



MINISTER FOR DEFENCE
THE HON DR BRENDAN NELSON MP

Mr Russell Chafer
Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

27 FEB 2006

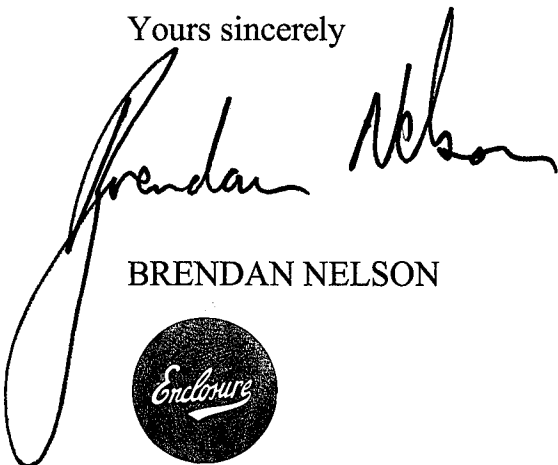
Dear Mr Chafer

On 7 November 2005, the Joint Committee on Public Accounts and Audit tabled Report 404, which details the findings of the Committee's examination of 11 performance audits by the ANAO. This report focused on two Audit Reports of 2004-05, of particular relevance to Defence:

- No 5 - Management of the SDSS Upgrade; and,
- No 21 - Defence's Financial Statements 2003-04.

The Committee requested that Defence report on the implementation of Recommendation 29 by February 2006. I enclose Defence's response to Recommendation 29 in an Executive Minute. Defence's response to the remaining recommendations will be tabled by 7 May 2006, that is, within six months of the report's tabling date.

Yours sincerely



BRENDAN NELSON





Australian Government

Department of Defence

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT No. 404

Review of Auditor-General's Reports 2003-2004 Third & Fourth Quarters; and First & Second Quarters of 2004-2005

DEFENCE RESPONSE TO RECOMMENDATION 29

General comments

The JCPAA Report 404 examined 11 performance audits by the ANAO. Two of these reports were of particular relevance to Defence; Nos 5 and 21. These reports looked at the management of the Standard Defence Supply System Upgrade and Defence's Financial Statements 2003-04. The Committee made a total of eight recommendations to which Defence is required to respond. Recommendation 29 required Defence to respond to the Committee by February 2006 – this is below.

The Defence response to the remaining seven recommendations will be tabled within six months of the report's tabling date, that is, by 7 May 2006.

Response to the recommendation(s)

Recommendation 29 paragraph 9.47

The Committee recommends that Defence urgently review the security controls for the SDSS program to ensure that user access is set at the appropriate levels. Defence should report back to the Committee about its implementation of this recommendation by February 2006.

Following its audit of SDSS in April-May 2005, the ANAO concluded that it was unable to obtain the necessary levels of controls reliance across SDSS and associated business processes. A specific area of concern was user access.

In response, Defence has implemented a comprehensive enhanced SDSS IT Controls Framework, which is addressing, inter alia, user access and security issues. A revised security access matrix has been introduced, including:

- cleansing of existing user profiles, to provide the level of access appropriate to the positions occupied by the users;
- the introduction of tighter controls on privileged user access rights;
- the application of segregation of duties principles to SDSS users, to ensure that individual users did not have access to conflicting business functions on SDSS;
- where operational requirements meant that complete segregation of duties was not possible, a supervisory oversight was introduced as a compensatory control; and

- the introduction of enhanced access reporting, to monitor system usage and detect deviation from usage patterns and rights.

These actions were completed by November 2005.

The SDSS IT Controls Framework will provide greater assurance about the security of the system and the reliability of the information contained on it. In addition to user access and security, it is strengthening the controls framework on the system and addressing business processes surrounding the system and compliance with them. Significant progress has been made in the implementation of the Framework, with training, testing, quality assurance and audit scheduled for completion by 30 June 2006. The ANAO has been briefed extensively on the methodology, implementation and testing.



R. C. SMITH
Secretary
Department of Defence