



File: T&F22/1193
A2630301

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
Fax 08 8226 3819
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

11 November 2022

Hon Heidi Girolamo MLC
Parliament House
North Terrace
ADELAIDE SA 5000

Sent via email: Girolamo.office@parliament.sa.gov.au

Dear Heidi

Freedom of Information - Audit management letters and corresponding audit reports

I refer to your application under the *Freedom of Information Act 1991* (FOI Act), received by the Department of Treasury and Finance (DTF) on 4 October 2022.

Your application specifically requested:

'Please provide copies of all Audit Management Letters and their corresponding audit reports from the 30 June 2022 Auditor-General's Department Audit period [Date range 1 July 2021 to 30 June 2022].'

The purpose of this letter is to advise you of my determination.

A total of 34 documents were identified as answering the terms of your application and I have determined as follows:

- I grant you access in full to 16 documents, copies of which are enclosed, and
- I refuse you access to 18 documents.

Please refer to the attached schedule that describes each document and sets out my determination and reasons in summary form.

Documents released in full

Documents 1 - 2, 9 - 12, 17 - 21, 26 - 27, 30 - 31, 34

Documents refused in full

Documents 13 - 14, 28 - 29, 32 - 33

These documents consist of audit correspondence that identifies security weaknesses in DTF's ICT environment that could potentially be exploited if disclosed. Disclosure of this information could reasonably be expected to prejudice the ICT systems in place to protect DTF's assets. I have therefore exempted this information pursuant to clause 4(2)(a)(vi) of Schedule 1 of the FOI Act.

Documents 13 - 14, 28 - 29 and 32 - 33 also consist of information concerning DTF's business, professional, commercial, and financial affairs. I have therefore determined to exempt this information from disclosure pursuant to clauses 7(1)(c) of Schedule 1 of the FOI Act.

Documents 13 - 14, 28 - 29 and 32 - 33 contain recommendations prepared by the Auditor-General for the consideration of DTF as part of its decision-making process, as well as DTF's responses that detail its plans to implement those recommendations. I have therefore determined to exempt this information from disclosure pursuant to clauses 9(1)(a)(i) of Schedule 1 of the FOI Act.

Furthermore, these documents contain matter the disclosure of which could reasonably be expected to have a substantial adverse effect on the effective performance by DTF of its functions. A breach of ICT security would potentially result in system shutdowns, loss of data and diversion of resources from normal business functions to, for example, investigation of the breach and subsequent damage, loss recovery and mitigation, and communication with affected stakeholders. I have therefore determined that they are exempt pursuant to clause 16(1)(a)(iv) of Schedule 1 of the FOI Act.

Each of these exemptions requires consideration of the public interest factors for and against disclosure.

Public interest factors in favour of disclosure include:

- furthering the objects of the FOI Act which promote disclosure of government information, and
- transparency of government.

Public interest factors against disclosure include:

- the risk of substantial disruption to government business should infiltration of its ICT environment occur, and
- the subsequent risk to government stakeholders and customers that could also result.

While I acknowledge that there is a strong public interest in furthering the objects of the FOI Act and promoting transparency in government, these factors are, in my view, outweighed by the substantial risk posed by cyber criminals that gain access to ICT systems. Recent events demonstrate the extent to which cyber breaches at high levels cause a substantial degree of disruption and loss. Further, a level of transparency appropriate to the risk is provided by virtue of the reporting responsibilities of the Auditor-General under the *Public Finance and Audit Act 1987*. On balance, I consider that the release of this information would be contrary to the public interest, and I have therefore determined it to be exempt pursuant to clauses 4(2)(a)(vi), 7(1)(c), 9(1)(a)(i) and 16(1)(a)(iv) of Schedule 1 of the FOI Act.

Documents 3 – 8, 15 - 16, 24 - 25

These documents consist of audit working documentation of the Auditor-General. They represent the body of information and documentation requested or gathered while undertaking audits or examinations, upon which the Auditor-General or his department will review, consider, and assess. They are therefore exempt under Schedule 1, Part 3, Clauses 9(1)(a)(i) and 16(1)(a)(i) of the FOI Act.

The documents relate to the preliminary planning and conduct of statutory audits and seeking and providing information relevant to statutory audits. They contain advice and

opinions that have been prepared or obtained in the course of, and for the purpose of, the decision-making functions of the Government.

Both clauses require me to consider the public interest. It is in the public interest to know that the activities of government agencies are subject to examination or audit and that those audits are carried out impartially and at appropriate intervals.

As the documents held by DTF comprise only a small portion of the total audit working documents for the relevant audit, the majority being held by the Auditor-General, disclosure of the documents held by DTF could lead to a distorted view of the audit process and undermine both the office of the Auditor-General and the general audit and reporting processes established under the *Public Finance and Audit Act 1987* as well as the particular audit and reporting processes in respect of DTF.

Release of the documents would also be detrimental to the independence, integrity and effectiveness of the statutory audit and reporting responsibilities of the Auditor-General under the *Public Finance and Audit Act 1987*.

Members of the public can access the Auditor-General's annual reports to assist them to know what audits occur and the results of those audits. These reports allow the public to obtain information about audits and their outcomes without creating a distorted view of the process or undermining the office of the Auditor-General. I have therefore determined that, on balance, it is contrary to the public interest to release the documents and that they are therefore exempt pursuant to clause 9(1)(a)(i) and clause 16(1)(a)(i) of Schedule 1 of the FOI Act.

Documents 22 - 23

These documents consist of audit management letter correspondence between the Auditor-General and DTF relating to an audit that is yet to be reported on to Parliament. They consist of recommendations prepared by the Auditor-General for the consideration of DTF, as well as DTF's responses that detail its plans to implement those recommendations. I have therefore determined to exempt them from disclosure pursuant to clauses 9(1)(a)(i) of Schedule 1 of the FOI Act.

Documents 22 and 23 also contain material that could reasonably be expected to prejudice the effectiveness of the conduct of the Auditor-General's audits. Disclosure of these documents prior to reporting to Parliament would both pre-empt and undermine the statutory reporting processes set out in the *Public Finance and Audit Act 1987*. In particular, pursuant to section 38(2):

'the Auditor-General may, after a report has been delivered (or is taken to have been delivered) to the President of the Legislative Council and the Speaker of the House of Assembly under this Part, publish the report and any documents annexed to the report on a website determined by the Auditor-General or in such other manner as the Auditor-General thinks fit.' (emphasis added).

I have therefore determined that they are exempt pursuant to clause 16(1)(a)(i) of Schedule 1 of the FOI Act.

Both of these exemptions require consideration of the public interest factors for and against disclosure.

Public interest factors in favour of disclosure include:

- furthering the objects of the FOI Act which promote disclosure of government information, and
- transparency of government.

Public interest factors against disclosure include:

- disclosure would both pre-empt and undermine the statutory reporting processes set out in the *Public Finance and Audit Act 1987*, particularly section 38(2),
- the fact that the documents are closely linked to the work of the Auditor-General, an exempt agency for the purposes of the FOI Act, which suggests the application of an additional level of confidentiality is in the public interest, and
- disclosure of these documents could lead to a distorted view of the audit process and undermine the Office of the Auditor-General.

While I acknowledge that there is a strong public interest in furthering the objects of the FOI Act and promoting transparency in government, these factors are, in my view, outweighed by the need to comply with the requirements of the *Public Finance and Audit Act 1987*, maintain a level of confidentiality commensurate with the Auditor-General's exempt agency status and maintain the integrity of the Office of the Auditor-General and its processes. I have therefore determined it to be exempt pursuant to clauses 9(1)(a)(i) and 16(1)(a)(i) of Schedule 1 of the FOI Act.

Exemptions

Clause 4 – Documents affecting law enforcement and public safety

- (2) *A document is an exempt document if it contains matter the disclosure of which—*
- (a) *could reasonably be expected—*
- ...
- (vi) *to prejudice any system or procedure for the protection of persons or property;*
- and*
- (b) *would, on balance, be contrary to the public interest.*

Clause 7 – Documents affecting business affairs

- (1) *A document is an exempt document—*
- ...
- (c) *if it contains matter—*
- (i) *consisting of information (other than trade secrets or information referred to in paragraph (b)) concerning the business, professional, commercial or financial affairs of any agency or any other person; and*
- (ii) *the disclosure of which—*
- (A) *could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and*
- (B) *would, on balance, be contrary to the public interest.*

Clause 9 – Internal working documents

- (1) *A document is an exempt document if it contains matter—*

- (a) *that relates to—*
- (i) *any opinion, advice or recommendation that has been obtained, prepared or recorded; or*
 - (ii) *any consultation or deliberation that has taken place, in the course of, or for the purpose of, the decision-making functions of the Government, a Minister or an agency; and*
- (b) *the disclosure of which would, on balance, be contrary to the public interest.*

Clause 16 – Documents concerning operations of agencies

- (1) *A document is an exempt document if it contains matter the disclosure of which -*
- (a) *could reasonably be expected -*
 - ...
 - (i) *to prejudice the effectiveness of any method or procedure for the conduct of tests, examinations or audits by an agency; or...*
 - (iv) *to have substantial adverse effect on the effective performance by an agency of the agency's functions;*
 - ...and
 - (b) *would, on balance, be contrary to the public interest.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), DTF is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://www.dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars> Please visit the website for further information.

Appeal Rights

If you are aggrieved with this determination, you have a right to apply for internal review under subsection 29(1) of the FOI Act. Pursuant to subsection 29(2), your application must:

- be in writing
- be addressed to the principal officer, and
- be lodged at an office of DTF, or emailed to freedomofinformation2@sa.gov.au within 30 days after the day on which you receive this letter or within such further time as the principal officer may allow.

If you require any further information please phone Russell Withers on (08) 8429 3631.

Yours sincerely



Maria Ross
ACCREDITED FREEDOM OF INFORMATION OFFICER

Schedule of Documents

T&F22/1193 - Hon Heidi Girolamo MLC - Copies of all Audit Management Letters and DTF's Response for the Audit period 2021-2022, including letters/correspondence to the Auditor-General's Office for clarification [Date range 1 July 2021 to 30 June 2022]

Doc. No.	Date	Description of Document	# of pages	Determination	Exemption Clause
1	25/08/2021	AG's Letter to DTF - Review of House of Assembly Global Allowance Scheme	11	Released in full	
2	7/09/2021	DTF Response - House of Assembly Global Allowance Scheme	4	Released in full	
3	17/01/2022	AG's Letter to DTF	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
4	24/01/2022	DTF Response	14	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
5	9/02/2022	AG's Letter to DTF	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
6	23/02/2022	AG's Letter to DTF	5	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
7	9/03/2022	AG's Letter to DTF	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest

Doc. No.	Date	Description of Document	Schedule # of Documents # of pages	Determination	Exemption Clause
8	6/04/2022	DTF Response	6	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
9	23/03/2022	AG's Letter to DTF - Interim audit of Shared Services SA Payroll for 2021-22.	8	Released in full	
10	22/04/2022	DTF Response - interim audit of Shared Services SA Payroll for 2021-22.	3	Released in full	
11	29/03/2022	AG's Letter to DTF - interim audit of Shared Services SA – accounts payable for 2021-22	14	Released in full	
12	26/04/2022	DTF Response - interim audit of Shared Services SA - Accounts Payable for 2021-22.	18	Released in full	
13	14/04/2022	AG's Letter to DTF	23	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest 7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest 9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest
14	26/05/2022	DTF Response	9	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest 7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest 9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest

Doc. No.	Date	Description of Document	Schedule # of pages	of Documents Determination	Exemption Clause
15	20/05/2022	AG's Letter to DTF	6	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
16	24/05/2022	AG's Letter to DTF	22	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
17	2/06/2022	AG's Letter to DTF - Interim audit of the Department of Treasury and Finance for 2021-22	17	Released in full	
18	19/07/2022	DTF Response - Interim audit of the Department of Treasury and Finance for 2021-22	4	Released in full	
19	17/06/2022	AG's Letter to DTF - Use of the Budget Management System for long service leave liability calculations	3	Released in full	
20	8/07/2022	AG's Letter to DTF - Interim audit of RevenueSA for 2021-22	14	Released in full	
21	8/08/2022	DTF Response - Interim audit of Revenue SA for 2021-22.	11	Released in full	
22	15/07/2022	AG's Letter to DTF	7	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
23	31/08/2022	DTF Response	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest 16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest

Doc. No.	Date	Description of Document	Schedule # of pages	of Documents Determination	Exemption Clause
24	20/05/2022	AG's Letter to DTF	2	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
25	14/06/2022	DTF Response	3	Refused in full	9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(i) - Would prejudice the effectiveness of the agency in conducting tests, examinations or audits & contrary to public interest
26	25/07/2022	AG's Letter to DTF - Impact of Frontier data breach on the whole of government controls opinion for 2021-22	5	Released in full	
27	24/08/2022	DTF Response - Impact of Frontier data breach on the whole of government controls opinion for 2021-22	2	Released in full	
28	4/08/2022	AG's Letter to DTF	11	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest
					9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest

Doc. No.	Date	Description of Document	Schedule # of Documents # of pages	Determination	Exemption Clause
29	25/08/2022	DTF Response	4	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest
					9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest
30	12/08/2022	AG's Letter to DTF - Audit of the Department of Treasury and Finance's implementation of the South Australian Public Sector Workforce Rejuvenation Scheme	6	Released in full	
31	9/09/2022	DTF Response - mplementation of the South Australian Public Sector Workforce Rejuvenation Scheme	2	Released in full	
32	12/08/2022	AG's Letter to DTF	5	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest
					9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest

Doc. No.	Date	Description of Document	Schedule # of Documents # of pages	Determination	Exemption Clause
33	8/09/2022	DTF Response	2	Refused in full	4(2)(a)(vi) - Prejudice any system or procedure for the protection of persons or property & contrary to public interest
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest
					9(1)(a)(i) - Contains matter relating to opinion, advice or recommendation prepared for decision-making of the Government, a Minister or an agency & contrary to public interest
					16(1)(a)(iv) - Substantial adverse effect on performance of agency's functions & contrary to public interest
34	12/09/2022	AG's Letter to DTF - Whole of government managed platform services transition update	6	Released in full	



Our ref: A21/246

25 August 2021

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr D Reynolds
Chief Executive
Department of Treasury and Finance
email: David.Reynolds@sa.gov.au

Dear Mr Reynolds

Review of House of Assembly Global Allowance Scheme

Since October 1994 Members of the House of Assembly (Members) have received a global allowance that can be applied to meet certain classes of costs incurred in the discharge of their duties. The global allowance scheme is administered by the Electorate Services unit of the Department of Treasury and Finance (DTF).

We have completed our audit of DTF's administration of the House of Assembly Global Allowance Scheme.

I would appreciate receiving your comment by 22 September 2021. Please also confirm the responsible officer for addressing each issue, and your proposed timeframe for resolution.

1 Summary of findings

The audit identified some areas where internal controls could be improved.

We have identified seven low risk findings which are detailed in the attachment.

We discussed the audit findings with the Manager, Electorate Services and the Policy and Entitlements Manager, Electorate Services on 25 August 2021 and have reflected that feedback in this letter where appropriate.

2 **Audit scope**

We reviewed DTF controls that ensure:

- governance arrangements have been established for the management of the Global Allowance Scheme
- the global allowance is paid in accordance with the Global Allowance Guidance Notes approved by the Governor
- all Members had signed a Deed for Payment of the global allowance, which acknowledges their rights and obligations in relation to the global allowance
- global allowance statements are published on the DTF website in accordance with the Guidance Notes
- Members do not exceed their annual global limit
- Members use the global allowance in accordance with its purposes, as specified in the Guidance Notes
- global allowance expenditure is approved in accordance with the Treasurer's delegations and completely and accurately reflected in the DTF general ledger.

If your staff have any questions, please contact my Principal Audit Manager, Bill Sierros on 0422 000 848.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson
Auditor-General

cc: Ms T Scott, Executive Director, Financial Management, Reporting and Policy and Lotteries
Commissioner, Tracey.Scott3@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, Maria.Ross@sa.gov.au
Ms H Lardner, Principal Executive Assistant, Helen.Lardner@sa.gov.au

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

Contents

			Rating			
		Page	E	H	M	L
1	Approved Guidance Notes make references to the Minister for Finance	4				x
2	No monitoring of Members' Global Allowance remaining annual balances	5				x
3	No monitoring of Members' monthly capped expenditure	6				x
4	Key formulas in the Monthly Capped Expenditure spreadsheets are not password protected.....	7				x
5	No evidence of Cabinet approval of full-time equivalent hours cap for Members of the House of Assembly	8				x
6	Incorrect and inconsistent coding of Global Allowance expenditure in the DTF general ledger	9				x
7	Asset purchase using the Global Allowance was not recorded in the DTF attractive items asset register	10				x

Rating key:¹

E	Extreme
H	High
M	Medium
L	Low

¹ Refer appendix for explanation of risk ratings

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

1 Approved Guidance Notes make references to the Minister for Finance

Rating: Low

The 2020-21 approved House of Assembly Global Allowance Guidance Notes make a number of references to the Minister for Finance being the responsible Minister for the instrument.

We noted there is no Minister for Finance in the current listing of Ministers in South Australia available via the Legislation SA website (www.legislation.sa.gov.au). This role was previously held by the former Treasurer but was merged with the role of the Treasurer when the current Treasurer was appointed in March 2018.

We also note the 2021-22 House of Assembly Global Allowance Guidance Notes approved by the Treasurer on 16 June 2021 make references to the Minister for Finance being the responsible Minister.

Risk exposure

Potential confusion regarding the responsible Minister for the House of Assembly Global Allowance.

Recommendation

All references in the 2021-22 House of Assembly Global Allowance Guidance Notes be updated to reflect the Treasurer as the responsible Minister.

