



Australian Government
Department of Employment
and Workplace Relations

Inquiry into Commonwealth Financial Statements 2022-23

Submission from the Department of
Employment and Workplace Relations to the
Joint Committee of Public Accounts and
Audit

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Inquiry into Commonwealth Financial Statements 2022-23

Introduction

The Department of Employment and Workplace Relations (the Department) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit Inquiry into Commonwealth Financial Statements 2022-23 - Auditor-General Report No. 9 of 2023-24: Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023 (the Report).

Background

The Department acknowledges the Report, and notes the two Moderate (B) findings relevant to the Department, including one that remains open at the end of the year, as follows:

- a moderate (B) category finding, “Timely removal of user access on termination” arising from the 2020-21 Department of Education Skills and Employment (DESE) audit, the remedial action for which was transferred to the Department and remains open in the 2022-23 closing position.
- a new finding for the 2022-23 year titled “Management of Machinery of Government changes” related to the Department only and was resolved during the final audit process.

The report also noted that the Department had not updated a Cost Recovery Implementation Statement (CRIS) for the 2022-23 year.

User Access Removal - B Finding

The first finding, which was open at the commencement of the 2022-23 year, arose during the 2020-21 audit of the former DESE. The Department now delivers the associated information technology services to the Department of Education (Education) and has responsibility for any remedial action.

The Report noted that Education and the Department both had unresolved moderate audit findings related to removal of user access.

The Report noted the following.

The Protective Security Policy Framework (PSPF) 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 ANAO identified instances where users had accessed the former Department of Education, Skills and Employment’s systems after completion of their employment or contract. The ANAO noted that there were delays in completion of Exit Advice

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Notification which triggers a number of actions across the department, including the termination of access to ICT networks and systems.

During 2022–23 standard operating procedures to review the separation process were implemented. The ANAO identified that these procedures did not fully address the identified risk. These procedures will be reviewed to address identified gaps. The ANAO will consider the design and implementation of the revised control during the 2023–24 financial statements audit.

The Department had a number of existing user access controls in place prior to this finding that are aligned to the Australian Government Information Security Manual. These include:

- The separating user or their manager is required to submit an Exit Advice Notification (EAN) form in advance of their separation date.
- Automated checking of the Human Resource Management (HRM) system is done twice a day. Where permanent staff have been exited from HRM system their network access is disabled regardless of whether a EAN has been submitted.
- Network access for all types of contractors and non-ongoing staff is created only for the term of the user's engagement.
- Immediate removal of ICT access on request by an authorised delegate in the event of any form of disciplinary action.
- Automatically suspending network access after 45 days of inactivity, resulting in the user being unable to access the department's ICT network. The account is disabled after 90 days of inactivity.

As an interim response to the ANAO B finding, the Department implemented an additional Standard Operating Procedure (SOP) to review and validate user separations for the Department and Education. The SOP compares EANs with the last time the network was accessed by a user. If a user has accessed the network after their separation date the access is analysed to determine whether any malicious action has occurred. No malicious action has been identified to date.

The Department has also implemented minor amendments to its Information Security Policy to allow staff to retain network access when on long term leave, secondment, or temporary transfer in order to remain in contact with the department. If they don't access the network for 45 days their account is disabled in accordance with our standard controls.

The Department is implementing a multi-year identity and access management (IAM) program of work. The IAM program is modernising identity management, access controls, and privileged access management capability. The program of work will strengthen processes to mitigate the risks of user separation and automate the existing manual process of verifying user separations and user access.

Machinery of Government changes

The Report notes that on 1 July 2022, Administrative Arrangements Orders took effect which established and transferred the following functions to the Department:

- employment, skills and vocational education from the former DESE;

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- workplace relations from the Attorney-General's Department (AGD);
- Automatic Mutual Recognition (AMR) from the Department of the Prime Minister and Cabinet; and
- Pacific Australia Labour Mobility scheme domestic operations and policy from the Department of Foreign Affairs and Trade (DFAT - agreed September 2023).

The short time frame, multiple complex systems and operating environments, and associated loss of resourcing and corporate knowledge presented substantial challenges to the preparation of the 2022-23 financial statements. This complexity was reflected in a high engagement risk rating for the audit, resulted in an abnormally large number of audit differences (13, including 9 unadjusted differences), and led to large implementation costs being incurred that resulted in an approved operating loss.

The complexity of establishing the Department led to the ANAO raising a moderate finding, "Management of Machinery of Government changes as part of the 2022–23 interim audit, which was previously reported in Auditor-General Report No. 26 (2022–23 Interim Report on Key Financial Controls of Major Entities). This finding was addressed in the latter part of the 2023-24 year and confirmed as resolved during the final audit.

Cost recovery impact statement (CRIS) compliance

Under the Commonwealth's Cost Recovery Policy, entities must document each cost recovered regulatory activity in a CRIS before charging begins. As financial estimates are progressively updated throughout the year, entities should update relevant information in the CRIS. Entities must also include financial outcomes for the cost recovered activity in the CRIS on an annual basis.

The report noted that the department had not updated a CRIS to include estimates for 2022-23 of revenue and expenses and performance, at the activity level, for the previous period.

The Department is currently reviewing the CRIS, which relates to VET Student Loans, and anticipates a comprehensive update will be made in the 2025-26 year. Estimates and performance information will be updated earlier if possible.