Australian Government

**Department of Infrastructure, Transport,
Regional Development, Communications and the Arts**

Submission to the Joint Committee of Public Accounts and Audit Inquiry into Commonwealth Financial Statements 2022–23

March 2024

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the department) is pleased to provide this submission to the Joint Committee of Public Accounts and Audit (the committee) Inquiry into Commonwealth Financial Statements 2022–23.

At the completion of the 2022–23 financial statements audit, the Australian National Audit Office (ANAO) reported two moderate risk audit findings: (1) Departmental internally developed software; and (2) Removal of user access. The department's submission addresses the actions the department has taken to remediate the audit findings and continue to strengthen the department's internal control framework.

Internally developed software

As at 30 June 2023, the department recognised $58.8 million as departmental internally developed software. The balance included costs that had been capitalised, representing internally developed software that was in use or ready for use, and work in progress costs that related to internally developed software under development. The department is required to recognise internally developed software under Australian Accounting Standard 138 *Intangible Assets* (AASB 138).

In 2023–23, the ANAO identified the department had recognised internally developed software that did not meet the criteria for recognition under AASB 138. The costs were reversed and expensed in 2022–23. This was raised as a moderate risk audit finding.

In response to the finding, the department undertook a comprehensive review of costs included as internally developed software as at 31 October 2023. The review resulted in the department recognising the following adjustments:

- Reclassification of seven projects between asset classes or from work in progress to assets in use. These adjustments had no immediate impact on the department's operating result.

- Reclassification of previously capitalised costs to the appropriate expense category including employee related costs, impaired assets and assets that did not meet the definition of an intangible asset under AASB 138. These adjustments will have an impact on the operating result for 2023-24.

In addition, the department has strengthened the process for managing and monitoring internally developed software projects and associated costs. Improvements include:

- Review and uplift of guidance materials.
- Strengthening engagement with project owners throughout the life cycle of an internally developed software project.
- Refinement of the annual impairment review template.
- Implementation of a register that includes expected roll-out timeframes for internally developed software projects to support closer monitoring of when assets enter service or are ready for service.

The department has finalised the remediation activities included in the ANAO's recommendations. At the time of this submission, the ANAO had not finalised their 2023–24 interim audit procedures which included review of the department's progress to remediate this audit finding.

Removal of user access

The Protective Security Policy Framework requires non-corporate Commonwealth entities to control access to systems, networks, and applications. The requirement includes removing system access from employees and contractors without an operational need for access to IT resources. The Information Security Manual security guidelines includes that access to system, applications and data repositories should be removed or suspended on the same day personnel no longer have a legitimate requirement for access.

In 2021–22, the ANAO identified that the department did not have sufficient controls in place to identify and investigate in a timely manner access by users post cessation of their employment or contract. This was raised as a moderate risk audit finding.

In response to the moderate risk audit finding, the department updated its HR offboarding and IT account termination policies and processes. Systems were developed to automatically compare SAP data against Active Directory, to identify terminated accounts within the environment. Standard Operating Procedures (SOPs) were developed to describe the processes for account termination and investigation of cases where access occurs after termination.

In 2022–23, the ANAO identified an instance of users accessing the department's systems post cessation. In response, the department adjusted its automatic processes to occur more frequently and a comprehensive review of the SOPs was undertaken. The procedures put in place increased the efficiency and sophistication of the departments procedures to effectively manage this risk.

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