The updated Guidance Notes be submitted for approval to the Treasurer.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

2 No monitoring of Members' Global Allowance remaining annual balances

Rating: Low

Members of the House of Assembly (Members) are provided monthly Global Allowance spend reports, which include the balance of the annual global allowance remaining.

We note, however, that Electorate Services do not monitor Members' Global Allowance remaining annual balances.

Risk exposure

While information is provided each month to Members, active monitoring of the amount remaining from the annual allowance by Electorate Services would further reduce the chance of Members overspending their annual Global Allowance.

Recommendation

Electorate Services monitor Members' remaining annual Global Allowance balances and report to Members should they be at risk of overspending their annual Global Allowance.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

3 No monitoring of Members' monthly capped expenditure

Rating: Low

Members' monthly expenditure for photocopying, telecommunications (mobile phones) and telecommunications (landlines) is capped. Under the 2020-21 approved Guidance Notes the capped monthly limits are:

- photocopying \$226.28
- mobile phones \$565.70
- landlines \$226.28

Amounts spent in excess of the monthly cap are required to be charged to the Members' Global Allowance entitlement.

Members' expenditure relating to photocopying, mobile phones and landlines is recorded in the Monthly Capped Expenditure spreadsheet.

We noted the Member for Newland had overspent their photocopying capped expenditure by \$193.43 for the month of July 2020. However, the excess had not been charged to the Member's Global Allowance entitlement for 2020-21.

In response, we were advised:

- the overspend was not charged to the Member's Global Allowance because there is no monitoring of the Monthly Capped Expenditure spreadsheet to identify if caps have been exceeded
- the overspend will be resolved by reducing the Member for Newland's 2020-21 Global Allowance carryover by \$193.43.

Risk exposure

Not monitoring Members' monthly capped expenditure may result in cap overspends not being detected and charged to the Member's Global Allowance, as was the case for the Member for Newland.

Recommendation

An officer independent of the data input process for the Monthly Capped Expenditure spreadsheet monitor the spreadsheet for cap overspends.

Where cap overspends occur, the Member's Global Allowance should be charged promptly.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

4 Key formulas in the Monthly Capped Expenditure spreadsheets are not password protected

Rating: Low

Electorate Services use the Monthly Capped Expenditure spreadsheet to record monthly Global Allowance capped expenditure for photocopying, mobile phones and landline usage. This spreadsheet relies on many formulas to calculate month to month and year to date totals and variances for all Members.

We noted that spreadsheet cells with formulas are not password protected.

Risk exposure

Inappropriate changes to formulas in the spreadsheet, which may result in incorrect totals and variance being reported. This in turn may result in cap overspends not being detected and charged to Members' Global Allowances.

Recommendation

An officer independent of the data input process for the Monthly Capped Expenditure spreadsheet password protect the key formulas in the spreadsheet.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

5 No evidence of Cabinet approval of full-time equivalent hours cap for Members of the House of Assembly

Rating: Low

Cabinet approve a full time equivalent (FTE) staff allocation for Members of Parliament. Once an allocation is approved, this approval remains in place until a variation is approved by Cabinet.

Electorate Services maintain a 'Cabinet approved staffing' sheet detailing the staff allocation for Members of the House of Assembly and Legislative Council. The sheet also has details of additional FTE allocations approved by Cabinet dating back to 1 May 2006.

Electorate Services could not provide evidence of Cabinet approval of the current FTE staff allocations for each Member of the House of Assembly and Legislative Council.

We were advised some of the Cabinet approvals predate the existing electronic records system so a document reference cannot be identified to retrieve the documents from archive.

Risk exposure

Members' current staff FTE allocations could exceed the Cabinet approved FTE allocations.

Recommendation

Due to the difficulties in retrieving previous approvals, seek approval from Cabinet for the current FTE allocations for Members of the House of Assembly and Legislative Council.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

6 Incorrect and inconsistent coding of Global Allowance expenditure in the DTF general ledger

Rating: Low

Global Allowance expenditure is recorded in the Department of Treasury and Finance (DTF) administered general ledger.

Our review of Global Allowance expenditure recorded in the general ledger identified:

- expenditure totalling \$7 428.43 relating to the Leader of the Opposition had been incorrectly coded to activity code 892 which is the Global Allowance Scheme when it should have been coded to activity code 999 General. The Leader of the Opposition does not receive a Global Allowance entitlement but is instead funded from a separate item under cost centre 9501, Leader of the Opposition
- invoices received from the same supplier (Klik Advertising Pty Ltd) for similar items or services were inconsistently coded.

Risk exposure

Where amounts are not correctly coded, or are inconsistently allocated, there is an increased potential for misstatements to occur in DTF's administered financial statements.

Recommendation

Ensure Global Allowance expenditure is correctly coded before processing.

Attachment: 2020-21 interim audit of the House of Assembly Global Allowance Scheme

7 Asset purchase using the Global Allowance was not recorded in the DTF attractive items asset register

Rating: Low

The Global Allowance Guidance Notes state that equipment in excess of standard items provided by DTF may be purchased from the Global Allowance entitlement. All equipment purchases from the Global Allowance are limited to a maximum value of \$9 999 (GST exclusive). Items purchased from the Global Allowance are the property of the Government.

DTF maintains an attractive items asset register for recording asset purchases below \$10 000.

We noted the Member for Taylor used their Global Allowance to purchase a folder inserter (a machine to fold and then insert mail in envelopes) for their office valued at \$4 997.50.

We noted the folder inserter was not recorded in the DTF attractive items register.

Risk exposure

Where items which should be captured on the DTF attractive items register are not properly recorded, there is an increased risk they will not be properly monitored and treated as property of the South Australian government.

Recommendation

Update the DTF attractive items asset register for the folder inserter purchased by the Member for Taylor and ensure similar purchases in future are also captured.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



T&F: 21/0943
ID: A2009831

Mr Andrew Richardson
Auditor-General
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000
records@audit.sa.gov.au

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
Fax 08 8226 3819
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

Dear Mr Richardson

Review of House of Assembly Global Allowance Scheme

Thank you for your letter dated 25 August 2021, regarding the audit of the House of Assembly Global Allowance Scheme.

The issues raised in your review have been assessed including appropriate consideration of each of your recommendations. Management responses regarding the matters raised are provided in the attachment.

If you have any further queries, please contact Paul Tatarelli on 8226 2995.

Yours sincerely

A handwritten signature in blue ink, appearing to read "D. Reynolds".

David Reynolds
CHIEF EXECUTIVE

7 / 9 / 2021

cc: Paul Tatarelli, Manager, Electorate Services, Financial Management, Reporting and Policy
Tracey Scott, Executive Director, Financial Management, Reporting and Policy
Maria Ross, Manager, Risk Audit and Security, Organisation and Governance

Attachment 1: Management responses

Item	Recommendation	DTF Response	Due Date	Person Responsible
1.	<p>All references in the 2021-22 House of Assembly Global Allowance Guidance Notes be updated to reflect the Treasurer as the responsible Minister.</p> <p>The updated Guidance Notes to be submitted for approval to the Treasurer.</p>	Global Allowance Guidance Notes to be updated to reflect the Treasurer as responsible Minister and submitted to the Treasurer for approval.	31/10/2021	Manager Electorate Services
2.	Electorate Services monitor Members' remaining annual Global Allowance balances and report to Members should they be at risk of overspending their annual Global Allowance.	Electorate Services will implement this recommendation.	30/09/2021	Policy and Entitlements Manager
3.	<p>An officer independent of the data input process for the Monthly Capped Expenditure spreadsheet monitor the spreadsheet for cap overspends.</p> <p>Where cap overspends occur, the Member's Global Allowance should be charged promptly.</p>	Electorate Services will implement this recommendation.	30/09/2021	Policy and Entitlements Manager
4.	An officer independent of the data input process for the Monthly Capped Expenditure spreadsheet password protect the key formulas in the spreadsheet.	Electorate Services will implement this recommendation.	31/10/2021	Policy and Entitlements Manager
5.	Due to difficulties in retrieving previous approvals, seek approval from Cabinet for the current FTE allocations for Members of the House of Assembly and Legislative Council.	Electorate Services will investigate retrieval of historic Cabinet approvals for Members of the South Australian Parliament's staffing allocations, and develop a register.	31/01/2022	Manager Electorate Services

6.	Ensure Global Allowance expenditure is correctly coded before processing.	Electorate Services will endeavour to ensure consistency amongst all officers coding expenditure, particularly items that do not readily fit within existing object codes, through regular meetings of Basware data entry officers and staff with approval authority.	30/09/2021	Policy and Entitlements Manager
7.	Update the DTF attractive items asset register for the folder inserter purchased by the Member for Taylor and ensure similar purchases in future are also captured.	Electorate Services will implement this recommendation.	30/09/2021	Manager Electorate Services



Our ref: A22/246

23 March 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr D Reynolds
Chief Executive
Department of Treasury and Finance
email: David.Reynolds@sa.gov.au

Dear Mr Reynolds

Interim audit of Shared Services SA – Payroll for 2021-22

We have completed our interim audit of Shared Services SA (SSSA) – payroll. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 20 April 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

1 Summary of findings

The audit identified areas where SSSA – payroll could improve its internal controls. The main findings are set out here, with full details in the attachment.

We identified one medium risk issue regarding the pay run checklist. There was one instance where a final task sign-off associated with payroll processing did not occur until after the pay was released for payment.

We provided the draft audit findings to the Director, Payroll Services, the Executive Director, Government Services Branch and Manager, Audit and Security, Department of Treasury and Finance on 11 March 2022 and have reflected that feedback in this letter where appropriate.

2 Audit scope

The audit reviewed controls relating to:

- Chris21 payroll system
- POP CRM system
- Payroll Application Suite.

We assessed whether internal controls give reasonable assurance that:

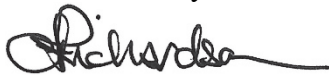
- transactions were processed correctly, in line with the law and government frameworks
- financial systems produce reliable information for reporting and decision making.

Our audit of SSSA also included reviews of ICT general controls and accounts payable, which are the subject of separate letters.

If your staff have any questions, please contact my Principal Audit Manager, Mr Robert Gallommarino, on 0422 000 834.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

cc: Mr M Carey, Executive Director, Government Services Branch, Mark.Carey@sa.gov.au
Mr D Stuble, Director, Payroll Services, Shared Services SA, David.Stuble@sa.gov.au
Ms M Ross, Manager, Audit and Security, Department of Treasury and Finance, Maria.Ross@sa.gov.au
Ms H Lardner, Office of the Chief Executive, Helen.Lardner@sa.gov.au

Attachment: Shared Services interim audit 2021-22 – Payroll

Contents

			Rating			
		Page	E	H	M	L
1	Final sign-off not recorded before CommBiz authorisation	4			x	
2	No evidence of quality assurance checks	5				x
3	PAYCHEX Procedure has not been published	7				x

The following issues are repeat findings from prior years.

			Rating			
		Page	E	H	M	L
1	Final sign-off not recorded before CommBiz authorisation	4			x	
2	No evidence of quality assurance checks	5				x

Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment: Shared Services interim audit 2021-22 – Payroll

1 Final sign-off not recorded before CommBiz authorisation

Rating: Medium

Shared Services SA (SSSA) uses a pay run checklist to record reports, processes and tasks related to each pay run. In PAYCHEX, when an activity is complete the responsible employee will send the task to a Data Integrity Officer to verify the completion before pay disbursement. This workflow will occur for each task within each category of the pay run.

We noted one instance where the Data Integrity task sign-off was recorded after the dual authorisation to disburse the pay within CommBiz.

Pay run	CommBiz authorisation	Task & category signed-off after CommBiz authorisation
TI 332	1st authorisation 08/09/2021 @ 12:54 PM	Leave Update Report (LVU) – ‘Final Pre’ category 08/09/2021 @ 2:12 PM
	2nd authorisation 08/09/2021 @ 1:15 PM	

Risk exposure

Without a review of the pay run checklist before the CommBiz authorisation, there is an increased risk that not all the required tasks have been completed. As a result, payments to employees may be inaccurate.

Recommendation

SSSA ensures final sign-off for all ‘pre’ tasks in the pay run checklist is completed before the CommBiz authorisation.

Attachment: Shared Services interim audit 2021-22 – Payroll**2 No evidence of quality assurance checks****Rating: Low**

The Quality Assurance (QA) Checking Chris21 procedure requires all checking to have some physical evidence to show the check that has been performed. The person who performs the quality check should mark their working (eg. tick or cross in pen) and should use the 'Quality Checked' stamp, print their name, sign and date the document to show evidence that the check has been performed.

For each new starter, transfers in and out or termination a checklist is required to be completed by a Data Input Officer and quality checked by a QA Officer.

Our review identified instances where:

1. there was no evidence the relevant checklist was subject to a quality check
2. SSSA could not locate the checklist
3. the checklist was not completed within the required 10 business days

Transfers in and out

Employee ID	Agency	Last date of Service	Termination Reason	New Employer	Issue Reference
3063427	SALHN	27/08/2021	Transfer to Other PubSec	NALHN	one
3046619	CALHN	16/07/2021	Transfer to Other PubSec	BHFLHN	one
3066797	CALHN	3/08/2021	Transfer to Other PubSec	LIMESTONE COAST	one
1102175	BHFLHN	9/08/2021	Transfer to Other PubSec	FUNLHN	one
3069005	DTF	10/09/2021	Transfer to Other PubSec	AGD	two

New starters

Employee ID	Database	Start Date	Classification	Agency	Issue Reference
3065015	Two	12/07/2021	ASO301	DHW	two

Attachment: Shared Services interim audit 2021-22 – Payroll**Terminations**

Employee ID	Last Day of Duty	Agency	Issue Reference
1200892	09/08/2021	CALHN	two
190332	03/12/2021	CALHN	two
3057446	24/09/2021	SA Housing Authority	two
3022939	25/11/2021	DIT	two
3021374	16/07/2021	SAAS	three
7010807	29/7/2021	SAPOL	three
7010742	13/10/2021	SAPOL	three

Risk exposure

Where quality checks are not performed, there is an increased risk of inappropriate payments being made to employees.

Where termination quality checks are not performed within the required timeframe, this increases the risk of inappropriate payments not being detected and addressed promptly.

Recommendation

The QA team performs and evidence quality checks as required by the *Quality Assurance Sampling Guidelines* procedure.

SSSA performs and evidences the termination quality checks in accordance with the required 10 business day timeframe.

Attachment: Shared Services interim audit 2021-22 – Payroll**3 PAYCHEX Procedure has not been published****Rating: Low**

In November 2020, DB1 and DB2 agencies transitioned to the automated pay run checklist, 'PAYCHEX'. This automated tool is used by SSSA to record reports, processes and tasks related to each pay run and removes several processes that were previously completed manually. As a result, some processes have changed since implementing PAYCHEX. At the time of audit, a procedure guide for PAYCHEX was currently being reviewed.

Risk exposure

Where policies and procedures are not updated to reflect current practices, there is a risk of processing errors occurring.

Recommendation

SSSA updates procedure to reflect changes in the processing activities in PAYCHEX.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>

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**Government of South Australia**Department of Treasury
and FinanceA2369178
T&F21/0943State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
Fax 08 8226 3819
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

22 April 2022

Andrew Richardson
Auditor General
Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Mr Richardson

Interim audit of Shared Services SA - Payroll for 2021-22

I refer to your letter dated 23 March 2022, detailing the results of the interim audit of Shared Services SA – Payroll for 2021-22.

Audit Findings

The listed findings have been discussed with the Executive Director, Shared Services SA and the Director, Payroll Services. Please find attached our responses to the audit findings as set out in your letter and attachment.

Should you require any further information regarding the matters contained in this letter, please contact David Stubley, Director Payroll Services on 0403 409 889.

Yours sincerely

A handwritten signature in blue ink, appearing to be "RP" followed by a long horizontal stroke.

Rick Persse
UNDER TREASURER

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Interim Audit 2021-2022 – Shared Services SA (SSSA) Payroll

1 Final sign-off recorded before CommBiz authorisation

Rating: Medium

Recommendation

SSSA ensures final sign-off for all 'pre' tasks in the pay run checklist is completed before the CommBiz authorisation.

DTF's response

SSSA acknowledges one instance, as identified in the Audit letter, where the Data Integrity task sign-off was recorded after dual authorisation to disburse the pay within CommBiz.

The task not signed off prior to disbursing the pay was the Leave Update Report (LVU). It should be noted that this report is not pay impacting; it is a process to update employee leave balances and associated reporting.

PAYCHEX was implemented into production in November 2021. As we work with the system, various improvement and enhancement opportunities have been identified. One of these improvements is to designate the LVU process as 'post' pay task rather than a 'pre' task, given it does not affect pay processing. A change request has been raised for this improvement and the Corporate Systems Team is scheduling the work to be completed.

Due Date

31 May 2022

Responsibility

Director, Payroll Services

2 No evidence of Quality Assurance checks

Rating: Low

Recommendations

The QA team performs and evidences quality checks as required by the *Quality Assurance Sampling Guidelines* procedure.

SSSA performs and evidences the termination quality checks in accordance with the required 10 business day timeframe.

DTF's response

The Audit letter identified a number of instances of non-compliance with the Quality Assurance (QA) Checking Procedure - CHRIS 21, which requires a checklist to be completed by a Data Input Officer and quality checked by a QA Officer for each New Starter, Transfer In and Out and Termination. A total of thirteen instances were identified; five related to Transfers in and out, one related to a New Starter, and seven related to Terminations.

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It is noted that for two of the Transfers and three of the Terminations, quality checking had occurred, however the files were unable to be located/provided for review at the time of the audit. SSSA acknowledges that the documented quality checking process was not followed for the other examples highlighted.

