



NATIONAL ARCHIVES OF AUSTRALIA

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

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Australian Government

National Archives of Australia

INTRODUCTION

Following the Committee's invitation, National Archives of Australia makes the following submission to the Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2022–23.

National Archives of Australia (National Archives) is established under *the Archives Act 1983* (Archives Act). It is a non-corporate Commonwealth entity (a listed entity) under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and an Executive Agency under the *Public Service Act 1999* (PS Act). National Archives sits within the Arts portfolio (Department of Infrastructure, Transport, Regional Development, Communications and the Arts) and reports to the Minister for the Arts, the Hon Tony Burke MP.

National Archives provides advice and assurance that the Australian Government has access to authentic, reliable and usable Commonwealth records to enable evidence-based decisions, provide sound advice, develop good policy, deliver programs effectively, and to facilitate access to the archival resources of the Commonwealth.

The roles and responsibilities of National Archives are outlined in the Archives Act and are broadly grouped into the following 3 areas:

- sets information management requirements for Australian Government entities to ensure records of government actions and decisions are created and kept, demonstrating accountability and evidence of the integrity of the operations of the Australian Government
- selects and preserves the most significant records of the Australian Government and authorises the destruction of records with no ongoing value to government or the community, and
- makes these records accessible to government and the public as a national resource, to enrich and inform how Australians live today and into the future.

ANAO AUDIT FINDING

National Archives was the subject of audit findings from the Australian National Audit Office (ANAO) as outlined in the Auditor-General Report No. 9 2022–23 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023* relating to the National Archives.

The 2 findings as listed related to ineffective Financial Management Information System (FMIS) controls over the agency's upgraded TechnologyOne system, and lack of timely process associated with the financial statements preparation. Notwithstanding these 2 findings, the ANAO was able to gain assurance that National Archives' 2022–23 financial statements were not materially misstated and issued an unqualified Audit Opinion.

Category	Closing Position (2021-22)	New Findings (2022-23)	Findings Resolved (2022-23)	Closing Position (2022-23)
Significant (A)	-	1	-	1
Moderate (B)	-	1	-	1
Total	-	2	-	2

As per paragraphs 4.12.78 to 4.12.83 of the ANAO report, the following findings were provided:

“IT [Information Technology] general controls are essential to support effective processes, policies and procedures for managing information systems, securing sensitive information, and ensuring the integrity and availability of data to support the preparation of financial statements. Ineffective IT general controls, in particular monitoring and reviewing privilege user activity, increases the risk of erroneous or unauthorised transactions or changes to IT systems not being identified and addressed.

The design and implementation of IT general controls was ineffective. Weaknesses were noted in relation to:

- *insufficient oversight and documentation of review of privilege user access and activity logs.*
- *no formalised or documented periodic review of user access.*
- *inconsistent mapping of roles and responsibility configurations, including workflow approvers and inconsistent chart of accounts mapping configurations.*

National Archives undertake a detailed review of IT general controls to confirm controls are designed, implemented and operating effectively to support the preparation of National Archive’s financial statements. This should include:

- *developing and implementing a process to monitor and review privilege user activity.*
- *formalising a documented periodic user access review.*
- *undertaking a review of the mapping of roles and responsibility configuration, including workflow approvers and chart of accounts mapping to confirm it is appropriate.*

ANAO identified weaknesses in National Archive’s financial statements preparation process. The weaknesses included:

- *a deficiency in the timely preparation of workpapers to support the financial statements and associated notes, including the timely preparation and review of key reconciliations during the year.*
- *a lack of review and approval of year-end adjusting journals by an independent reviewer who had an appropriate understanding of the financial implications of the journal.*
- *an inability to provide sufficient supporting documentation to validate certain year-end transactions.*
- *the identification of a number of adjusted and unadjusted audit differences.*

National Archive’s develop a robust financial statements close process. This should include:

- *detailed timelines for the completion of key tasks and the responsible officer.*
- *identification of risks associated with the financial statements close process and controls management requires to mitigate and manage the risk.*
- *a level of management oversight and review to support the preparation of timely and quality financial statements.”*

BACKGROUND

The previous FMIS was several generations behind in its capacity in providing best practices in financial operating systems such as travel management, procurement reporting and electronic invoicing options. Further to this, the FMIS was deemed not upgradable to newer applications.

National Archives undertook a FMIS upgrade in the 2021-22 financial year, implementing the OneGov solution FMIS platform, a newer version of TechnologyOne. The upgraded FMIS was then used in preparation of the 2022-23 financial statements.

Whilst still in draft, a set of the 2022-23 financial statements was provided to the ANAO to commence their review. In reviewing this first draft and supporting documentation, the ANAO identified areas of concern including the use of a number of control 'work arounds' and other practices associated with a lack of accountable standards resulting from the agency's upgrade to the TechnologyOne FMIS.

The outstanding and complicated configuration and accounting issues that were a result of the FMIS upgrade and implementation were further compounded by a high turnover of finance staff. ANAO raised specific concerns regarding the lack of segregation of duties and in particular, a staff member as super administrator user to the TechnologyOne FMIS which gave that individual the ability to undertake all financial management functions associated with creating and processing financial transactions. The inappropriate access and associated practices were implemented to overcome the shortcomings in both staffing levels and system configuration.

The serious nature of the issues identified by ANAO required a halt in preparation and review of the financial statements. National Archives then immediately engaged an independent external consultant to undertake a forensic audit review of all the underlying transactions on which the financial statements were based and identify any potential fraud resulting from the financial management processes that were in place. ANAO provided oversight into the scope of works undertaken by the forensic auditor to ensure a complete and accurate review was undertaken.

The forensic audit review was finalised and reported to National Archives and subsequently provided to ANAO to assist with finalising the preparation of the financial statements. The forensic audit review did not identify any fraud or deliberate misstatement of any transactions or financial reporting amounts.

National Archives and ANAO continued to work closely together to establish sufficient documentation and appropriate accounting treatments to address the remaining issues, with the 2022-23 financial statements being signed on 16 November 2023 and an unqualified audit opinion issued on 17 November 2023.

NEXT STEPS

National Archives accepted ANAO's findings and acted quickly to address the findings to the best of its ability. The privileged access identified by ANAO and in the forensic review has been removed and the TechnologyOne FMIS is subject to continuous configuration improvements. This ensures improved accounting practices and the cessation of control 'workarounds'.

National Archives' Executive Board continues to monitor implementation of actions to address the findings identified by the ANAO. Working with National Archives' independent Audit and Risk Committee to ensure correct steps are undertaken and providing assurance, National Archives internal auditors have commenced independent reviews to assess National Archives financial processes and controls, as well as the actions undertaken from each of the ANAO findings.

The scope of this independent audit includes reviewing the policies and procedures surrounding the National Archives' financial management system and assessing the design and implementation of the technical configuration and automated controls, to support an effective control environment and internal control systems.

The Executive Board and Audit and Risk Committee will continue to monitor the actions undertaken from each of the ANAO findings until implementation is completed.