



Australian Government

**Department of Climate Change, Energy,
the Environment and Water**

Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2021–22

Date 3 March 2023



Overview

Following the Committee's invitation, the Department of Climate Change, Energy, the Environment and Water (the Department) makes the following submission to the Joint Committee of Public Accounts and Audit (JCPAA) Inquiry into Commonwealth Financial Statements 2021–22.

The Department was established on 1 July 2022, to implement the Administrative Arrangements Orders effective 1 July 2022 and 14 October 2022, with functions, personnel and resources including appropriations, assets and liabilities transferred from the former Departments of Agriculture, Water and the Environment, Industry, Science, Energy and Resources, and Infrastructure, Transport, Regional Development and Communications; and the Department of Foreign Affairs and Trade.

The Department

The Department has been established to lead and deliver the Government's agenda across climate change, energy, environment, heritage and water. The portfolio carries a range of complex policy issues that are of critical importance to Australia's future way of life and which require collaborative, innovative and joined-up reform. The department will play a leading role in reinvigorating Australian climate action and leadership, facilitating the smooth transformation of our energy system, capturing the opportunities of a clean energy economy, helping to protect, restore and manage Australia's land and ocean environment and heritage, and improving the health of our rivers and freshwater ecosystems. In doing this, we seek to achieve both environmental and economic outcomes, including growing our economy and ensuring regional communities continue to thrive.

ANAO Moderate Audit Finding

As part of the Commonwealth Financial Statements 2021–22, the Department of Agriculture, Water and the Environment (DAWE), now the Department of Agriculture, Fisheries and Forestry received a moderate audit finding from the Australian National Audit Office (ANAO) relating to Financial Management Information Systems Privileged User Management, specifically over its SAP system.

As per paragraphs 4.1.17 to 4.1.19 of the ANAO Report:

"Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During 2021–22 the ANAO identified weaknesses in the effectiveness of DAWE's monitoring of privileged user activities within the Financial Management Information System (FMIS).

The ANAO identified that audit logs of privileged activity reports were not subject to regular review. In addition, reviews confirming the currency and need for user access to the FMIS were not completed for part of 2021–22. These reviews are required on a monthly basis by DAWE's internal policies and procedures. Failure to undertake these reviews increases the risk of erroneous or unauthorised changes to IT systems will not

be identified and addressed. The ANAO recommended that DAWE recommence these reviews.

DAWE committed to reviewing and resolving the outstanding activity reports and logs to provide assurance over the appropriateness of privileged user activities. The ANAO will confirm the implementation and effective operation of the monitoring of privileged user access as part of the 2022–23 financial statements audit”.

With the machinery of government change, DAWE no longer has a requirement to own and control its SAP system and it will, at a date soon to be agreed by Secretaries, transfer the system ownership and control to the Department.

The ANAO has indicated that the Department is to also take on the ANAO moderate finding including responsibility for remediation.

There were no significant or moderate audit findings in the financial statements audits for the Department of Industry, Science, Energy and Resources, Department of Infrastructure, Transport, Regional Development and Communications, or the Department of Foreign Affairs and Trade that relate to functions transferred to the Department.

Unintended consequences of machinery of government changes

Since its establishment, the Department receives core ICT services from the now Department of Agriculture, Fisheries and Forestry (DAFF), on a fee for service basis under a memorandum of understanding; often referred to as a shared service arrangement.

As part of this arrangement, the Department relies on DAFF to support its ICT operating environment including ensuring appropriate underlying internal system controls are in place and managing changes to the environment.

The ability of the Department to influence and control the ICT operating environment is limited, and as such its ability to address the moderate audit finding is also limited. Further, it seems incongruous that a new department, particularly one operating under ICT shared service arrangements, should be required to accept and remedy the finding of another department.

The Department considers that this scenario is an unintended consequence of how machinery of government changes operate in practice and how they are applied by the ANAO. Hence, the Department bringing this matter to the attention of the Committee.

Next steps

The Department will continue to work with DAFF and the ANAO to close off the finding, to the best of its ability.

Further, the Department will look to ensure its future ICT internal control environment, within its remit, meets the necessary standards moving forward.