The Operational Team Leader, QA has been reminded to ensure that all team members include the relevant checklist as part of the physical evidence showing that a quality check has been performed. SSSA will also issue a reminder to applicable Payroll Services team members of their responsibility to ensure that checklists are completed as set out in the QA Checking Procedure.

Due Date

30 June 2022

Responsibility

Director, Payroll Services

3 PAYCHEX Procedure has not been published

Rating: Low

Recommendation

SSSA updates procedure to reflect changes in the processing activities in PAYCHEX.

DTF's response

SSSA acknowledges that the PAYCHEX procedure was in draft at the time of the audit. It is currently being reviewed by the relevant subject matter experts in preparation for approval and publishing.

It is expected that the review will be completed and the document published before the end of this financial year.

Due Date

30 June 2022

Responsibility

Director, Payroll Services



Our ref: A22/246

29 March 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr D Reynolds
Chief Executive
Department of Treasury and Finance
Email: David.Reynolds@sa.gov.au

Dear Mr Reynolds

Interim audit of Shared Services SA – accounts payable for 2021-22

We have completed our interim audit of Shared Services SA (SSSA) – accounts payable. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 25 April 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

1 Summary of findings

The audit identified areas where SSSA could improve its internal controls. The main findings are set out here, with full details in the attachment.

We identified one medium risk issue where SSSA made a number of duplicate payments that were not identified by SSSA's internal controls system.

We discussed the audit findings with the Director and Assistant Director, Accounts Payable and Accounts Receivable on 22 March 2022, and provided a draft to the Executive Director, Government Services Branch and Manager, Audit and Security, Department of Treasury and Finance.

We have reflected that feedback in this letter where appropriate.

2 **Audit scope**

The audit reviewed controls relating to:

- MPAP system
- Basware system SA General Government agencies
- Basware system SA Health agencies

We assessed whether internal controls give reasonable assurance that:

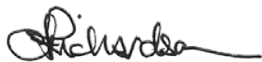
- transactions were processed correctly, in line with the law and government frameworks
- financial systems produce reliable information for reporting and decision making.

Our audit of SSSA also included reviews of ICT general controls and payroll, which are the subject of separate letters.

If your staff have any questions, please contact my Principal Audit Manager, Mr Robert Gallommarino, on 0422 000 834.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson
Auditor-General

cc: Mr M Carey, Executive Director, Government Services Branch, Mark.Carey@sa.gov.au
 Mr R Mak, Director, Accounts Payable and Accounts Receivable, SSSA, Richard.Mak@sa.gov.au
 Ms M Ross, Manager, Audit and Security, Department of Treasury and Finance, Maria.Ross@sa.gov.au
 Ms H Lardner, Office of the Chief Executive, Helen.Lardner@sa.gov.au

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

Contents

	Page	Rating			
		E	H	M	L
1	Duplicate payments				
1.1	Duplicate vendor payments.....			x	
1.2	Inaccurate review of Basware invoice data			x	
2	Management of User Access procedure has not been updated to reflect changes in operations.....				x
3	Inappropriate manual payment reviews				x
4	Payment reversals				x
5	Vendor Masterfile periodic review.....				x

The following issues are repeat findings from prior years.

	Page	Rating			
		E	H	M	L
1	Duplicate payments			x	
4	Payment reversals				x

Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

1 Duplicate payments

The Basware system flags duplicate invoices when the invoice number, invoice amount, vendor code and bank details are identical.

Our analysis of SSSA payment data identified 92 potential duplicate invoices. Of these we investigated the transactions that had the same invoice amount and invoice number. Our testing identified five instances of genuine duplicate payments. These had not been identified by SSSA at the time of our audit.

Agency	Vendor code	Australian BN	Invoice number	Amount
1) EDU	1. A057433 2. 0909 (Willunga High School)	42228511759	0064938	\$1,138.00
2) DTF	1. A11542 2. A093512 (Storage King Woodville Nth)	1. 37112457075 2. 73619933621	1022291	\$95.00
3) DTF	1. A11542 2. A093512 (Storage King Woodville Nth)	1. 37112457075 2. 73619933621	1022834	\$22.00
4) SAHT	1. CITY0045 2. CITY0007 (City West Motel)	1. 52650857328 2. 50774123541	2021TBa-8	\$840.00
5) DEW	ALLA351 (Allan's Waste Removal)	83983351295	1. 0018332 2. 00018332	\$110.00

Refer to findings 1.1 and 1.2 for the causes of the duplicate payments.

1.1 Duplicate vendor payments

Rating: Medium

The Vendor Maintenance team performs a validity check on the vendor's Australian business number (ABN) prior to creating a new profile in the vendor master file.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

We identified four instances where the duplicate invoice had different vendor codes and bank details to the invoice image. Therefore, the system was unable to identify the duplicate invoices.

We were advised of the following for these payments:

- 1) EDU – All SA Government schools have two vendor accounts in the master file, a South Australian School Investment Fund (SASIF) account and a standard Common Vendor Masterfile (CVMF) account. All Education payments to SA Government schools are paid to the SASIF account (0909) and all CVMF agencies, excluding Education will use the standard account (A057433). Payments were made to both bank accounts. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.
- 2) DTF 1 & 2 – Two accounts existed due to a change in the vendor's ownership and ABN. A new Vendor Creation form (A115542) was completed by the Vendor and authorised by DTF on 1/06/2021. The original Vendor ID (A093512) was inactivated on 03/08/2021 after confirmation of 'no open payables'. Despite the change in bank details reflected on the invoice, the original vendor details were still incorrectly coded by SSSA. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.
- 3) SAHT – Two accounts existed due to a change in the vendor's ownership and ABN. A new Vendor Creation form (CITY0045) was completed by the Vendor and authorised by SAHT on 5/10/2021. The original Vendor ID (CITY0007) was inactivated on 24/01/2022 after confirmation of 'no open payables'. Additionally, the two invoices are identical except for the different invoice dates on the invoice image. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.

Risk exposure

Where an adequate check for duplicate vendors is not performed by SSSA at the time of Basware invoice coding, there is an increased risk that duplicate payments will occur.

Recommendation

SSSA revisits the current parameters for the Duplicate reports. In addition, SSSA improves communication between Accounts Payable teams to ensure all staff are aware of the purpose of each duplicate vendors' bank accounts such as the Education bank account discussed above.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

1.2 Inaccurate review of Basware invoice data

Rating: Medium

The Readsoft system matches the vendor's ABN on the invoice with the corresponding record in the common vendor master file or agency-specific master file. The SSSA Review team is responsible for ensuring that the vendor details have been correctly matched or for applying the correct invoice details where these details have not been clearly identified.

From our duplicate invoice review, we identified one instance in which the manually coded Basware header data did not agree with the invoice image:

- 1) DEW – The invoice number of the duplicate did not correspond with the invoice image. SSSA did not identify the duplicate invoice and no follow up action had occurred at the time of our audit.

Risk exposure

Where SSSA does not thoroughly check the key fields of the invoice data against the invoice image, there is an increased risk that duplicate payments will occur.

Recommendation

SSSA ensures comprehensive checks are performed as required by the Review process operational procedure.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

2 Management of User Access procedure has not been updated to reflect changes in operations

Rating: Low

Previously, the Service Desk Team generated and sent an Authorised Officer listing to agency Chief Financial Officers (CFOs) (or equivalent) for annual review.

Our review identified that the Service Desk Team no longer performs this control. The CFO (or equivalent) is required to complete a Request for Change (RFC) via the *ServiceNow* portal for Authorised Officer changes.

However, the *Management of User Access* procedure still contains details of the redundant annual Authorised Officer process.

The Service Desk Team has acknowledged the error and have advised the procedure will be updated to ensure consistency.

Risk exposure

If policies and procedures are not updated to reflect current practice, requirements may not be clearly outlined to staff resulting in controls performed inconsistently.

Recommendation

SSSA ensures that policies and procedures are reviewed thoroughly to reflect current practice.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

3 Inappropriate manual payment reviews

Rating: Low

For manual payments to be processed, a payment voucher must be forwarded directly to the SSSA Payment team from the agency. Vouchers are scanned into Basware after payment has been processed and are therefore not subject to Basware system controls.

The AP officers are required to perform the following checks:

- Appropriate supporting documentation provided
- Checked for duplication in Basware
- Basware financial delegation check
- Correct payment amount
- Correct payment currency (Foreign Currency Payments only)
- Correct payer bank account selected

Invoices approved by only one officer

AP officers must ensure the payment request form is signed by two separate agency officers and payment is appropriately authorised. Our review identified four instances where the payment request form was prepared and authorised by the same agency officer:

Agency	Manual payment type	Vendor name	Date of request	Amount	Date processed
CALHN	Foreign Currency Payment (FCP)	Referenzinstitut für Bioanalytik (RfB)	25/11/21	\$103.17 (€65)	29/11/21
DHW	Foreign Currency Payment (FCP)	ProQuest LLC	15/06/21	\$139.74 (\$105)	22/06/21
DHW	Foreign Currency Payment (FCP)	EBSCO Australia Subscription Services	02/08/21	\$52.28 (\$38.50)	05/08/21
DHW	Foreign Currency Payment (FCP)	EBSCO Australia Subscription Services	21/10/21	\$1,443.64 (\$1,074.6)	22/10/21

Manual payment checklist not consistently applied

SSSA has implemented a manual payment checklist to ensure that required control checks are consistently applied to all manual payments. Our review identified two instances where the

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

checklist was either not included in the supporting documents or the checklist was not ticked and signed.

Agency	Manual payment type	Vendor code	Invoice number	Amount	Date processed	Issues
EFNLHN	FCP	7525343	INV-BF-61805	\$4,238.30	16/07/2021	No checklist attached
DHW	FCP	6213051	62212894	\$1,443.64	22/10/2021	Blank checklist attached

Risk exposure

Where two officers do not independently approve manual payment vouchers, there is an increased risk of invalid and/or incorrect payments being processed.

Where AP officers do not complete a manual payment checklist there is a risk that not all checks are undertaken prior to processing manual payments increasing the risk of duplicate payments being made which may result in financial losses to the agency.

Recommendation

SSSA ensures that two agency officers approve payment request vouchers. SSSA considers updating the manual payment checklist to enforce the dual signature check.

SSSA ensures AP officers perform adequate checks and complete the checklist before processing the manual payment.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

4 Payment reversals

Rating: Low

When an incorrect payment is identified for regular vendors, SSSA processes an adjustment via payment reversals or credit reversals in Basware. The adjustments processed are also recorded in an incorrect payment register for each agency for identification and monitoring purposes.

The SSSA Vendor Recovery Procedure states:

A Payment Reversal must be actioned within ten business days of notification of overpayment.

Consistent with our finding from 2020 -21, our current review identified

- four instances where a reversal was not processed promptly
- two instances where reversals were not recorded on the incorrect payment register
- one instance where further adjustments were required due to errors in the payment reversal raised
- one instance where we were unable to determine when the incorrect payment was notified to SSSA based on documents provided and the incorrect document was uploaded into Basware. The correct document was uploaded after we queried the issue.

Agency	Payment reversal approved date	Date of notification	Overdue by (business days)	Invoice number	Amount	Issues
SAHT	26/03/2021	17/05/2021	26	6748402/REV CR/B	\$297.00	Overdue
DEM	3/06/2021	9/06/2021		593640/REV	-\$3,060.20	Correction register
NALHN	15/07/2021	13/08/2021	11	BZ265858/REV	\$651.39	Overdue
NALHN	10/06/2021	9/08/2021	32	KU467164/REV	\$1,261.80	Overdue
CALHN	2/06/2021	1/07/2021	11	572697/REV	\$21.50	Overdue
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Attachment: Shared Services interim audit 2021-22 – Accounts Payable

Agency	Payment reversal approved date	Date of notification	Overdue by (business days)	Invoice number	Amount	Issues
BHFLHN	30/09/2021			9141551320/R EV	\$20.00	No evidence of when incorrect payment was notified to SSSA. Incorrect document uploaded.

Risk exposure

Where a payment reversal is not processed promptly or incorrect payment reversals are raised, there is an increased risk that the expenditure may not be accurately recorded in the General Ledger.

Incorrect payments not recorded in the incorrect payment register may not be properly monitored and followed up resulting in an overpayment to a vendor.

Recommendation

SSSA reminds AP officers to

- raise and approve the reversals within 10 business days
- record the payment reversals on the correction register to ensure proper follow up actions are taken
- ensure correct payments/credits are processed before approving the payment reversals.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

5 Vendor Masterfile periodic review

Rating: Low

SSSA is responsible for the maintenance of the Common Vendor Master File (CVMF) and other agency-specific vendor master files. A periodic review of the vendor masterfiles is performed to ensure vendor data is accurate and relevant.

The *Vendor Maintenance* procedure states:

*2.1 Vet the Vendor Master File **annually** to identify duplicate Vendors and inactivate Vendors not used in the 18 months prior...*

*2.2 Purge Vendor Master File **every two years** in accordance with Agency agreed purging process.*

Our review identified that the annual vetting and inactivation process has not commenced for DEW. the process involves three separate areas (AP, Business System and performance and DEW) but does not specify which party should initiate the process.

In addition, the biennial data purging process has not been implemented for 2020 or 2021. We were advised by Business Systems Performance that that purging could not be completed due to:

- Shared vendor file in a single AP database for SYS1 and SYSH agencies
- Majority of inactive vendors are from external systems
- Agency reporting is driven from their separate data warehouses which contain AP data including vendor information.

Risk exposure

Where the periodic review of the CVMF and agency-specific vendor masterfiles is not performed, there is an increased risk of payments to incorrect vendors being made.

In addition, duplicate vendors in the masterfile increases the risk of duplicate payments being processed.

Where a control process involves several areas and if the procedure does not explicitly specify the responsibilities of each involved party, there is an increased risk that the process may not be carried out as intended by the management.

Recommendation

SSSA ensures the annual vetting and inactivation process is completed as required by the *Vendor Maintenance* Procedure.

**Attachment: Shared Services interim audit 2021-22 –
Accounts Payable**

SSSA ensures the biennial data purging process is completed as required by the *Vendor Maintenance* Procedure. If the purging process is not applicable due to system design limitations, SSSA may consider updating the procedure to reflect current practice and communicate with the affected agencies in the Service Design and Operating Level Responsibilities.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



T&F21/0943
A2373713

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

26 April 2022

Andrew Richardson
Auditor General
Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000
records@audit.sa.gov.au

Dear Mr Richardson

Interim audit of Shared Services SA – Accounts Payable for 2021-22

I refer to your letter dated 29 March 2022, detailing the results of the interim audit of Shared Services SA – Accounts Payable for 2021-22.

Audit Findings

The listed findings have been discussed with the Executive Director, Shared Services SA and the Director, Financial Services. Please find attached our responses to the audit findings as set out in your letter and attachment.

Should you require any further information regarding the matters contained in this letter, please contact Richard Mak, Director, Financial Services on 846 21541.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Rick Persse'.

Rick Persse
UNDER TREASURER

Interim Audit 2021-22 – Shared Services SA (SSSA) Accounts Payable

1 Duplicate payments

1.1 Duplicate vendor payments

Rating: Medium

Recommendation

SSSA revisits the current parameters for the Duplicate reports. In addition, SSSA improves communication between Accounts Payable teams to ensure all staff are aware of the purpose of each duplicate vendors' bank accounts such as the Education bank account discussed in the audit findings.

DTF's response

SSSA agrees with the recommendation to revisit the current parameters of the Duplicate reports.

SSSA acknowledges greater communication between the teams will facilitate increased awareness. A specific training session will be developed and added to the annual training calendar to ensure existing and new team members are aware of the purpose of duplicate vendor bank accounts, such as in the case of public schools.

Due Date

- Review and update the current Duplicate report parameters – 30/09/2022
- Improve staff awareness of permitted duplicate vendors – 30/09/2022

Responsibility

Richard Mak, Director Financial Services, SSSA

1.2 Inaccurate review of Basware invoice data

Rating: Medium

Recommendation

SSSA ensures comprehensive checks are performed as required by the Review process operational procedure.

DTF's response

SSSA agrees with the recommendation and will ensure Review Team members are reminded of their responsibility to thoroughly check the key fields of the invoice data against the invoice. This reminder will occur at their next scheduled meeting of the Review Team and then followed up in writing.

Due Date

31/05/2022

Responsibility

Richard Mak, Director, Financial Services, SSSA

2 Management of User Access procedure has not been updated to reflect changes in operations.

Rating: Low

Recommendation

SSSA ensures that policies and procedures are reviewed thoroughly to reflect current practice.

DTF's response

SSSA advises that the Management of User Access procedure has been updated and the reference to the annual review process has been removed from the procedure. The updated procedure will be forwarded to Service Now Authorisers as part of the Quarterly Review process.

Due Date

Closed

3 Inappropriate manual payment reviews

Rating: Low

Recommendation

SSSA ensures that two agency officers approve payment request vouchers. SSSA considers updating the manual payment checklist to enforce the dual signature check.

SSSA ensures AP officers perform adequate checks and complete the checklist before processing the manual payment.

DTF's response

SSSA will update the manual payment forms and checklist to ensure the agency preparer and approver are not the same person. Payment Team staff involved in this process will be reminded of the requirement to perform adequate checks and complete the checklist before processing manual payments. SSSA will consult with client agencies on the required change.

Due Date

30/06/2022

Responsibility

Richard Mak, Director Financial Services, SSSA.

4 Payment Reversals

Rating: Low

Recommendation

SSSA reminds AP officers to

- Raise and approve the reversals within 10 business days
- Record the payment reversals on the correction register to ensure proper follow up actions are taken
- Ensure correct payments/credits are processed before approving the payment reversals.

