



**Australian Government**  
**Department of Home Affairs**



# **Department of Home Affairs submission to the Inquiry into Commonwealth Financial Statements 2022-23**

Joint Committee of Public Accounts and Audit

28 March 2024

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### Overview

The Auditor-General Report No.9 of 2023-24 – *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023* (Report) provided a summary of the financial environment in which the Department of Home Affairs (Department) operates. The Report did not identify any significant areas of increased risk for the Department in the 2022-23 financial year, as compared to previous financial years.

### Audit Findings

The Report included identification of one moderate audit finding in relation to the Department.

This audit finding was addressed and downgraded prior to year-end, resulting in no open audit findings, rated as moderate or higher at the conclusion of the Australian National Audit Office (ANAO)'s audit of the Department's 2022-23 financial statements.

At year-end, the Department reported an operating loss of \$109.2 million for the 2022-23 financial year, within the Government approved operating loss of \$120 million, and received an unmodified audit opinion from the Deputy Auditor-General on 12 September 2023.

#### Reported audit finding: User Access Removal

The finding was raised through the interim phase of the 2023-24 financial statements audit and reported in Auditor-General Report No.26 of 2022-23 – *Interim Report on Key Financial Controls of Major Entities*. As a result of remediation work implemented by the Department, the finding was downgraded to a minor finding at the conclusion of the 2022-23 audit.

The Protective Security Policy Framework (FSPF) requires non-corporate Commonwealth entities to control access to systems, networks and applications including the removal of systems access for employees and contractors without an operational need to access IT resources.

The finding identified a weakness in the Department's processes for reviewing and monitoring access and user activities performed by individuals after they had ceased employment with the Department.

The ANAO recommended the Department remove access from contractors that have ceased employment, review user access logs, focus on the detection and investigation of any user access after their cessation dates, and perform a risk assessment of the proposed controls to confirm that updated processes mitigate the associated risks.

The Department agreed with the audit finding and took immediate steps to address the weaknesses identified. This included:

- removal of access for individuals identified to have access post termination;
- a review of user access logs, for the three contractors that had ceased employment, verified that no inappropriate access occurred;
- establishment of a monthly review process from June 2023 for all termination and system deletion requests to identify and investigate any instances where access was removed after an employee or contractor's termination date; and
- included a risk assessment in the documentation of the monthly review process.

As a result of the implementation of these controls, the ANAO downgraded the finding to a minor control weakness at the conclusion of the 2022-23 financial statements audit with a view to closing the finding after observing the operation of the controls within the 2023-24 audit cycle. The 2023-24 financial statement audit process is currently reviewing the controls, as part of the interim audit, to evaluate their effectiveness.

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The Report also noted the Department had not updated the Cost Recovery Impact Statements (CRIS) to include estimates for 2022-23 to include estimates of revenue and expenses and performance, at the activity level, for the previous period. The Department has put in place a plan to address this issue.

### Financial Sustainability

The Department was asked to appear at the Joint Committee of Public Accounts and Audit Inquiry [Report 497] into Commonwealth Financial Statements 2021-22 on 31 March 2023 with respect to the Department's financial sustainability.

The Department reported an operating loss of \$109.2 million for the 2022-23 financial year (after adjusting for net cash funding arrangements), within the Government approved operating loss of \$120 million, primarily due to inflationary and operational volume pressures, efficiency allocations, and the requirement to absorb previously unfunded items.

The Department is on track to achieve a balanced budget in 2023-24, in part due to new funding secured through the Mid-Year Economic and Fiscal Outlook (MYEFO) process. The Department has also built on budget controls implemented in 2022-23 and reined in expenditure by prioritising internal resources for the delivery of new initiatives, ceasing discretionary activities and recruitment for non-critical roles, and implementing robust travel and procurement controls.

The Department has commenced two key reviews to inform a sustainable future funding strategy:

- a Capability Review led by the Australian Public Sector Commission (APSC) being led by Dr Ian Watt AC, that will assess our ability to meet future objectives and challenges.
- an Independent Prioritisation and Resourcing Review (the Review) to examine allocation of resources to Government priorities, provide an assessment of the extent to which the allocation is consistent with and able to meet government requirements; and make recommendations to inform an appropriate funding framework for Home Affairs.