to the FMIS systems and to ensure appropriate underlying internal system of controls were in place to warrant that the financial transactions were free from material misstatement.

Relying on other entities system controls is not new; it is a feature of shared services; however, the Department was not just in a situation where its own FMIS was hosted by another ICT

platform. The Department's transactions were contained within DAFF and DISR's financial systems, hence the Department was using three general ledgers, three sets of accounts, and three reporting suites.

Complexity of financial reporting for the Department

In 2022-23, the Department managed the following complex financial reporting:

- four large valuations: Snowy Hydro Limited, the Antarctic restoration provisions, *RSV Nuyina*, and water entitlement assets
- new leases for all buildings across all states and territories
- regulatory charging
- reporting on 11 Special Accounts including the National Heritage Trust which requires separate audited financial statements
- joint operations in the Murray-Darling Basin
- inventories for the National Halon Bank and Technical Grade Urea Stockpile; remediation of Jabiru; and
- investments in Corporate Commonwealth Entities.

In 2023-24, the Department takes on the additional reporting responsibilities for the Capacity Investment Scheme; Marinus Link; management of the Rewiring the Nation Special Account; and water purchases.

Department Remediation Actions Since February 2023

The Department took over responsibility for the DAFF SAP system in February 2023 and after conducting an assessment completed a major application upgrade in late 2023 with further patching across most operational modules completed in February 2024.

The Department has also undertaken the following actions since February 2023 to address the moderate audit findings. Further work under a dedicated senior executive officer is continuing to close out the findings, by year-end.

Privileged user activities

- Finalised the outstanding reviews of privileged user activities (from February to June 2023).
- Reviewed and changed the process for the privileged user account reporting to reduce reliance on ICT resources to produce information to ensure that reviews can be completed in a timely manner.

Provisioning and removal of access

- Developed risk-based monitoring controls to confirm user access and role assignments are appropriate.
- Commenced a review of standard operating procedures for access provisioning within SAP to ensure they are fit for purpose.

- Regular reminders for managers, staff, and contractors to complete Staff Exit Declaration Forms if offboarding or going on extended leave.

Additionally, the Department is progressing development of its own identity and access management (IAM) system. The IAM will deliver a single source of truth about identity within the Department and will allow for automation around the offboarding of staff and contractors, including removal of access to financial and other corporate systems.

2023-24 financial reporting

The ANAO will test the adequacy of Department's actions and internal control framework to address the findings as part of its 2023-24 financial statements audit program.

The Department's new financial management information system came into operation on 1 July 2023. This brought together the three disparate systems. This will allow the Department to better manage its financial reporting for 2023-24 and into the future.