DTF's response

Payment team staff will be reminded of the standard operational procedure for payment reversals, specifically:

- Raising and approving reversals within 10 business days (from the receipt of notification by any team within Accounts Payable);
- Recording the payment reversals on the correction register, including follow-up actions; and
- Ensuring the correct invoice or credit note are raised together and attached with the payment reversal.

Due Date

31/05/2022

Responsibility

Richard Mak, Director Financial Services, SSSA.

5 Vendor Masterfile periodic review

Rating: Low

Recommendation

SSSA ensures the annual vetting and inactivation process is completed as required by the Vendor Maintenance Procedure.

SSSA ensures the biennial data purging process is completed as required by the Vendor Maintenance Procedure. If the purging process is not applicable due to system design limitations, SSSA may consider updating the procedure to reflect current practice and communicate with the affected agencies in the Service Design and Operating Level Responsibilities.

DTF's response

SSSA notes the Audit team have specifically identified DEW in the Audit finding. SSSA will revisit the DEW Accounts Payable Service Design to ensure roles and responsibilities are clearly defined for initiating the annual vetting and inactivation process.

SSSA will undertake a review of the Vendor Maintenance Procedure and update it to reflect current practice in consultation with affected agencies and ensure alignment with the Service Design.

Due Date

30/09/2022

Responsibility

Richard Mak, Director Financial Services, SSSA.



Our ref: A22/246

29 March 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640

Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au

www.audit.sa.gov.au

Mr D Reynolds
Chief Executive
Department of Treasury and Finance
Email: David.Reynolds@sa.gov.au

Dear Mr Reynolds

Interim audit of Shared Services SA – accounts payable for 2021-22

We have completed our interim audit of Shared Services SA (SSSA) – accounts payable. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 25 April 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

1 Summary of findings

The audit identified areas where SSSA could improve its internal controls. The main findings are set out here, with full details in the attachment.

We identified one medium risk issue where SSSA made a number of duplicate payments that were not identified by SSSA's internal controls system.

We discussed the audit findings with the Director and Assistant Director, Accounts Payable and Accounts Receivable on 22 March 2022, and provided a draft to the Executive Director, Government Services Branch and Manager, Audit and Security, Department of Treasury and Finance.

We have reflected that feedback in this letter where appropriate.

2 **Audit scope**

The audit reviewed controls relating to:

- MPAP system
- Basware system SA General Government agencies
- Basware system SA Health agencies

We assessed whether internal controls give reasonable assurance that:

- transactions were processed correctly, in line with the law and government frameworks
- financial systems produce reliable information for reporting and decision making.

Our audit of SSSA also included reviews of ICT general controls and payroll, which are the subject of separate letters.

If your staff have any questions, please contact my Principal Audit Manager, Mr Robert Gallomarino, on 0422 000 834.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson
Auditor-General

cc: Mr M Carey, Executive Director, Government Services Branch, Mark.Carey@sa.gov.au
Mr R Mak, Director, Accounts Payable and Accounts Receivable, SSSA, Richard.Mak@sa.gov.au
Ms M Ross, Manager, Audit and Security, Department of Treasury and Finance, Maria.Ross@sa.gov.au
Ms H Lardner, Office of the Chief Executive, Helen.Lardner@sa.gov.au

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

Contents

	Page	Rating			
		E	H	M	L
1 Duplicate payments	4				
1.1 Duplicate vendor payments.....	4			x	
1.2 Inaccurate review of Basware invoice data	6			x	
2 Management of User Access procedure has not been updated to reflect changes in operations.....	7				x
3 Inappropriate manual payment reviews	8				x
4 Payment reversals	10				x
5 Vendor Masterfile periodic review.....	12				x

The following issues are repeat findings from prior years.

	Page	Rating			
		E	H	M	L
1 Duplicate payments	4			x	
4 Payment reversals	10				x

Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

1 Duplicate payments

The Basware system flags duplicate invoices when the invoice number, invoice amount, vendor code and bank details are identical.

Our analysis of SSSA payment data identified 92 potential duplicate invoices. Of these we investigated the transactions that had the same invoice amount and invoice number. Our testing identified five instances of genuine duplicate payments. These had not been identified by SSSA at the time of our audit.

Agency	Vendor code	Australian BN	Invoice number	Amount
1) EDU	1. A057433 2. 0909 (Willunga High School)	42228511759	0064938	\$1,138.00
2) DTF	1. A11542 2. A093512 (Storage King Woodville Nth)	1. 37112457075 2. 73619933621	1022291	\$95.00
3) DTF	1. A11542 2. A093512 (Storage King Woodville Nth)	1. 37112457075 2. 73619933621	1022834	\$22.00
4) SAHT	1. CITY0045 2. CITY0007 (City West Motel)	1. 52650857328 2. 50774123541	2021TBa-8	\$840.00
5) DEW	ALLA351 (Allan's Waste Removal)	83983351295	1. 0018332 2. 00018332	\$110.00

Refer to findings 1.1 and 1.2 for the causes of the duplicate payments.

1.1 Duplicate vendor payments

Rating: Medium

The Vendor Maintenance team performs a validity check on the vendor's Australian business number (ABN) prior to creating a new profile in the vendor master file.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

We identified four instances where the duplicate invoice had different vendor codes and bank details to the invoice image. Therefore, the system was unable to identify the duplicate invoices.

We were advised of the following for these payments:

- 1) EDU – All SA Government schools have two vendor accounts in the master file, a South Australian School Investment Fund (SASIF) account and a standard Common Vendor Masterfile (CVMF) account. All Education payments to SA Government schools are paid to the SASIF account (0909) and all CVMF agencies, excluding Education will use the standard account (A057433). Payments were made to both bank accounts. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.
- 2) DTF 1 & 2 – Two accounts existed due to a change in the vendor's ownership and ABN. A new Vendor Creation form (A115542) was completed by the Vendor and authorised by DTF on 1/06/2021. The original Vendor ID (A093512) was inactivated on 03/08/2021 after confirmation of 'no open payables'. Despite the change in bank details reflected on the invoice, the original vendor details were still incorrectly coded by SSSA. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.
- 3) SAHT – Two accounts existed due to a change in the vendor's ownership and ABN. A new Vendor Creation form (CITY0045) was completed by the Vendor and authorised by SAHT on 5/10/2021. The original Vendor ID (CITY0007) was inactivated on 24/01/2022 after confirmation of 'no open payables'. Additionally, the two invoices are identical except for the different invoice dates on the invoice image. SSSA did not identify the duplicate invoice and no follow up action has occurred at the time of our audit.

Risk exposure

Where an adequate check for duplicate vendors is not performed by SSSA at the time of Basware invoice coding, there is an increased risk that duplicate payments will occur.

Recommendation

SSSA revisits the current parameters for the Duplicate reports. In addition, SSSA improves communication between Accounts Payable teams to ensure all staff are aware of the purpose of each duplicate vendors' bank accounts such as the Education bank account discussed above.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

1.2 Inaccurate review of Basware invoice data

Rating: Medium

The Readsoft system matches the vendor's ABN on the invoice with the corresponding record in the common vendor master file or agency-specific master file. The SSSA Review team is responsible for ensuring that the vendor details have been correctly matched or for applying the correct invoice details where these details have not been clearly identified.

From our duplicate invoice review, we identified one instance in which the manually coded Basware header data did not agree with the invoice image:

- 1) DEW – The invoice number of the duplicate did not correspond with the invoice image. SSSA did not identify the duplicate invoice and no follow up action had occurred at the time of our audit.

Risk exposure

Where SSSA does not thoroughly check the key fields of the invoice data against the invoice image, there is an increased risk that duplicate payments will occur.

Recommendation

SSSA ensures comprehensive checks are performed as required by the Review process operational procedure.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

2 Management of User Access procedure has not been updated to reflect changes in operations

Rating: Low

Previously, the Service Desk Team generated and sent an Authorised Officer listing to agency Chief Financial Officers (CFOs) (or equivalent) for annual review.

Our review identified that the Service Desk Team no longer performs this control. The CFO (or equivalent) is required to complete a Request for Change (RFC) via the *ServiceNow* portal for Authorised Officer changes.

However, the *Management of User Access* procedure still contains details of the redundant annual Authorised Officer process.

The Service Desk Team has acknowledged the error and have advised the procedure will be updated to ensure consistency.

Risk exposure

If policies and procedures are not updated to reflect current practice, requirements may not be clearly outlined to staff resulting in controls performed inconsistently.

Recommendation

SSSA ensures that policies and procedures are reviewed thoroughly to reflect current practice.

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

3 Inappropriate manual payment reviews

Rating: Low

For manual payments to be processed, a payment voucher must be forwarded directly to the SSSA Payment team from the agency. Vouchers are scanned into Basware after payment has been processed and are therefore not subject to Basware system controls.

The AP officers are required to perform the following checks:

- Appropriate supporting documentation provided
- Checked for duplication in Basware
- Basware financial delegation check
- Correct payment amount
- Correct payment currency (Foreign Currency Payments only)
- Correct payer bank account selected

Invoices approved by only one officer

AP officers must ensure the payment request form is signed by two separate agency officers and payment is appropriately authorised. Our review identified four instances where the payment request form was prepared and authorised by the same agency officer:

Agency	Manual payment type	Vendor name	Date of request	Amount	Date processed
CALHN	Foreign Currency Payment (FCP)	Referenzinstitut für Bioanalytik (RfB)	25/11/21	\$103.17 (€65)	29/11/21
DHW	Foreign Currency Payment (FCP)	ProQuest LLC	15/06/21	\$139.74 (\$105)	22/06/21
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Manual payment checklist not consistently applied

SSSA has implemented a manual payment checklist to ensure that required control checks are consistently applied to all manual payments. Our review identified two instances where the

Attachment: Shared Services interim audit 2021-22 – Accounts Payable

checklist was either not included in the supporting documents or the checklist was not ticked and signed.

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DHW	FCP	6213051	62212894	\$1,443.64	22/10/2021	Blank checklist attached

Risk exposure

Where two officers do not independently approve manual payment vouchers, there is an increased risk of invalid and/or incorrect payments being processed.

Where AP officers do not complete a manual payment checklist there is a risk that not all checks are undertaken prior to processing manual payments increasing the risk of duplicate payments being made which may result in financial losses to the agency.

Recommendation

SSSA ensures that two agency officers approve payment request vouchers. SSSA considers updating the manual payment checklist to enforce the dual signature check.

SSSA ensures AP officers perform adequate checks and complete the checklist before processing the manual payment.

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4 Payment reversals

Rating: Low

When an incorrect payment is identified for regular vendors, SSSA processes an adjustment via payment reversals or credit reversals in Basware. The adjustments processed are also recorded in an incorrect payment register for each agency for identification and monitoring purposes.

The SSSA Vendor Recovery Procedure states:

A Payment Reversal must be actioned within ten business days of notification of overpayment.

Consistent with our finding from 2020 -21, our current review identified

- four instances where a reversal was not processed promptly
- two instances where reversals were not recorded on the incorrect payment register
- one instance where further adjustments were required due to errors in the payment reversal raised
- one instance where we were unable to determine when the incorrect payment was notified to SSSA based on documents provided and the incorrect document was uploaded into Basware. The correct document was uploaded after we queried the issue.

Agency	Payment reversal approved date	Date of notification	Overdue by (business days)	Invoice number	Amount	Issues
SAHT	26/03/2021	17/05/2021	26	6748402/REV CR/B	\$297.00	Overdue
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NALHN	10/06/2021	9/08/2021	32	KU467164/REV	\$1,261.80	Overdue
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Agency	Payment reversal approved date	Date of notification	Overdue by (business days)	Invoice number	Amount	Issues
BHFLHN	30/09/2021			9141551320/R EV	\$20.00	No evidence of when incorrect payment was notified to SSSA. Incorrect document uploaded.

Risk exposure

Where a payment reversal is not processed promptly or incorrect payment reversals are raised, there is an increased risk that the expenditure may not be accurately recorded in the General Ledger.

Incorrect payments not recorded in the incorrect payment register may not be properly monitored and followed up resulting in an overpayment to a vendor.

Recommendation

SSSA reminds AP officers to

- raise and approve the reversals within 10 business days
- record the payment reversals on the correction register to ensure proper follow up actions are taken
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5 Vendor Masterfile periodic review

Rating: Low

SSSA is responsible for the maintenance of the Common Vendor Master File (CVMF) and other agency-specific vendor master files. A periodic review of the vendor masterfiles is performed to ensure vendor data is accurate and relevant.

The *Vendor Maintenance* procedure states:

*2.1 Vet the Vendor Master File **annually** to identify duplicate Vendors and inactivate Vendors not used in the 18 months prior...*

*2.2 Purge Vendor Master File **every two years** in accordance with Agency agreed purging process.*

Our review identified that the annual vetting and inactivation process has not commenced for DEW. the process involves three separate areas (AP, Business System and performance and DEW) but does not specify which party should initiate the process.

In addition, the biennial data purging process has not been implemented for 2020 or 2021. We were advised by Business Systems Performance that that purging could not been completed due to:

- Shared vendor file in a single AP database for SYS1 and SYSH agencies
- Majority of inactive vendors are from external systems
- Agency reporting is driven from their separate data warehouses which contain AP data including vendor information.

Risk exposure

Where the periodic review of the CVMF and agency-specific vendor masterfiles is not performed, there is an increased risk of payments to incorrect vendors being made.

In addition, duplicate vendors in the masterfile increases the risk of duplicate payments being processed.

Where a control process involves several areas and if the procedure does not explicitly specify the responsibilities of each involved party, there is an increased risk that the process may not be carried out as intended by the management.

Recommendation

SSSA ensures the annual vetting and inactivation process is completed as required by the *Vendor Maintenance* Procedure.

**Attachment: Shared Services interim audit 2021-22 –
Accounts Payable**

SSSA ensures the biennial data purging process is completed as required by the *Vendor Maintenance* Procedure. If the purging process is not applicable due to system design limitations, SSSA may consider updating the procedure to reflect current practice and communicate with the affected agencies in the Service Design and Operating Level Responsibilities.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	This issue represents: <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	Requires immediate management intervention with a detailed action plan to be implemented within one month. Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.
High	The issue represents: <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	Requires prompt management intervention with a detailed action plan implemented within two months. Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.
Medium	The issue represents: <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	Requires management intervention with a detailed action plan implemented within three to six months.
Low	The issue represents: <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	Requires management intervention with a detailed action plan implemented within six to 12 months.



Our ref: A22/246

2 June 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr R Persse
Under Treasurer
Department of Treasury and Finance
Email: Rick.Persse@sa.gov.au

Dear Mr Persse

Interim audit of the Department of Treasury and Finance for 2021-22

The financial report of the Department of Treasury and Finance (DTF) comprises the financial statements for activities that DTF controls and the financial statements for activities that DTF administers on behalf of the SA Government but does not control.

We have completed our interim audit of the activities that DTF controls. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 30 June 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

We are also nearing completion of our interim audit of the activities that DTF administers on behalf of the SA Government such as the collection of taxation revenue by RevenueSA. The results of that audit will be included in a separate management letter.

1 Summary of findings

We noted that matters we raised last year continue to remain unresolved.

We also identified three other areas where financial management could be improved.

The main findings are set out here, with full details in the attachment 1.

Ministerial payment authorisations incorrectly set up in Basware

We noted Ministerial payment authorisations for two DTF employees were incorrectly set up in Basware as special delegates rather than super delegates.

This exposes the risk that the higher Ministerial authorisation limit is used to approve inappropriate payments, which may result in financial loss to DTF.

We understand a change request has recently been submitted to Shared Services SA (SSSA) to correct this error for one of these employees. A request to correct the error for the other employee is also required.

Payment information in Basware special and super delegation reports not reviewed completely and promptly

Monthly reports are provided to DTF by SSSA for review of Basware transactions approved by special and super delegates but are only reviewed by DTF every six months.

We noted:

- reports for the first six months of 2021-22 were not reviewed until 3 February 2022
- the review of these reports did not identify that two DTF employees were incorrectly set up in Basware as special delegates rather than super delegates.

Basware user access reviews not performed promptly

Quarterly Basware user access reports, including financial authorisation limits, are provided to DTF by SSSA for review. We note DTF only review these reports every six months. This review ensures the level of access and financial delegations of nominated employees is still appropriate.

We note the most recent review was performed in July 2021 and that the review covering the six months to 31 December 2021 was not finalised as at 4 May 2022.

We discussed the audit findings with the Director, Financial Services and Manager, Financial Management on 26 May 2022 and have reflected that feedback in this letter where appropriate.

2 Audit scope

We reviewed the following areas controlled by DTF:

- cash
- payroll
- expenditure
- accounts receivable
- receipting and banking
- general ledger maintenance and reconciliations.

We also reviewed aspects of DTF's IT environment.

If your staff have any questions, please contact my Principal Audit Manager, Mr Bill Sierros, on 0422 000 848.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Ian McGlen

Acting Auditor-General

cc: Ms J Burgess, Executive Director, Organisation and Governance, Julie-Anne.Burgess@sa.gov.au
Mr L Jones, Director, Financial Services, Les.Jones@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, Maria.Ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, Angie.Dobie@sa.gov.au

Attachment 1: DTF 2021-22 interim audit findings

Contents

	Page	Rating			
		E	H	M	L
1	Accounts Payable.....				
1.1	Ministerial payment authorisations incorrectly set up in Basware.....		x		
1.2	Payment information in Basware special and super delegation reports not reviewed completely and promptly		x		
1.3	Basware user access reviews not performed promptly			x	
1.4	Outstanding purchase orders are not reviewed.....				x
2	Payroll				
2.1	Outstanding bona fide and leave return reports.....				x
2.2	Some timesheets have not been completed or approved promptly				x
2.3	Employees with excessive recreation leave balances				x
3	Policies and procedures				
3.1	Many policies and procedures have not been reviewed on time.....				x

The following issues are repeat findings from prior years.

