



Australian Government
Services Australia

Submission to the Joint Committee of Public Accounts and Audit Inquiry into Commonwealth Financial Statements 2019-20

Overview

Following the Committee's invitation, Services Australia (the Agency) makes the following submission to the Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2019-20.

Since early 2020, the operational tempo of the Agency has been at its highest levels. The COVID-19 pandemic triggered a record surge in demand for government services and support. The Agency was at the forefront of delivering this support to millions of Australians.

During the initial response, the Agency mobilised thousands of extra staff, increased IT capability to meet the surge in demand and worked closely with policy agencies to deliver support and services to people as quickly as possible.

During the 2019-20 financial statement audit process, two Australian National Audit Office (ANAO) Category B (moderate) audit findings were identified in relation to programs that Services Australia delivers on behalf of other Commonwealth entities.

The Agency undertook remediation action that resolved one of the audit findings relating to welfare payment system access management as part of the 2020-21 interim audit phase. The second finding relating to IT Security Governance is broader in nature, which encompasses the complex IT environment managed by the Agency. To address this finding the Agency has prepared a program of work to support enhanced ICT security governance and controls, a roadmap and an operating model. A detailed audit remediation plan has been developed, identifying the critical activities requiring remediation to resolve the finding.

In order to ensure the required focus is applied to resolving this finding, the Chief Executive Officer (CEO) requested the Chair of the Audit and Risk Committee (ARC) to establish and chair an Audit Findings Sub-Committee to ensure the risks associated with the audit findings were appropriately managed. The Audit Findings Sub-Committee currently meets every three weeks with key Agency senior executive representatives, including the Chief Operating Officer and Chief Information Officer. Detailed management action plans of all ANAO financial statement audit findings have been developed and are monitored by the Sub-Committee.

The Agency is actively engaging with the ANAO to inform it of the Agency's progress to resolve the IT Security Governance audit finding. The ANAO is invited to the Audit Findings Sub-Committee, and meets with key senior executives on a regular basis, including 'deep dive' meetings that detail progress against the audit remediation plan.

Services Australia takes its responsibilities for the security of its IT systems and associated customer information and payments seriously. The issues identified by the ANAO have focused the efforts of the Agency to ensure the IT security governance and associated policy frameworks are fit for purpose and applied consistently across the complex IT environment managed by the Agency.

The Agency's ARC provides an increased level of governance to ensure that the risks associated with new and emerging audit findings are escalated to accountable senior management for resolution.

Services Australia has been identified in the Interim Report on Key Financial Controls of Major Entities no. 40 2020-21 as having the highest paid chair of an audit committee and the highest costs of audit committee members. This is due to the Agency transitioning to a fully independent audit committee membership in October 2020, ahead of the 1 July 2021 mandatory change date; and due to the 2019-20 annual report publishing the maximum annual remuneration possible for each member, rather than the actual remuneration received at a point in time.

The Agency

Services Australia's purpose is to support Australians by delivering high-quality, accessible services and payments on behalf of Government.

Services Australia is committed to making government services simple so people can get on with their lives. To achieve this vision, the Agency is focusing on transformation and modernisation, building the capacity and structures for sustained change to deliver streamlined customer services seamlessly and efficiently.

Services Australia is making changes across its business, collaborating with policy agencies, the community and third parties to improve the systems that support Australians, while continuing to provide its extensive services and payments to its customers.

Financial Information

In 2019-20, Services Australia paid over \$202 billion in payments on behalf of the Government. The Agency also worked with separated parents to facilitate the transfer of \$3.8 billion to support approximately 1.2 million children.

The Agency has around 395 million customer interactions each year, and administers programs on behalf of numerous policy agencies including the Department of Social Services, Department of Health, and Department of Education, Skills and Employment, among others.

Services Australia is a provider of shared services for a number of agencies, with the Agency providing corporate and IT services to the National Disability Insurance Agency and the Department of Veterans' Affairs in 2019-20. The Agency also delivered internet gateway services for nine Australian Government entities.

Information Technology Environment

Services Australia works within a complex legislative environment that underpins the diverse range of service delivery responsibilities under agreements with multiple Commonwealth entities.

To facilitate the range of payments made to support Australians, Services Australia has a complex IT environment made up of a suite of systems hosted across different IT platforms to support its business objectives.

Within this environment, Services Australia has a combination of applications that are each individually significant to the administration of social welfare, health care and child support programs, including the assessment and calculation of these benefits and the resulting payments.

