

Submission to the Joint Committee on Public Accounts and Audit

**Inquiry into Commonwealth Financial Statements 2019-20: Auditor
General's reports No. 25 & No. 40. (2020-21)**

August 2021

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1. Foreword

The National Disability Insurance Agency (NDIA or the Agency) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit's (JCPAA) inquiry into the Auditor General's reports on *the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020 (No. 25 – 2020-21) & Interim Report on Key Financial Controls of Major Entities (No. 40 2020-21)*.

2. Current Status of ANAO Findings

2.1 Auditor-General Report No.40 2020–21 - Interim Report on Key Financial Controls of Major Entities

On 2 June 2021 the Auditor-General presented the ANAO's interim report on Key Financial Controls of Major Entities, for the 2020-21 financial statements (Auditor-General Report No. 40).

The audit made one new moderate finding, as well as continuing one unresolved moderate finding from the Auditor General's report on the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020 (No. 25 – 2020-21), as set out in the table below:

Table 3.21.4: Status of audit findings raised by the ANAO

Category	Closing position (2019–20)	New findings (2020–21)	Resolved findings (2020–21)	Closing position (2020–21)
B	1	1	–	2
Total	1	1	–	2

Details of the findings, together with the steps the NDIA is taking to remediate the issues, are set out below.

2.2 Business Assurance — Plan Approvals

2.2.1 Audit Findings

In 2019-20 the ANAO reviewed the NDIA's Business Assurance Compliance Reporting Framework, including the NDIA's process for identifying, analysing and addressing non-compliance with participant planning policy.

The Report found:

The NDIA has implemented the Business Assurance Compliance Reporting Framework designed to provide assurance over the quality of the information received and the consistency and appropriateness of the decisions made by planners.

The assurance program related to plan approvals consistently reporting high levels of non-conformance with a critical test, in excess of NDIA's nominal conformance target of 80 per cent. The critical test for the plan approvals, seeks to confirm that plans approved with supports greater than 10 per cent of the typical support package are justified and evidenced. The testing undertaken covered plans that were approved between July 2019 and 2 March 2020, as at 30 July 2020, the ANAO had not been provided with the test results for the remainder of the financial year.

NDIA's Quality Branch developed a continuous improvement register and action plans during 2019–20. The action plans are required where the nominal target has not been met. Whilst the error rates have been included in state and territory action plans there is no evidence of a detailed root cause analysis performed consistently across all states and territories with an aim of understanding the drivers for the exceptions identified.

Furthermore, the ANAO has not been able to obtain evidence that NDIA performed further analysis to determine whether the instances of non-conformance resulted in participants having access to a level of supports inconsistent with the supports considered to meet the legislated requirement of reasonable and necessary. Consequently, participants may have access to supports in excess of what would be deemed to be reasonable and necessary increasing the cost of the scheme and its long term financial sustainability.

The 2019-20 moderate audit finding relating to deficiencies in the Plan Approvals Business Assurance process remained as an unresolved moderate finding in the Auditor-General Report No.40 2020–21 - Interim Report on Key Financial Controls of Major Entities. However, the ANAO acknowledged progress has been made in remediating this finding and remediation is on track for the finding to be downgraded to minor in the final audit phase.

2.2.2 NDIA Response

The NDIA accepted the ANAO's findings and acted quickly to improve business assurance of plan approvals. To address the weaknesses highlighted by the ANAO, the NDIA:

- Revised its plan approval quality test questions to assess whether each of the reasonable and necessary criteria (section 34 of the NDIS Act) is considered prior to approving supports in a participants plan.
- Developed a root cause analysis guide, which is now used to analyse test results to identify required improvements in plan quality, sustainability and participant experience.
- Implemented new reporting that compares actual results against established targets, trends in performance and the top 3 areas for improvement. Reports are provided monthly to planning teams (who make the decisions) and following the ANAO's feedback in its Interim Management Letter, results are now summarised and reported monthly to NDIA's Executive Leadership Team.
- Implemented a new Continuous Improvement program to provide training that drives improvements in priority areas identified through the business assurance of plan approvals.

As at June 2021 quality testing of plan approval decisions has identified funded supports approved in plans are meeting compliance targets for reasonable and necessary criteria.

Additional remediation on reporting was undertaken to address the ANAO's feedback in the interim management letter and the finding is on track to be closed or downgraded to minor in the final audit phase.

2.3 Timeliness of user access termination

2.3.1 Audit findings

In the Interim Report on Key Financial Controls of Major Entities (No. 40 (2020-21)) the ANAO reported on the NDIA's timeliness of user access terminations as below.

The ANAO's interim testing of user access found weaknesses in user access terminations processes. User accounts should be removed upon termination date as they no longer have a legitimate requirement to access NDIA's network. The ANAO identified a number of instances where users continued to have access to systems following separation from NDIA.

The ANAO has recommended that NDIA implement processes to ensure user access is terminated on a timely basis and undertake a detailed review of all logs related to unauthorised access confirming that no inappropriate transactions or data has been accessed. The ANAO will review NDIA's progress in addressing this issue during the final audit phase.

2.3.2 NDIA Response

The NDIA accepts the ANAO's findings and has acted immediately to address the issues raised. The NDIA has reviewed and implemented a more streamlined system for early notification and processing of all cessations, covering NDIA staff, labour hire workers and partner organisations that have access to NDIA ICT systems. The process is automated, wherever possible, and centrally managed by NDIA's People and Culture Division. The new process was implemented in June 2021.

The NDIA is closely monitoring off boarding processes to ensure user access is terminated in a timely manner. The NDIA is working with Services Australia to conduct an ongoing investigation of access to NDIA systems by terminated personnel. The investigation is to confirm that no inappropriate transactions or data has been accessed by personnel post termination.

2.4 Conclusion

The NDIA is committed to taking these actions to address the outstanding findings and trusts the information above will be of benefit to the JCPAA.