	Page	Rating			
		E	H	M	L
1.4	Outstanding purchase orders are not reviewed.....				x
2.1	Outstanding bona fide and leave return reports.....				x
2.2	Some timesheets have not been completed or approved promptly				x
2.3	Employees with excessive recreation leave balances.....				x
3.1	Many policies and procedures have not been reviewed on time.....				x

Rating key:¹ E Extreme H High M Medium L Low

¹ Refer appendix for explanation of risk ratings

Attachment 1: DTF 2021-22 interim audit findings

1 Accounts payable

1.1 Ministerial payment authorisations incorrectly set up in Basware

Rating: High

Treasurer's Instruction 8 *Financial Authorisations* (TI.8) prohibits a public authority from making payments without the prior approval of an employee authorised by the Minister or Chief Executive.

TI 8 prohibits the Chief Executive from delegating a financial authorisation greater than what has been determined for the Chief Executive themselves. The DTF Chief Executive has a financial authorisation of \$15,000,000.

Payments processed through Basware require payment approval by an authorised financial delegate.

Ministerial authorisations are set up in Basware as super delegates and Chief Executive authorisations are set up as normal or special delegates.

Our review of Basware financial delegations found the following DTF employees had special delegations higher than those approved by the Chief Executive. Details are provided below:

Position	Payment authorisation approved by the Chief Executive	Current financial delegation assigned in Basware	Number of payments authorised more than Chief Executive delegation	Total payments authorised as at 30 April 2022
Director, Financial Services	\$1,500,000	\$50,000,000	8	\$98,620,460
Executive Director, Budget and Performance	\$220,000	\$5,511,258	7	\$11,594,604

We noted that in both the above cases the Basware delegation relates to Ministerial authorisations which should have been set up as a super delegation.

DTF have advised that a change request has been submitted to SSSA to revise the Director, Financial Services special delegation to \$1,500,000 and super delegation to \$50,000,000 to reflect approved Chief Executive and Ministerial delegations.

Risk exposure

Non-compliance with TI 8.

Special delegates use the higher Ministerial authorisation limit to approve inappropriate payments, which may result in financial loss to DTF.

Attachment 1: DTF 2021-22 interim audit findings

Recommendation

Ensure the change request to SSSA is processed to revise the Executive Director, Budget and Performance special delegation and super delegation to reflect approved Chief Executive and Ministerial delegations.

In future, ensure that Basware normal, special and super delegations reflect approved Chief Executive and Ministerial authorisations.

1.2 Payment information in Basware special and super delegation reports not reviewed completely and promptly

Rating: High

We noted that 158 payments totalling \$437,786,254 were approved for payment in Basware by DTF special and super delegates up to 30 April 2022.

Monthly reports are provided to DTF by SSSA for review of Basware transactions approved by special and super delegates.

Although not formally documented in a policy, we have been advised that DTF has chosen to review these reports on a six monthly basis instead of monthly.

We noted that reports for the first six months of 2021-22 were not reviewed until 3 February 2022.

We also noted that the review did not identify that two DTF employees were incorrectly set up in Basware as special delegates rather than super delegates.

Risk exposure

Not checking information on the reports completely and promptly may result in:

- special delegates using the higher Ministerial authorisation limit to approve inappropriate payments, which may result in financial loss to DTF
- significant inappropriate payments going undetected for an extended period.

Recommendation

Review Basware special and super delegation reports promptly.

The reviewer should check that the DTF staff approving transactions have sufficient financial delegation from the Chief Executive.

Attachment 1: DTF 2021-22 interim audit findings

1.3 Basware user access reviews not performed promptly

Rating: Medium

Shared Services SA (SSSA) provides DTF's Financial Services with quarterly Basware user access reports, including financial authorisation limits, for review and requests details of any changes required. This review ensures the level of access and financial delegations of nominated employees is still appropriate.

Although not formally documented in a policy, we have been advised that DTF has chosen to review these reports on a six monthly basis instead of quarterly.

We note the most recent review was performed in July 2021 and that the review covering the six months to 31 December 2021 was not finalised as at 4 May 2022.

Risk exposure

Users with inappropriate access or financial delegations are not identified and amended promptly. This increases the risk of inappropriate access to Basware and that purchases, or payments may not be approved in accordance with DTF's delegations of authority.

Recommendation

Basware user access and financial authorisation limits be review quarterly.

1.4 Outstanding purchase orders are not reviewed

Rating: Low

Outstanding purchase orders represent:

- open orders for goods or services ordered from suppliers but not yet received. Open order amounts are disclosed as commitments in DTF's financial report
- unmatched orders for goods or services received and receipted against the order where no corresponding invoice from the supplier has been received, matched to the receipted order and paid. Unmatched order amounts are recognised as expenses and liabilities in DTF's financial report.

Last year we noted:

- the Accounts Payable procedure was under review and the new procedure would incorporate the regular review of the open purchase orders
- outstanding open purchase orders had increased to \$5.3 million as at 16 June 2021, including \$4 million raised in 2019-20.

In response, DTF advised that it would update the Accounts Payable procedure to incorporate the regular review of outstanding orders and that DTF Financial Services would undertake a review of outstanding orders twice a year.

Attachment 1: DTF 2021-22 interim audit findings

Our review this year noted:

- the Accounts Payable procedure was still under review
- the last review of outstanding purchase orders was performed in April 2021
- outstanding open purchase orders have decreased to \$2.5 million as at 27 May 2022, including \$553,541 raised in 2020-21. Refer below for details:

Financial year created	Total outstanding orders (\$)
2020-21	553,541
2021-22	1,981,046
Total	2,534,587

Risk exposure

Old open orders could be orders that were never received by suppliers and will never be filled. This increases the risk of commitments disclosed in DTF's financial report being overstated.

Old unmatched orders could be invoices paid by staff without clearing the receipted order. This increases the risk of expenses being recognised twice in DTF's financial report. Once when goods and services are receipted against the order and again when invoices are paid without clearing the receipted order. In addition, not matching the items and charges on invoices to the receipted order increases the risk of overpayments.

Recommendation

Investigate all outstanding purchase orders and, where appropriate, close off outstanding orders.

Document and implement procedures for the regular review of outstanding orders.

Attachment 1: DTF 2021-22 interim audit findings

2 Payroll

2.1 Outstanding bona fide and leave return reports

Rating: Low

The Department of Treasury and Finance's (DTF's) Bona Fide and Leave Reports Procedure requires branches to certify the completeness and accuracy of bona fide and leave return reports within two weeks following receipt of the email advising the bona fide and leave return reports are available. This certification provides DTF with assurance that only valid employees are paid for time worked or approved leave taken and that employees are paid in line with the terms of their appointment.

Last year we identified 100 (3%) bona fide and 64 (4%) leave return reports were outstanding as at 21 June 2021.

In response, DTF advised:

- DTF People and Performance was building a dashboard that would include bona fide and leave return information to increase accountability
- the audit findings would be reinforced during People and Performance branch contact officer forums
- DTF Human Resources (HR) would continually follow up outstanding bona fide and leave return reports with branches.

This year we noted a deterioration of certification rates, with 148 (6%) bona fide and 100 (7%) leave return reports outstanding as at 25 February 2022. Details are provided in attachment 2.

Risk exposure

Branch managers are not reviewing bona fide and leave return reports, as required by DTF's Bona Fide and Leave Reports Procedure, increasing the risk that inaccurate or inappropriate payments may not be detected.

Leave taken by staff is not recorded in the Chris21 payroll system, resulting in DTF employee leave liabilities being overstated.

Recommendation

Follow up all outstanding 2021-22 bona fide and leave return reports and continue to reinforce the importance of these processes to all branches.

Attachment 1: DTF 2021-22 interim audit findings

2.2 Some timesheets have not been completed or approved promptly

Rating: Low

DTF's Attendance Records Policy requires employees to record their attendance (including any leave or flexi days taken) within two days of the end of the four-week accounting period. Managers are required to verify attendance records within five working days of the end of the accounting period.

TimeWise Integrated and SharePoint are systems used by DTF to record time and attendance.

Last year we noted:

- 103 instances where a TimeWise record had not yet been completed by an employee
- 149 instances where a TimeWise record had not yet been approved by a manager
- 149 instances where a Sharepoint record had not yet been approved by a manager.

In response, DTF advised:

- all outstanding TimeWise attendance records would be completed and approved in line with DTF policy
- the DTF policy requirements to promptly record and approve TimeWise attendance would be reinforced to staff and managers
- DTF People and Performance would monitor incomplete and unapproved TimeWise records and report non-compliance with DTF's policy to branch heads quarterly
- the audit findings would be reinforced during People and Performance branch contact officer forums.

A TimeWise report run on 25 February 2022 identified:

- 192 instances where a TimeWise record had not yet been completed by an employee, with some of these instances dating back to the accounting period ending 29 February 2020
- 284 instances where a TimeWise record had not yet been approved by a manager, with some of these instances dating back to the accounting period ending 29 February 2020.

A SharePoint report run on 15 March 2022 identified 93 instances where a SharePoint timesheet had not yet been approved by a manager, with some of these instances dating back to the accounting period ending 21 January 2019.

We were advised that the above SharePoint timesheets were actioned before transitioning to a new Microsoft PowerApps timesheet on 11 April 2022.

Attachment 1: DTF 2021-22 interim audit findings

Risk exposure

Where timesheet records are not completed and/or approved DTF is exposed to an incorrect record of leave entitlement in the Chris21 payroll system. This may lead to a risk of leave being taken without entitlement and misstatement of leave entitlement liabilities in the financial statements.

Recommendation

Ensure all timesheet attendance records are completed and approved in line with DTF policy.

Reinforce to staff and managers the DTF policy requirements to promptly record and approve attendance records.

DTF HR monitor the extent of incomplete and unapproved records and regularly report non-compliance with DTF's Attendance Records Policy to DTF management for information and action.

2.3 Employees with excessive recreation leave balances

Rating: Low

DTF's *Deferral of Recreation Leave Policy* details the requirements for managing recreation leave entitlements for all DTF staff.

The policy specifies that employees must manage their leave entitlement to ensure their recreation leave balance does not exceed 225 hours. The maximum balance held at any one time should not exceed two years entitlement (300 hours) without prior approval by a delegate. It is the employee's responsibility to ensure approval is granted before the 300-hour limit is reached.

Last year, we noted 118 employees had leave balances greater than 300 hours as at 18 June 2021.

In response, DTF advised that:

- DTF HR would work closer with managers to implement more effective leave plans and management strategies for staff with excessive recreation leave balances
- DTF HR would provide ongoing monitoring
- DTF would review communication strategies for employees and managers
- all deferred excessive recreation leave balances would be appropriately approved in accordance with DTF's *Deferral of Recreation Leave Policy*.

We analysed DTF recreation leave balances as at 21 March 2022 and noted 139 DTF employees with leave balances greater than 300 hours. Details are provided in attachment 3.

Attachment 1: DTF 2021-22 interim audit findings

Risk exposure

Without focused and ongoing attention from DTF HR and managers, staff that continue to accrue excessive recreation leave balances will not promptly reduce balances to an appropriate level.

Excessive recreation leave balances have a financial cost to DTF as the accrued balances are generally paid out at a higher rate than when an employee leaves DTF or takes the leave later.

There are also health and safety consequences for individuals who do not take their recreation leave and accordingly do not have extended time away from their workplace.

Recommendation

Strengthen processes to manage employee recreation leave balances, including giving focused attention to implementing leave plans for these staff and providing ongoing monitoring to support and encourage managers to actively reduce these liabilities.

Ensure any deferred excessive recreation leave balances are appropriately approved.

Attachment 1: DTF 2021-22 interim audit findings

3 Policies and procedures

3.1 Many policies and procedures have not been reviewed on time

Rating: Low

Policies and procedures are an important element of a robust internal control environment.

TI 2 requires the Chief Executive to develop, document and maintain policies and procedures relating to income, expenditure, asset and liability transaction processing and the management of accounts payable, accounts receivable and asset and liability balances. Policies and procedures must be reviewed on a regular basis and revised where necessary.

We noted many DTF policies and procedures were past their date for review. Refer appendix 4 for details.

DTF advised that a review of these policies and procedures was currently underway.

Risk exposure

Inaccurate or outdated policies and procedures increases the risk of actions not being performed in line with management's expectations.

Non-compliance with TI 2.

Recommendation

Review and update where required all policies and procedures that are past their review date.

Once updated, submit the documents to management for formal approval.

Attachment 2: Details of outstanding bona fide and leave return reports as at 25 February 2022

PPE date	Outstanding bona fide certificates	PPE date	Outstanding leave return reports
30/07/21	1	31/05/19	1
13/08/21	1	31/05/21	1
10/09/21	2	31/07/21	4
24/09/21	3	31/08/21	6
8/10/21	6	30/09/21	7
22/10/21	4	31/10/21	8
5/11/21	7	30/11/21	20
19/11/21	6	31/12/21	53
3/12/21	6		100
17/12/21	7		
31/12/21	9		
14/01/22	9		
28/01/22	22		
11/02/22	21		
25/02/22	44		
	148		

Pay locations in the SafeWork SA and Financial Management, Reporting and Policy and Lotteries Commissioner branches account for the majority of outstanding bona fide and leave return reports to 31 October 2021.

Attachment 3: DTF recreation leave balances as at 21 March 2022

Branch	Number of employees with recreation leave balances in the following ranges				Total employees
	300-449 hours	450-599 hours	600-749 hours	750 + hours	
Budget and Performance	5	-	-	-	5
Commercial & Economics	1	-	-	1	2
Financial Management Reporting & Policy	12	1	-	-	13
Government Services	60	3	1	1	65
IR & Policy	2	-	-	-	2
Office of the Chief Exec	2	-	-	-	2
Organisation and Governance	11	1	-	-	12
Procurement	3	1	-	1	5
Revenue SA	7	1	-	-	8
SAFA	8	-	-	-	8
SafeWork SA	4	-	1	-	5
Super SA	9	-	-	-	9
Treasurer's Office	3	-	-	-	3
Total	127	7	2	3	139

We acknowledge that 41 of the above employees had leave booked after 22 March 2022, reducing the total number of employees with leave balances greater than 300 hours to 108 employees.

Attachment 4: DTF policies and procedures past their review date

Area	DTF policy/procedure	Review date
Accounts payable	Accounts Payable policy	30-11-20
	Accounts Payable procedure	30-11-20
	Supplier Management policy	01-02-22
Accounts receivable	Accounts Receivable policy – Raising of invoices	01-11-20
	Accounts Receivable policy – Debt management	01-11-20
	Accounts Receivable procedure	01-11-20
Fixed assets	Asset Purchase, Disposal & Reporting policy	01-11-20
	Disposal of Assets procedure	30-11-20
	Physical Stocktake of Assets procedure	01-11-20
	Purchasing and Transfer of Assets procedure	07-11-16
	Reporting Stolen or Damaged Assets policy	01-06-20
	Software Capitalisation procedure	01-11-20
General ledger	General Ledger Journals procedure	01-11-20
Information Technology	Business Continuity Management policy	30-06-19
	Business Continuity Management procedure	30-06-19
	Cyber Security Incident and Data Breach Management procedure	01-10-20
	Data Centre Access procedure	21-10-21
	Data Storage policy	01-06-20
	Email Phishing Awareness policy	13-09-21
	End User Computing Device Replacement policy	01-06-20
	Information Asset Management policy	18-11-21
	Malicious Software Protection policy	08-10-20
	Purchase and Use of Computing and Communications Equipment policy	01-06-20
	Security Incident Management policy	01-06-20
	Software Usage policy	01-06-20
	Spam guideline	01-06-20
	User Access Management policy	19-01-22
	Wireless Networking policy	01-06-20

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



T&F: 21/0943
A2486567

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

19 July 2022

Mr A Richardson
Auditor-General
Auditor-General's Department
Level 9 State Administration Centre
200 Victoria Square
ADELAIDE SA 5000
records@audit.sa.gov.au

Dear Mr Richardson

Andrew

Department of Treasury and Finance (DTF) – Interim Audit for 2021-22

I write in response to your letter, dated 2 June 2022, requesting a written response to the findings raised in the Department of Treasury and Finance 2021-22 interim audit.

DTF comments in response to the interim audit findings, target completion dates and responsible officers are detailed in the attached table.

If you have any further queries please contact Mr Les Jones, Director Financial Services on 8226 2767.

Yours sincerely

A handwritten signature in blue ink, appearing to be "RP".