Services Australia has a significant number of transformation and modernisation projects underway. These projects are helping the Agency achieve its vision: to make government services simple so people can get on with their lives.

This transformation has enabled the Agency to rapidly respond in emergencies. For example, in July 2020 we used the Payment Utility platform, which was built as part of the Welfare Payment Infrastructure Transformation Program, to rapidly distribute Public Housing Lockdown Relief payments on behalf of the Victorian Government. Recipients began to receive payments in just over four days from the time of the request by the Victorian Government.

ANAO Moderate Audit Findings

As part of the 2019-20 financial statement audit process, the ANAO identified two Category B (moderate) audit findings. As set out in the Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020 – Report No.25 2020-21 and the subsequent Interim Report on Key Financial Controls of Major Entities no. 40 2020-21, the two moderate audit findings relate to:

1. Welfare Payment System Access Management; and
2. IT Security Governance.

Welfare Payments System Access Management

This audit finding was initially raised as part of the 2019-20 final audit process and successfully closed six months later as part of the 2020-21 Interim Audit Results report.

The ANAO moderate audit finding identified that the governance, risk and assurance management change process to some key systems as part of the Agency's initial response to the COVID-19 pandemic were not adequately assessed, captured and documented. The systems and process changes identified were in relation to customer identity, provisioning of system access to enable the onboarding of staff and the pause of mutual obligations during the immediate response to the COVID-19 pandemic.

The Agency has robust IT change management processes in place, which were applied when system changes were implemented through the original response to COVID-19 measures. IT access was provided to a broader cohort of staff and was completed on an organisational unit basis with manager approval, rather than on an individual basis. This enabled the Agency to respond to the rapidly evolving situation and move additional staff onto claims processing quickly and efficiently. Internal controls over claims processing remained in place.

The risks associated with the response were managed appropriately in the context of the rapidly changing environment at that time, along with the requirement to respond quickly to the influx of customers and Government decisions.

Services Australia implemented the recommendations identified by the ANAO to ensure all system changes and change decisions were adequately documented. This included the engagement of KPMG to provide external assurance oversight of the roll back of the COVID-19 measures to ensure these were appropriately managed.

The lessons learnt regarding adequate documentation of risk assurance processes, are currently being applied with the rapidly evolving COVID-19 situation in July 2021.

IT Security Governance Finding

The IT Security Governance audit finding is relating to IT security and privileged user access at either the network, application or database level. In 2019-20, the ANAO requested evidence of the implementation and operation of the governance and monitoring processes that support the Agency's Cyber Security – Information Security Management Framework. The Agency is working to address the issues relating to this audit finding.

In order to ensure the required focus and management is applied to resolving this audit finding, the Chief Executive Officer requested the Chair of the ARC to establish and chair an Audit Findings Sub-Committee. The Audit Findings Sub-Committee currently meets every three weeks with key Agency senior executive representatives, including the Chief Operating Officer and Chief Information Officer. Detailed management action plans of all ANAO financial statement audit findings have been developed and are monitored by the Sub-Committee.

An Audit Remediation Steering Committee has also been established to monitor progress and critical activities against the IT Security Governance audit remediation plan, with updates provided to the Audit Findings Sub Committee. The associated critical path activities include: security governance, user termination management, SAP password parameters, logging and monitoring, monitoring of RBA payment files, network password parameters and monitoring of super user activity. These critical path activities have been segmented for resolution over the short, medium and long term.

The Agency is actively engaging with the ANAO to inform it of the Agency's progress to resolve the IT Security Governance audit finding. The ANAO is invited to the Audit Findings Sub-Committee, and meets with key senior executives on a regular basis, including 'deep dive' meetings that detail progress against the audit remediation critical plan activities.

The Agency has addressed and delivered all short-term activities prior to 30 June 2021, with all supporting information provided to the ANAO.

The ANAO issued the Agency with a pre-final audit letter in early July 2021, which outlined the progress of audit activities and the status of the audit findings. Based on the work completed and the supporting information provided, the ANAO has reported that the audit finding will remain at a moderate rating.

Next Steps

Resources continue to be applied and regular check-ins scheduled to ensure that the medium and long-term deliverables are progressed in line with the commitments in the remediation plan. Medium term activities are scheduled to be completed by 31 December 2021 and long-term deliverables will be in place by 30 June 2022. The Agency will continue to work closely with the ANAO to ensure effective resolution of the audit finding.