Rick Persse
UNDER TREASURER

cc: Mr Les Jones, Director, Financial Services, les.jones@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, maria.ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, angie.dobie@sa.gov.au

2021-22 DTF Interim Audit Findings			
Issue	Interim Audit Finding	DTF Comment	Target Completion Date & Officer Responsible for Action
1.1	Ministerial payment authorisations incorrectly set up in Basware	<ul style="list-style-type: none"> Shared Services SA has processed a change request to revise both the Executive Director, Budget and Performance's and Director, Financial Services' special delegation and super delegation to reflect approved Under Treasurer and Ministerial delegations. 	Completed.
1.2	Payment information in Basware special and super delegation reports not reviewed completely and promptly	<ul style="list-style-type: none"> Reviews of the Basware special and super delegation reports are now up to date. Commencing in the 2022-23 financial year, reviews of these reports will be conducted monthly. 	Completed Ongoing from July 2022 (Director, Financial Services)
1.3	Basware user access reviews not performed promptly	<ul style="list-style-type: none"> The December 2021 Basware user review was completed in May 2022. The June 2022 review is scheduled for completion in July 2022. 	Completed 31 July 2022 (Director, Financial Services)
1.4	Outstanding purchase orders are not reviewed	<ul style="list-style-type: none"> Outstanding purchase orders were reviewed in May 2022 with all appropriate action taken to close completed orders or confirm validity of open orders. Commencing in the 2022-23 financial year DTF plans to establish new procedures to conduct more frequent reviews of open purchase orders. 	Completed 31 August 2022 (Director, Financial Services)

Issue	Interim Audit Finding	DTF Comment	Target Completion Date & Officer Responsible for Action
2.1	Outstanding bona fide and leave return reports	<ul style="list-style-type: none"> • A project to implement an automated dashboard was thoroughly investigated and deemed not viable at this time. Effort to integrate Timesheet system with Microsoft BI too costly (due to licences / specialist skills required to build and maintain). • DTF Human Resources continues to: <ul style="list-style-type: none"> ○ run monthly reports which are used by HR Account Managers in their regular meetings with branch leadership teams. ○ raise at the quarterly branch contact officer forums. • Note, the imminent transfer out of SafeWork SA pursuant to machinery of government changes has resulted in closer attention to approving a significant number of outstanding bona fide and leave reports. 	Ongoing (Director, People and Performance)
2.2	Some timesheets have not been completed or approved promptly	<ul style="list-style-type: none"> • DTF Human Resources continues to raise both the requirement to comply to DTF Policy and remind branches to promptly record and approve attendance by: <ul style="list-style-type: none"> ○ running monthly reports which are used by HR Account Managers in their regular meetings with branch leadership teams. ○ raising at the quarterly branch contact officer forums ○ raising with Branch Heads on a quarterly basis • These figures (for outstanding actions) continue to fluctuate considerably from month to month. For example, June 2022 indicates a total of 326 actions outstanding compared with April 2022 in which there were 619 actions outstanding. • HR will target 31 August 2022 to follow up and resolve outstanding actions 	31 August 2022

Issue	Interim Audit Finding	DTF Comment	Target Completion Date & Officer Responsible for Action
2.3	Employees with excessive recreation leave balances	<ul style="list-style-type: none"> DTF Human Resources continues to: <ul style="list-style-type: none"> work closely with managers to implement more effective leave plans and management strategies for staff with excessive recreation leave balances provide ongoing monitoring review communication strategies for employees and managers 	Ongoing (Director, People and Performance)
3.1	Many policies and procedures have not been reviewed on time	<ul style="list-style-type: none"> Financial Services will update all its policies and procedures currently beyond their review date by 31 October 2022. Information and Technology will update all its policies and procedures currently beyond their review date by 30 September 2022. 	31 October 2022 (Director, Financial Services) 30 September 2022 (Director, Information and Technology)



Our ref: A22/304

17 June 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410
audgensa@audit.sa.gov.au

Ms T Scott
Executive Director, Financial Management, Reporting and Policy
Department of Treasury and Finance
Email: Tracey.Scott3@sa.gov.au

Dear Ms Scott

Use of the Budget Management System for long service leave liability calculations

The purpose of this letter is to outline the audit scope and findings from our review of the Budget Management System (BMS) system used by the Department of Treasury and Finance (DTF) to estimate long service leave (LSL) liabilities.

The letter also addresses your request, dated 26 May 2022, for our comments on DTF's proposed rates and percentages to be published as guidance to AASB 119 *Employee Benefits* on DTF Extra.

1 Review scope

Agencies can use DTF's BMS system to calculate their estimated LSL liability as at 30 June 2022. The BMS system uses actuarial data uploaded into the system prior to 30 June.

We recently reviewed the reliability and accuracy of BMS in estimating LSL liabilities. This included reviewing the:

- completeness and accuracy of LSL data used by the actuary to update the actuarial assumptions for the current year
- reasonableness of the current year's actuarial assumptions
- reasonableness of the 'factors' determined by the actuary to calculate LSL liabilities for the current year
- accuracy of the upload of the actuarial 'factors' and other financial assumptions into BMS.

We also reviewed the reasonableness of DTF's proposed rates and percentages to be published as guidance to AASB 119 on DTF Extra. Currently, DTF's proposed rates and percentages for 30 June 2022 are:

- salary inflation rate of 1.5% for short-term employee benefits and 2.5% for long term employee benefits
- percentage of LSL taken as leave: 66% for Education agencies; 38% for Health agencies; and 42% for all other entities
- employee superannuation on-cost rate of 10.6%.

2 Audit findings

We are satisfied that DTF's proposed rates and percentages to be published as guidance to AASB 119 on DTF Extra are reasonable.

Discount rates

Australian Accounting Standard AASB 119 requires that DTF use, when estimating an LSL liability, a discount rate determined as at the end of the reporting period.

DTF is currently scheduled to review the market rates on applicable Commonwealth government bonds to be used as the discount rate as at 30 June 2022 and will update the BMS accordingly.

We have liaised with the relevant DTF officers and are expecting advice on the final discount rates used for the BMS LSL estimates. If we have any concerns with the discount rates used for 2021-22, my staff will contact yourself or the Senior Advisor, Financial Reporting.

Change to actuarial assumptions

We have reviewed the reasonableness of the current year's actuarial assumptions and factors as at 31 May 2022. We require you to notify us of any changes to these assumptions or factors so we can reconsider if they are still reasonable.

LSL – Annual actuarial review procedure

The procedure documents how the Super SA actuaries review the LSL valuation factors to be used in the BMS LSL liability module.

In prior years we noted that:

- the procedure had not been reviewed since October 2017
- the procedure contains outdated references.

We brought this to the attention of the Super SA actuaries and they advised that the procedure would be reviewed and updated where appropriate.

In June 2022 we were advised that the procedure was still under review.

Risk exposure

Inaccurate or outdated procedures increases the risk of actions not being performed in line with management's expectations.

Recommendation

Review and update where required the procedure.

Once updated, submit the procedure to management for formal approval.

If you have any queries, please contact my Assistant Auditor-General (Financial Audit), Daniel O'Donohue on telephone 8226 9643, or Principal Audit Manager, Bill Sierros on telephone 0422 000 848.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Andrew Richardson

Auditor-General

cc: Mr R Persse, Under Treasurer, Rick.Persse@sa.gov.au
Ms B Huddleston, Senior Advisor, Financial Reporting, Briony.Huddleston@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, Maria.Ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, Angie.Dobie@sa.gov.au



Our ref: A22/246

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

8 July 2022

Mr R Persse
Under Treasurer
Department of Treasury and Finance
Email: Rick.Persse@sa.gov.au

Dear Mr Persse

Interim audit of RevenueSA for 2021-22

We have completed our interim audit of RevenueSA. This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 5 August 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

1 Summary of findings

We noted that five matters raised in prior years remain unresolved, including a high-risk matter first raised in 2018-19.

The audit also identified four new areas where Revenue SA could improve its internal controls.

The main findings are set out here, with full details in the attachment.

We acknowledge the significant challenges presented to RevenueSA in 2020-21 and 2021-22 by land tax reform and the impact this has had on resolving matters raised in prior years and in the new matters identified this year.

Reviews of SAILIS to RIO data have not been performed since April 2020

The RevenueSA Information Online (RIO) application is used to perform land tax and emergency services levy (ESL) assessments based on the property and ownership data uploaded from the Land Services Group South Australian Integrated Land Information System (SAILIS) database and SAILIS composite database.

RevenueSA and Lands Services SA have developed a reconciliation application that compares data between the SAILIS databases and RIO and generates weekly valuation comparison reports and ownership comparison reports that detail the discrepancies between the sources.

We noted that no reviews have been performed since April 2020, due to a change in the SAILIS platform that prevents the reports being run.

Information technology matters first raised in 2018-19

The following matters were first raised in 2018-19 and remain unresolved:

- periodic review of user access privileges is not being performed for the RIO application
- no review of manually created business partners, new land parcels and assigning land valuations in the RIO application
- security for custom programs, transaction codes and tables is not appropriately restricted for the RIO application.

We discussed the audit findings with the Commissioner for State Taxation, Deputy Commissioners and Senior Manager, Business Technology and Projects on 29 June 2022 and have reflected that feedback in this letter where appropriate.

2 Audit scope

We reviewed internal controls over cash and banking, stamp duties, payroll tax and land tax processed through CommBiz, RevenueSA Online (RSAOL) and RIO.

The controls we reviewed included:

- system user access
- the calculation of notices of assessment
- receipting and banking
- upload and reconciliation of SAILIS property data
- reconciliation between subsidiary systems and the general ledger
- RevenueSA compliance activities
- debtor follow-up.

We also completed a data analytics review of payroll tax processed by RIO. The review provided us with reasonable assurance that payroll tax was correctly calculated for 2021-22, based on applicable legislative requirements. As part of this process, we:

- gained an understanding of relevant systems, datasets and processes
- obtained relevant data from RIO and feed system files
- interrogated the data to assess tax completeness and accuracy
- reviewed and validated any exceptions identified with the Department of Treasury and Finance.

If your staff have any questions, please contact my Principal Audit Manager, Mr Bill Sierros, on 0422 000 848.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely



Ian McGlen
Acting Auditor-General

cc: Ms J Holmes, Commissioner of State Taxation, RevenueSA, Julie.Holmes@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, Maria.Ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, Angie.Dobie@sa.gov.au

Attachment

Contents

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Attachment

The following issues are repeat findings from prior years.

		Rating			
	Page	E	H	M	L
1.1 Periodic review of user access privileges is not being performed for the RIO application.....	6		x		
1.2 No review of manually created business partners, new land parcels and assigning land valuations in the RIO application.....	7			x	
1.3 Security for custom programs, transaction codes and tables are not appropriately restricted for the RIO application.....	8			x	
1.4 Key RSAOL/RIO documentation is not current and is not endorsed by senior management.....	8				x
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Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment

1 Information technology matters first raised in 2018-19

In 2018-19 we reviewed the RevenueSA Information Online (RIO) and RevenueSA Online (RSAOL) systems.

The following four matters raised in our prior review report remain unresolved.

1.1 Periodic review of user access privileges is not being performed for the RIO application

Rating: High

In 2018-19 we noted:

- a quarterly review is performed to validate that RIO users are current. These reviews do not include an assessment of whether the RIO user access privileges were appropriate
- areas of potential excessive access to sensitive functions within the RIO application.

In response the Department of Treasury and Finance (DTF) advised:

- an access security review of all users by position/job function would be undertaken and access removed if not required
- where users are assigned sensitive access, managers would be required to periodically review and endorse the need for continued access. The first periodic review would be completed by August 2020.

Last year we were informed that:

- RevenueSA reviewed RIO user access privileges, however user access changes identified in the review were yet to be made due to resources being prioritised to the land tax reform project
- regular review of RIO user access privileges had not occurred.

This year we were informed that:

- RevenueSA reviewed RIO user access privileges, however system user access changes identified in the review were yet to be made due to developers focusing on higher priority development work relating to the implementation of the land tax reform.
- regular review of RIO user access privileges had not occurred.

Risk exposure

If the appropriateness of user access privileges is not regularly reviewed there is a risk that users retain excessive privileges that do not align with their job role, increasing the user(s) ability to perform unauthorised transactions.

Attachment

Recommendation

Undertake regular reviews of RIO user access privileges, including access assigned to sensitive functions within the RIO application.

Ensure that required changes identified in the review are made promptly.

1.2 No review of manually created business partners, new land parcels and assigning land valuations in the RIO application

Rating: Medium

In 2018-19 we noted that:

- while parcels and valuations are received through the Land Services Group (LSG) daily batch file process, users assigned to the ZEC- R2- PROPERTY- DATA- MANAGER role can create business partners, new land parcels and assign land valuations manually
- there is no process in place to perform a formal review of these high-risk manual entries.

In response DTF advised:

- the position access security review described in recommendation 3.1 would be utilised to determine whether a position should have access to a transaction including access to manually create land parcels and modify valuations
- following the position access security review, the benefit of a detective control would be assessed. This assessment would be completed by 30 September 2020.

Last year we were informed that RevenueSA reviewed RIO user access privileges, including access to manually create land parcels and modify valuations. However, the benefit of a detective control had yet to be assessed due to resources being prioritised to the land tax reform project.

This year we were informed that there are not large numbers of manual entries into RIO and so RevenueSA is considering a policy response that would require the review of these manual changes at the time of entry to RIO.

Risk exposure

Unreviewed manually created entries in the RIO system may increase the risk of fraudulent transactions.

Recommendation

Develop and implement a policy to review all manually created entries in the RIO system.

Attachment

1.3 Security for custom programs, transaction codes and tables are not appropriately restricted for the RIO application

Rating: Medium

In 2018-19 we noted that the mapping of custom programs, transaction codes and tables to authorisation objects or classes had not improved since our previous review. Refer details below:

Unmapped items	2017-18	2018-19
Custom programs	82	113
Transaction code	99	105
Tables	5	17

In response DTF advised:

- this recommendation has been sent to Fujitsu who is responsible for code and its security through the AMS
- investigation of this recommendation with Fujitsu would be done by 31 October 2019.

Last year we were informed that RevenueSA and Fujitsu performed some work to scope what needs to be done to resolve this matter, but implementation of the required changes was delayed due to resources being prioritised to the land tax reform project.

This year we were informed that the scope of remedial work had been determined, but a business case for implementation of the IT solution had yet to be prepared.

Risk exposure

Having unmapped custom programs, transaction code and tables may result in unrestricted access to the custom programs and exposure to sensitive data.

Recommendation

Prepare a business case for the scope of remedial work and submit for approval.

Implement the IT solution as soon as possible.

1.4 Key RSAOL/RIO documentation is not current and is not endorsed by senior management

Rating: Low

Policies and procedures are an important element of a robust internal control environment.

Attachment

Treasurer's Instructions 2 *Financial Management* (TI 2) requires the Chief Executive to develop, document and maintain policies and procedures relating to income transaction processing and the management of accounts receivable balances.

In 2018-19 we noted that the some of the procedure, user and system documentation for RSAOL/RIO was incomplete or outdated. Some examples noted were:

- A-105 Property Data Maintenance (last updated 2014)
- RIO SAP Security Configuration (last updated August 2015)
- SAP Security Framework document (last updated March 2011)
- WP013 – RISTEC Backup & Recovery Procedures (last updated June 2015).

In response DTF advised key RSAOL/RIO documents would be reviewed and updated where required to reflect current business requirements and terms and approved by management. The recommendation would be implemented by 31 January 2021, assuming the necessary resources were not required for higher priority activities.

Last year we were informed that the documentation review and update was delayed due to resources being prioritised to the land tax reform project.

This year we were informed that due to resourcing in the DTF ICT branch there had been no progress made to resolve this matter.

Risk exposure

System technical documentation which is not formally approved or endorsed by management may result in key functions and processes not being performed in line with management expectations. This may result in key system risks not being wholly addressed.

Inaccurate or outdated key system documentation increases the risk of actions not being performed in line with management's expectations.

Non-compliance with TI 2.

Recommendation

Review and update key system documentation to reflect current business requirements and terms.

Once updated, submit the documents to management for formal approval.

Attachment

2 Other matters

2.1 Reviews of SAILIS to RIO data have not been performed since April 2020

Rating: High

RIO is used to perform land tax and emergency services levy (ESL) assessments based on the property and ownership data uploaded from the Land Services Group South Australian Integrated Land Information System (SAILIS) database and SAILIS composite database.

RevenueSA has developed a reconciliation application (STAR Audit Reporting) that compares data between SAILIS databases and RIO and generates weekly valuation comparison reports and ownership comparison reports that detail the discrepancies between the sources.

Last year we noted that no reviews have been performed since April 2020, due to a change in the SAILIS platform that prevents the reports being run.

In response DTF advised it was working with the Land Services Group to reinstate the review.

This year we were informed that an IT solution had been developed and tested, but RevenueSA and Land Services SA had yet to agree on how often the required reports would be run.

Risk exposure

Data discrepancies are not identified and reviewed.

Unresolved data discrepancies may result in incorrect assessments being generated for land tax and ESL.

Recommendation

Work with the Land Services SA to agree on how often the reconciliation reports will be run.

Use the reports to review SAILIS and RIO data regularly.

2.2 No independent review of new rates and charges loaded into RSAOL

Rating: Medium

Interest rates applied under the *Taxation Administration Act 1996* and land services charges are updated annually to reflect new rates applicable from 1 July each year.

Attachment

New rates and charges are loaded and tested in a testing environment, after which they are loaded into the RSAOL production environment.

We noted that the loading and testing of new rates and charges for 2021-22 was not subject to an independent check.

Risk exposure

Not independently reviewing the loading and testing of new rates and charges into RSAOL increases the risk of incorrect rates and charges being loaded into RSAOL, which may result in incorrectly calculated interest and land services charges.

Recommendation

The loading and testing of new rates and charges to RSAOL be independently reviewed.

2.3 RSAOL user access reviews are not performed regularly

Rating: Medium

We understand that quarterly user access reviews are required to be performed to validate that RSAOL users are current and their level of access is appropriate.

We noted that the RSAOL access reviews have been performed on an ad hoc basis, with the two most recent reviews performed as at March 2021 and November 2021.

We were advised that at the time of the audit, 31 May 2022, a RSAOL user access review had just commenced.

Risk exposure

Not performing regular RSAOL user access reviews increases the risk of inappropriate user access not being promptly detected, which may result in unauthorised or fraudulent transactions.

Recommendation

Undertake regular (quarterly) RSAOL user access reviews.

Ensure any required changes identified in the reviews are made promptly.

Attachment

2.4 CommBiz user access reviews are not performed regularly

Rating: Medium

RevenueSA use the CommBiz online banking system to transfer revenue from their revenue collection bank accounts.

We understand that monthly user access reviews are required to be performed to validate that CommBiz users are current and their payment caps appropriate.

We noted:

- reviews for August, October and November 2021 had not been performed
- the September 2021 review was performed, but there was no evidence of approval by the Business Support Manager
- the most recent review performed at the time of the audit was for January 2022.

Risk exposure

Not performing regular CommBiz user access reviews increases the risk of inappropriate user access not being promptly detected, which may result in unauthorised or fraudulent transactions.

Recommendation

Undertake regular (monthly) CommBiz user access reviews.

Ensure any required changes identified in the reviews are made promptly.

2.5 Policies and procedures have not been reviewed on time

Rating: Low

Policies and procedures are an important element of a robust internal control environment.

TI 2 requires the Chief Executive to develop, document and maintain policies and procedures relating to income transaction processing and the management of accounts receivable balances. Policies and procedures must be reviewed on a regular basis and revised where necessary.

We noted the following RevenueSA policies and procedures were past their review date:

Reference	RevenueSA policy/procedure	Review date
GII_TP_002	Revenue SA Online User Audit	31-03-20
LTESL_TP_012	Processing Payments in the cash desk	31-12-21
LTESL_TP_013	Primary Production exemptions	31-12-21

Attachment

LTESL_TP_014	Principle Place of Residence Exemption	30-06-21
LTESL_TP_019	Recreational grounds exemption	30-06-21
LTESL_TP_020	Recognising Land Held on Trust	30-06-21
LTESL_TP_021	Section 4 exemptions	30-06-21
LTESL_TP_022	Section 5 exemptions	30-06-21
LTESL_TP_024	Property Tax Variable Printing Requirements	02-01-22
LTESL_TP_025	Investigate returned unclaimed mail	02-01-22
LTESL_TP_050	AusPost Processing Postage Invoices	31-12-21
LTESL_TP_051	LT & ESL Billing Set Validation Checks	31-12-21
LTESL_TP_052	Generate a mass billing set	31-12-21
LTESL_TP_053	Mass Billing Invoice Checks on File	31-12-21
LTESL_TP_060	Utilising the Trust Wizard in RevenueSA Online	30-06-21
RSAO_SS_009	Cash Desk Payment	31-01-21
RSAO_SS_001	Direct Entry – Manually Reconcile Transaction	31-01-21
SDC_SS_001	Cancel a Document	13-12-21
SDC_SS_002	Dishonour Payments	16-01-22
SDC_SS_003	Document Reassessment	16-01-22
SDC_SS_004	Payments Out	16-01-22
SDC_SS_005	Payment Reversal	16-01-22

Risk exposure

Inaccurate or outdated policies and procedures increases the risk of actions not being performed in line with management's expectations.

Non-compliance with TI 2.

Recommendation

Review and update where required all policies and procedures that are past their review date.

Once updated, submit the documents to management for formal approval.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



T&F21/0943
A2506998

Mr A Richardson
Auditor-General
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000
audgensa@audit.sa.gov.au

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
Fax 08 8226 3819
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

Dear Mr Richardson

Interim audit of RevenueSA for 2021-22

Thank you for your letter dated 4 July 2022, regarding the interim audit of RevenueSA for 2021-22.

The issues raised in your review have been assessed including appropriate consideration of each of your recommendations. Management responses regarding the matters raised are provided in the attachment.

If you have any further queries, please contact Marianne Underwood, Manager, Corporate Performance & Strategy on 8226 1490.

Yours sincerely

A handwritten signature in black ink, appearing to be "RP", followed by a horizontal line.

Rick Persse
UNDER TREASURER

8 / 8 / 2022

cc: Maria Ross, Manager, Risk Audit and Security, Organisation and Governance Branch

Appendix: Explanation of risk ratings

Information technology matters first raised in 2018-19

In 2018-19 we reviewed the RevenueSA Information Online (RIO) and RevenueSA Online (RSAOL) systems.

The following four matters raised in our prior review report remain unresolved.

1.1 Periodic review of user access privileges is not being performed for the RIO application

Rating: High

In 2018-19 we noted:

- a quarterly review is performed to validate that RIO users are current. These reviews do not include an assessment of whether the RIO user access privileges were appropriate
- areas of potential excessive access to sensitive functions within the RIO application.

In response the Department of Treasury and Finance (DTF) advised:

- an access security review of all users by position/job function would be undertaken and access removed if not required
- where users are assigned sensitive access, managers would be required to periodically review and endorse the need for continued access. The first periodic review would be completed by August 2020.

Last year we were informed that:

- RevenueSA reviewed RIO user access privileges, however user access changes identified in the review were yet to be made due to resources being prioritised to the land tax reform project
- regular review of RIO user access privileges had not occurred.

This year we were informed that:

- RevenueSA reviewed RIO user access privileges, however user access changes identified in the review were yet to be made
- regular review of RIO user access privileges had not occurred.

Risk exposure

If the appropriateness of user access privileges is not regularly reviewed there is a risk that users retain excessive privileges that do not align with their job role, increasing the user(s) ability to perform unauthorised transactions.

Appendix: Explanation of risk ratings

Recommendation

Undertake regular reviews of RIO user access privileges, including access assigned to sensitive functions within the RIO application.

Ensure that required changes identified in the review are made promptly.

Management Response

Management accepts this recommendation. Given the passage of time since the last review of was completed in September 2020, RevenueSA has planned a full review of privileged access users to be completed by 31 December 2022. This process will include any required updates to user access identified from the review.

Future reviews of privileged access users will be conducted annually, given that many roles within RevenueSA are generic and that changes to positions that also require change to system access are infrequent.

Reviews of current RIO users are conducted regularly and will continue on a quarterly basis.

Responsible officer: Antowan Moosaian, Senior Manager, Business Technology and Projects

1.2 No review of manually created business partners, new land parcels and assigning land valuations in the RIO application

Rating: Medium

In 2018-19 we noted that:

- while parcels and valuations are received through the Land Services Group (LSG) daily batch file process, users assigned to the ZEC- R2- PROPERTY- DATA- MANAGER role can create business partners, new land parcels and assign land valuations manually
- there is no process in place to perform a formal review of these high-risk manual entries.

In response DTF advised:

- the position access security review described in recommendation 3.1 would be utilised to determine whether a position should have access to a transaction including access to manually create land parcels and modify valuations
- following the position access security review, the benefit of a detective control would be assessed. This assessment would be completed by 30 September 2020.

Last year we were informed that RevenueSA reviewed RIO user access privileges, including access to manually create land parcels and modify valuations. However, the benefit of a detective control had yet to be assessed due to resources being prioritised to the land tax reform project.

Appendix: Explanation of risk ratings

This year we were informed that there are not large numbers of manual entries into RIO and so RevenueSA is considering a policy response that would require the review of these manual changes at the time of entry to RIO.

Risk exposure

Unreviewed manually created entries in the RIO system may increase the risk of fraudulent transactions.

Recommendation

Develop and implement a policy to review all manually created entries in the RIO system.

Management Response

Management accepts this recommendation. RevenueSA will implement a policy to review all manually created entries referred to in the recommendation within the Revenue Information Online (RIO) system by 30 September 2022.

Responsible officer: Kelly Tattersall, Deputy Commissioner of State Taxation

1.3 Key RSAOL/RIO documentation is not current and is not endorsed by senior management

Rating: Low

Policies and procedures are an important element of a robust internal control environment.

Treasurer's Instructions 2 *Financial Management* (TI 2) requires the Chief Executive to develop, document and maintain policies and procedures relating to income transaction processing and the management of accounts receivable balances.

In 2018-19 we noted that the some of the procedure, user and system documentation for RSAOL/RIO was incomplete or outdated. Some examples noted were:

- A-105 Property Data Maintenance (last updated 2014)
- RIO SAP Security Configuration (last updated August 2015)
- SAP Security Framework document (last updated March 2011)
- WP013 – RISTEC Backup & Recovery Procedures (last updated June 2015).

In response DTF advised key RSAOL/RIO documents would be reviewed and updated where required to reflect current business requirements and terms and approved by management. The recommendation would be implemented by 31 January 2021, assuming the necessary resources were not required for higher priority activities.

Last year we were informed that the documentation review and update was delayed due to resources being prioritised to the land tax reform project.

Appendix: Explanation of risk ratings

This year we were informed that due to resourcing in RevenueSA there had been no progress made to resolve this matter.

Risk exposure

System technical documentation which is not formally approved or endorsed by management may result in key functions and processes not being performed in line with management expectations. This may result in key system risks not being wholly addressed.

Inaccurate or outdated key system documentation increases the risk of actions not being performed in line with management's expectations.

Non-compliance with TI 2.

Recommendation

Review and update key system documentation to reflect current business requirements and terms.

Once updated, submit the documents to management for formal approval.

Management Response

Management agrees with the recommendation. The documents listed have been reviewed to determine their relevance.

- A105 - A-105 Property Data Maintenance (last updated 2014):
 - This has been reviewed, determined to be no longer relevant given the ages of the document and system changes and has been archived. The document has been replaced with other more recent documents.
- RIO SAP Security Configuration (last updated August 2015):
 - This document relates to the initial set-up and implementation of security in the Revenue Information Online (RIO) system. There will be no further updates to this document as it only related to system implementation, and it will be archived.
- SAP Security Framework document (last updated March 2011):
 - This document is used to describe the security framework in Revenue Information Online (RIO). The security configuration has been confirmed with SAP. The document has been updated and approved by management.
- WP013 – RISTEC Backup & Recovery Procedures (last updated June 2015):
 - This document has been reviewed and updated by DTF's Information and Technology team and is currently with Fujitsu for review. The document will be updated and approved by management by September 2022

Appendix: Explanation of risk ratings

Responsible officer: Antowan Moosaian, Senior Manager, Business Technology and Projects

2. Other matters

2.1 Reviews of SAILIS to RIO data have not been performed since April 2020

Rating: High

RIO is used to perform land tax and emergency services levy (ESL) assessments based on the property and ownership data uploaded from the Land Services Group South Australian Integrated Land Information System (SAILIS) database and SAILIS composite database.

RevenueSA has developed a reconciliation application (STAR Audit Reporting) that compares data between SAILIS databases and RIO and generates weekly valuation comparison reports and ownership comparison reports that detail the discrepancies between the sources.

Last year we noted that no reviews have been performed since April 2020, due to a change in the SAILIS platform that prevents the reports being run.

In response DTF advised it was working with the Land Services Group to reinstate the review.

This year we were informed that an IT solution had been developed and tested, but RevenueSA and Land Services Group had yet to agree on how often the required reports would be run.

Risk exposure

Data discrepancies are not identified and reviewed.

Unresolved data discrepancies may result in incorrect assessments being generated for land tax and ESL.

Recommendation

Work with the Land Services Group to agree on how often the reconciliation reports will be run.

Use the reports to review SAILIS and RIO data regularly.

Appendix: Explanation of risk ratings

Management Response

Management agrees with the recommendation. The technical IT build has been completed by Land Services SA and delivered to RevenueSA, this has been tested and confirmed ready to put into operation. The report will be produced and reviews will be undertaken weekly.

RevenueSA and Land Services South Australia are currently negotiating the most appropriate time for execution and delivery of the file to DTF to ensure it does not interrupt other scheduled data reporting for either agency and can fit within Lands Services SA operating model. It is expected the negotiations will be finalised by 30 September 2022 and the weekly reviews will be commence in October 2022.

Responsible officer: Kelly Tattersall, Deputy Commissioner of State Taxation

2.2 No independent review of new rates and charges loaded into RSAOL

Rating: Medium

Interest rates applied under the *Taxation Administration Act 1996* and land services charges are updated annually to reflect new rates applicable from 1 July each year.

New rates and charges are loaded and tested in a testing environment, after which they are loaded into the RSAOL production environment.

We noted that the loading and testing of new rates and charges for 2021-22 was not subject to an independent check.

Risk exposure

Not independently reviewing the loading and testing of new rates and charges into RSAOL increases the risk of incorrect rates and charges being loaded into RSAOL, which may result in incorrectly calculated interest and land services charges.

Recommendation

The loading and testing of new rates and charges to RSAOL be independently reviewed.

Management Response

Management accepts this recommendation. A pre-existing, stringent process for rate changes in the RIO platform has now been duplicated for all rates and changes in RSAOL. This new process includes independent reviews.

Responsible officer: Antowan Moosaian, Senior Manager, Business Technology and Projects

2.3 RSAOL user access reviews are not performed regularly

Appendix: Explanation of risk ratings

Rating: Medium

We understand that quarterly user access reviews are required to be performed to validate that RSAOL users are current and their level of access is appropriate.

We noted that the RSAOL access reviews have been performed on an ad hoc basis, with the two most recent reviews performed as at March 2021 and November 2021.

We were advised that at the time of the audit, 31 May 2022, a RSAOL user access review had just commenced.

Risk exposure

Not performing regular RSAOL user access reviews increases the risk of inappropriate user access not being promptly detected, which may result in unauthorised or fraudulent transactions.

Recommendation

Undertake regular (quarterly) RSAOL user access reviews.

Ensure any required changes identified in the reviews are made promptly.

Management Response

Management accepts this recommendation. A full review of privileged access in RSAOL was completed in March 2022. RevenueSA has planned a full review of privileged access users to be completed by 31 December 2022. This process will include any required updates to user access identified from the review.

Future reviews of privileged access users in RSAOL will be conducted annually, given that many roles within RevenueSA are generic and that changes to positions that also require change to system access are infrequent.

Reviews of current RSAOL users are conducted regularly and will continue on a quarterly basis.

Responsible officer: Antowan Moosaian, Senior Manager, Business Technology and Projects

2.4 CommBiz user access reviews are not performed regularly

Rating: Medium

RevenueSA use the CommBiz online banking system to transfer revenue from their revenue collection bank accounts.

We understand that monthly user access reviews are required to be performed to validate that CommBiz users are current and their payment caps appropriate.

Appendix: Explanation of risk ratings

We noted:

- reviews for August, October and November 2021 had not been performed
- the September 2021 review was performed, but there was no evidence of approval by the Business Support Manager
- the most recent review performed at the time of the audit was for January 2022.

Risk exposure

Not performing regular CommBiz user access reviews increases the risk of inappropriate user access not being promptly detected, which may result in unauthorised or fraudulent transactions.

Recommendation

Undertake regular (monthly) CommBiz user access reviews.

Ensure any required changes identified in the reviews are made promptly.

Management Response

Management agrees with the recommendation. A process is in place to ensure that monthly reviews are undertaken and that appropriate management approval is obtained for each review. A backup process has been put in place and the review process should not be affected by resourcing constraints.

Monthly reviews of user access have been completed since January 2022.

Responsible officer: Antowan Moosaian, Senior Manager, Business Technology and Projects

2.5 Policies and procedures have not been reviewed on time

Rating: Low

Policies and procedures are an important element of a robust internal control environment.

TI 2 requires the Chief Executive to develop, document and maintain policies and procedures relating to income transaction processing and the management of accounts receivable balances. Policies and procedures must be reviewed on a regular basis and revised where necessary.

We noted the following RevenueSA policies and procedures were past their review date:

Reference	RevenueSA policy/procedure	Review date
GII_TP_002	Revenue SA Online User Audit	31-03-20
LTESL_TP_012	Processing Payments in the cash desk	31-12-21
LTESL_TP_013	Primary Production exemptions	31-12-21

Appendix: Explanation of risk ratings

LTESL_TP_014	Principle Place of Residence Exemption	30-06-21
LTESL_TP_019	Recreational grounds exemption	30-06-21
LTESL_TP_020	Recognising Land Held on Trust	30-06-21
LTESL_TP_021	Section 4 exemptions	30-06-21
LTESL_TP_022	Section 5 exemptions	30-06-21
LTESL_TP_024	Property Tax Variable Printing Requirements	02-01-22
LTESL_TP_025	Investigate returned unclaimed mail	02-01-22
LTESL_TP_050	AusPost Processing Postage Invoices	31-12-21
LTESL_TP_051	LT & ESL Billing Set Validation Checks	31-12-21
LTESL_TP_052	Generate a mass billing set	31-12-21
LTESL_TP_053	Mass Billing Invoice Checks on File	31-12-21
LTESL_TP_060	Utilising the Trust Wizard in RevenueSA Online	30-06-21
RSAO_SS_009	Cash Desk Payment	31-01-21
RSAO_SS_010	Direct Entry – Manually Reconcile Transaction	31-01-21
SDC_SS_001	Cancel a Document	13-12-21
SDC_SS_002	Dishonour Payments	16-01-22
SDC_SS_003	Document Reassessment	16-01-22
SDC_SS_004	Payments Out	16-01-22
SDC_SS_005	Payment Reversal	16-01-22

Risk exposure

Inaccurate or outdated policies and procedures increases the risk of actions not being performed in line with management's expectations.

Non-compliance with TI 2.

Recommendation

Review and update where required all policies and procedures that are past their review date.

Once updated, submit the documents to management for formal approval.

Management Response

Management agrees with the recommendation. Each of the policies and procedures listed above have been reviewed, updated, approved by management and published to RevenueSA's intranet site.

Appendix: Explanation of risk ratings

RevenueSA continues to review its process for updating procedures in a timely manner. The policy and procedure register is discussed at leadership meetings regularly and distributed to the Deputy Commissioners on a regular basis for follow up.

Responsible officer: Marianne Underwood, Senior Manager, Corporate Performance and Strategy.



Our ref: A22/246

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

25 July 2022

Mr R Persse
Under Treasurer
Department of Treasury and Finance
email: Rick.Persse@sa.gov.au

Dear Mr Persse

Impact of Frontier data breach on the whole of government controls opinion for 2021-22

As outlined in our audit strategy letter for the Department of Treasury and Finance (DTF), we consider controls in place around Shared Services SA's payroll functions as part of the work we undertake for the whole of government controls opinion which the Auditor-General is required to express each year in line with section 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* (PFAA).

As you are aware, in November 2021 there was a data breach at DTF's outsourced service provider, Frontier. This data breach has been determined, by the firm appointed by DTF to investigate the extent of the breach, to have impacted around 90,000 current and former South Australian government employees with several hundred thousand individual data files covering an extended time period between 2015 and 2021.

The nature and extent of this data breach has ultimately identified a weakness in the contract management approach which has been applied to the arrangements with Frontier.

Given the size and potential impact of the data breach which has identified a gap in contract management arrangements, I consider it appropriate that I qualify the collective controls opinion I am required to give under the PFAA as a result of the breach.

Background

Shared Services SA (SSSA), part of DTF, are responsible for payroll processing for the majority of the SA public sector. Most agency payroll is processed through the Chris21 payroll system, a product provided by Frontier.

Frontier have been providing payroll software and services to the SA Government since early 2001. Over time, the nature of the service provision and software products have evolved. The current contract with Frontier commenced in July 2014 and is due to expire in 2024.

Under this arrangement, Frontier provides payroll software and bureau services. This means that Frontier is not simply a software vendor, they also host the application and are inherently involved in processing the regular payroll transactions.

Most SA government agencies use SSSA and Frontier's Chris21 payroll system to pay their staff. The largest exception is the Department for Education – whose staff are paid through a separate payroll system.

Frontier has established a Client Managed Environment (CME) which is used to house SA government payroll data, and which has logical network separation from Frontier's other, corporate, infrastructure.

While Frontier provide payroll services to other clients, the environment within which SA government payroll is processed is also separate to the environment used for other Frontier clients. All hosting, support and maintenance, and bureau services were contractually required to be conducted within the CME. This was a deliberately designed approach to provide further security around SA government payroll data.

SA Government payroll data was compromised

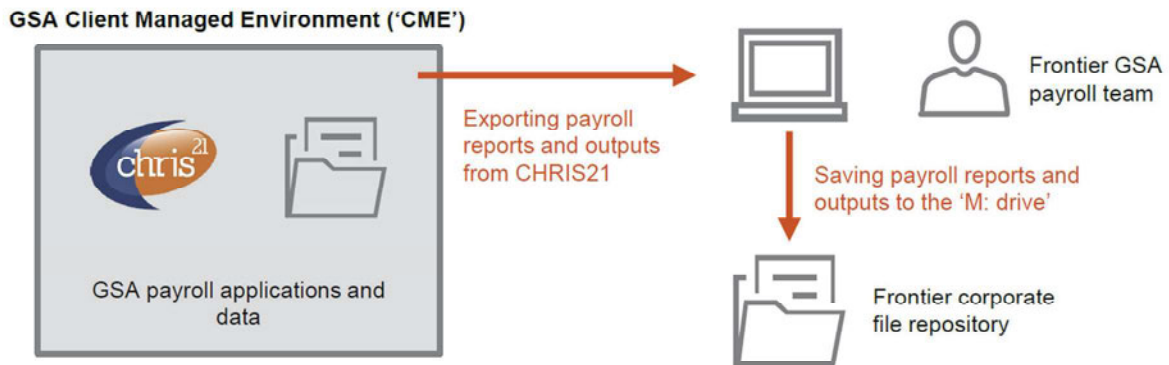
SA government employee payroll data was compromised as a result of a cyber attack on Frontier in November 2021.

The full extent of the data compromised has been comprehensively documented through the work undertaken by PwC on behalf of DTF. PwC concluded that over an extended time period, dating as far back as 2015, a significant number of data files were compromised impacting around 90,000 current and former SA government employees.

It has been revealed through investigations undertaken by Frontier and by PwC on behalf of DTF, that the SA government employee payroll data was taken from Frontier's corporate network.

Despite the logical separation between the SA government CME and Frontier's corporate network, it is now apparent that Frontier's business practices to deliver payroll services included routinely taking data from the CME and storing it within Frontier's corporate network. The following diagram from PwC's report summarises this activity, which we understand was in breach of the bureau services agreement¹.

¹ The bureau services agreement includes a requirement that there be specific hosted infrastructure provided by Frontier and that the security of the State's data is ensured.



I appreciate the cooperation which has been provided to my officers by both your staff and PwC in understanding the scope of work which has been performed and the nature of the weaknesses identified.

Payroll payments and payroll system integrity

Importantly, there has been no indication from the work undertaken by various parties that the data breach extended to direct access to the CME, nor that there has been any direct unauthorised access to the payroll processing environment itself.

As such, while I consider the contract management matter impacts my conclusions in relation to the collective controls opinion; there is no impact on my financial statement opinions for agencies using SSSA payroll services.

Contract management processes did not specifically assess compliance with data storage requirements

We note that SSSA had in place a range of contract management arrangements, for the agreement with Frontier. This included SSSA undertaking reviews of the IT general security associated with the CME using the services of a professional services firm. Those processes did not, however, include targeted work to provide assurance around Frontier's business processes and their management of SA government data.

Specifically, there was no contract management action or risk assessment which concluded on, or tested, Frontier's compliance with the data security and storage requirements that all hosting, support and maintenance, and bureau services were conducted within the CME nor assessed whether data was routinely taken outside of the CME.

In my opinion, I consider this gap in the contract management approach to be significant enough to qualify my collective controls opinion under the PFAA. This is because emphasis was rightly placed on the management of SA government employee payroll data in the

contract arrangements with Frontier, and the data breach impact on around 90,000 individual current and former SA government employees.

My conclusion reflects that I consider this area is one which needs additional focus given the continuing use of outsourced arrangements by the SA government.

Broader implications of this data breach

The Frontier data breach has highlighted the importance of ensuring compliance with specific contract requirements on a proactive basis, depending on the relative risk involved. I am aware that both SSSA and officers from the Department of the Premier and Cabinet are already considering the broader implications of this incident on government ICT contracting.

I consider that a thorough risk assessment regarding breaches of key contract requirements should form a basis for deciding the contract management approach for all outsourced arrangements, particularly those which involve other parties having access to government or private data.

I intend to set that expectation out in my Annual Report.

The nature of the specific response to these risks will depend on risk assessment performed in each case and the nature of the arrangement in place. I would not expect that all arrangements would require the same approach; but specific consideration of these risks is warranted for all outsourced arrangements.

Update on actions to remediate the weaknesses identified in Frontier's processes

I appreciate the information which has been provided by officers of SSSA, particularly the Executive Director, Shared Services SA, regarding the issues identified within Frontier's environment and the estimated timeframes to address them.

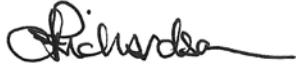
We have discussed this letter with the Executive Director, Shared Services SA.

As my officers have already expressed, I intend to summarise progress which has been made to address the identified weaknesses in my Annual Report. I will have to state my views are based on our assessment of the information provided as we have not directly performed audit procedures. To that end, I would appreciate your officers continuing to provide updates on progress as it occurs.

If your staff have any questions, please contact my Assistant Auditor-General (Financial Audit) Mr Daniel O'Donohue, on 8226 9643.

I would like to thank your staff and management of your agency for their assistance during our consideration of the response to the data breach.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

cc: Mr M Carey, Executive Director, Government Services Branch, Mark.Carey@sa.gov.au
Ms M Ross, Manager, Audit and Security, Maria.Ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, Angie.Dobie@sa.gov.au



Doc no: B1334749
Yourref: A22/246

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

24 August 2022

Mr Andrew Richardson
Auditor General
Auditor-General's Department
Level 9, State Administration Centre
200 Victoria Square
ADELAIDE SA 5000

Dear Mr Richardson

Impact of Frontier data breach on whole of government controls opinion for 2021-22

I refer to your letter dated 25 July 2022, regarding the impact of the Frontier data breach on the whole of government controls opinion for 2021-22.

I note your intention to qualify the collective controls opinion you are required to give under the *Public Audit and Finance Act 1987*, on the basis that Shared Services SA (SSSA) should have identified Frontier was breaching its contractual obligations to effectively secure the government's payroll data.

As indicated in your letter, there are a number of key controls in place to manage the contractual arrangements with Frontier, including regular independent IT security reviews of the dedicated Client Managed Environment (CME) established by Frontier for the SA Government. Additionally, the security provisions in the contract with Frontier and the CME itself were designed to provide for the effective protection of payroll data from unauthorised exposure.

The comprehensive review of the data breach undertaken by PricewaterhouseCoopers (PwC) on behalf of the Department of Treasury and Finance (DTF), made a number of recommendations to minimise the risk of a similar event occurring in the future. This includes refining the scope of future IT security reviews to assess Frontier's data management processes and strengthening the technical controls around the flow of data into and out of the CME.

SSSA has established an internal project to progress implementation of these recommendations, with support from an experienced cyber-security contractor. Regular status reporting regarding this project will be provided to the DTF Risk and Performance Committee.

I agree it is important that a robust, risk-based contract management approach is adopted for all government ICT arrangements, which involve the external hosting of confidential information. From a DTF perspective, our internal audit program has recently been expanded to include a review of contract management processes for all applicable arrangements.

- 2 -

I understand SSSA is continuing to work with the Department of the Premier and Cabinet on developing enhanced third-party risk management guidance for government agencies, applying the learnings from the Frontier cyber-incident.

I would also like to acknowledge the collaborative and supportive approach taken by your audit team in engaging with SSSA regarding the data breach, during a very challenging period.

Should you have any further queries regarding this matter, please contact Mark Carey, Executive Director, Shared Services SA on 0402 749 507 or via email at: mark.carey@sa.gov.au.

Yours sincerely



Rick Persse
UNDER TREASURER



Our ref: A22/246

12 August 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr R Persse
Under Treasurer
Department of Treasury and Finance
email: Rick.Persse@sa.gov.au

Dear Mr Persse

Audit of the Department of Treasury and Finance's implementation of the South Australian Public Sector Workforce Rejuvenation Scheme

During 2021-22 we performed an across government review of the implementation of the South Australian Public Sector Workforce Rejuvenation Scheme (the Scheme).

The Department of Treasury and Finance (DTF) was included in this review due to the number of payments it made under the Scheme.

Our audit included a review of DTF's strategy to rejuvenate the workforce and a review of a sample of payments to ensure that these were appropriately authorised and accurately calculated.

This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 2 September 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

Summary of findings

We found that DTF did not have a documented strategy addressing how vacated positions would be filled in a way that would address the objectives of the Scheme.

We also noted there was no internal reporting on whether vacated position had been filled.

Full details of the findings are set out in the attachment.

The DTF findings were similar to those identified in our review of the implementation of the Scheme in other agencies.

We discussed the audit findings with the Director, People and Performance and the Manager, Human Resources on 11 August 2022 and have reflected that feedback in this letter where appropriate.

If your staff have any questions, please contact my Principal Audit Manager, Bill Sierros on 0422 000 848.

I would like to thank the staff and management of your agency for their assistance during the audit.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

enc

cc: Ms S Nicholas, Director, People and Performance, Sally.Nicholas2@sa.gov.au
Ms M Ross, Manager, Risk, Audit and Security, Maria.Ross@sa.gov.au
Ms A Dobie, Principal Executive Assistant, Angie.Dobie@sa.gov.au

Attachment: Audit of DTF's implementation of the South Australian Workforce Rejuvenation Scheme

Contents

		Rating			
	Page	E	H	M	L
1	DTF did not have a documented strategy to rejuvenate the workforce following departures..... 4			x	
2	No internal reporting on whether vacated positions had been filled 5			x	

Rating key:¹

E	Extreme
H	High
M	Medium
L	Low

¹ Refer appendix for explanation of risk ratings

Attachment: Audit of DTF's implementation of the South Australian Workforce Rejuvenation Scheme

1 DTF did not have a documented strategy to rejuvenate the workforce following departures

Rating: Medium

The aim of the Scheme was to rejuvenate the SA public sector workforce by making available an incentive to employees to cease employment in the state public sector.

The Scheme was designed to provide workforce opportunities for rejuvenation and reconfiguration, not downsizing. Rejuvenation and reconfiguration were to occur through the filling of resultant vacancies, either at the same level or lower level, by new recruits, graduates or current public sector employees from within the agency or another public sector agency.

We found that DTF did not have a documented strategy addressing how vacated positions would be filled in a way that would address the objectives of the Scheme.

Risk exposure

The absence of a formal documented strategy for schemes established by the State Government may lead to the objectives of the schemes not being met.

Recommendation

For future schemes of this nature, DTF ensures that it has a documented strategy in place to achieve scheme outcomes.

Attachment: Audit of DTF's implementation of the South Australian Workforce Rejuvenation Scheme

2 No internal reporting on whether vacated positions had been filled

Rating: Medium

DTF made payments to 63 employees under the Scheme.

The Scheme concluded at the end of December 2021.

We were not aware of any internal reporting on the filling of positions vacated under the Scheme.

We therefore were unable to determine if all vacated positions under the Scheme had been filled at the time of the audit.

Risk exposure

Not all vacated positions under the Scheme have been filled.

The achievement of the overall objective of the Scheme at DTF has yet to be achieved.

Recommendation

DTF report on the status of vacated positions under the Scheme.

For future schemes of this nature, DTF ensures that it reports regularly on the status of implementation of the schemes.

Appendix: Explanation of risk ratings

The rating of audit issues in this report reflects our assessment of both the likelihood and consequence of each identified issue in terms of its impacts on:

- the effectiveness and efficiency of operations, including probity and compliance with applicable laws
- the reliability, accuracy and timeliness of financial reporting.

The rating also assists management in its prioritisation of remedial action.

Rating	Definition	Management action recommended
Extreme	<p>This issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report has occurred. 	<p>Requires immediate management intervention with a detailed action plan to be implemented within one month.</p> <p>Requires executive management to correct the material misstatement in the financial report as a matter of urgency to avoid a modified audit opinion.</p>
High	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a major adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a material misstatement in the financial report that is likely to occur. 	<p>Requires prompt management intervention with a detailed action plan implemented within two months.</p> <p>Requires executive management to correct the material misstatement in the financial report to avoid a modified audit opinion.</p>
Medium	<p>The issue represents:</p> <ul style="list-style-type: none"> • a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is not material and has occurred. 	<p>Requires management intervention with a detailed action plan implemented within three to six months.</p>
Low	<p>The issue represents:</p> <ul style="list-style-type: none"> • a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation; or • a misstatement in the financial report that is likely to occur but is not expected to be material; or • an opportunity to improve an existing process or internal control. 	<p>Requires management intervention with a detailed action plan implemented within six to 12 months.</p>



T&F21/0836
A2545724

9 September 2022

Andrew Richardson
Auditor-General
Auditor-General's Department

State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 1045
Adelaide SA 5001
DX56205
Tel 08 8226 9500
<http://www.treasury.sa.gov.au>
ABN 19 040 349 865

Dear Mr Richardson

Response - Audit of the Department of Treasury and Finance's (DTF) implementation of the South Australian Public Sector Workforce Rejuvenation Scheme

Thank you for your correspondence of 12 August 2022 which outlined your findings with respect to the Department's implementation of the South Australian Public Sector Workforce Rejuvenation Scheme ('the Scheme'). Specifically, you sought my comments on the following matters:

- That DTF did not have a documented strategy addressing how vacated positions would be filled in a way that would address the objectives of the Scheme; and
- DTF had no internal reporting on whether vacated positions had been filled.

I acknowledge the findings as outlined in your correspondence, but also make the following observations for your consideration in relation to DTF's implementation of the Scheme:

- I am confident that DTF implemented the Scheme consistent with its intent and as outlined in the South Australian Public Sector Workforce Rejuvenation Scheme Guideline issued in July 2021, which sought to give Agency's a degree of flexibility in rejuvenating their workforce. Particularly, this document stated that "*Rejuvenation and reconfiguration was to occur through creating opportunities for resultant vacancies to be filled, either at the same or lower level, by new recruits, graduate capabilities, or current public sector employees from within the agency or another public sector agency*".
- DTF did not use the Scheme as an opportunity to 'downsize'. I am advised that 81% of vacancies created via a Scheme payment, have been directly filled in the months following the Scheme's conclusion, noting that filling vacancies on a 'like for like' basis was just one way to reconfigure and rejuvenate the workforce under the Scheme principles.

I understand that these observations were volunteered at discussions with Auditor-General's Department officers on 11 August 2022.

OFFICIAL: Sensitive

Ms Sally Nicholas, Director, People and Performance will provide a report outlining the impact on all Scheme vacancies by close of business **16 September 2022**. Please contact Ms Nicholas via email at sally.nicholas2@sa.gov.au should you have any further questions.

Yours sincerely



Rick Persse
UNDER TREASURER

OFFICIAL: Sensitive

OFFICIAL



Government of South Australia

Auditor-General's Department

Our ref: A22/246

12 September 2022

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

Mr Rick Persse
Chief Executive
Department of Treasury and Finance
email: rick.persse@sa.gov.au

Dear Mr Persse

Whole of government managed platform services transition update

In November 2021, we communicated our intention to conduct a status update regarding the whole of government transition of agency services to the managed platform services (MPS) arrangement, which was established by the Department of Treasury and Finance (DTF) Procurement Services SA.

The aim of the MPS arrangement was to consolidate and transition existing services from two previous arrangements, the former Distributed Computing Support Services (DCSS) contract and the Hosting Services Panel contract, which were both reaching the end of their terms.

In 2021-22 we conducted a high-level review to determine the transition approach and status to the MPS contract.

Summary of findings

As of 30 June 2022, 89% of agencies have successfully transitioned to the new MPS arrangement.

Despite this progress, our high-level review has identified that extensive delays have been experienced by agencies throughout this transition process, with the original target dates not being met. Reasons for these delays have included:

- slow engagement of agencies in commencing the assessment process
- some agency tender evaluation(s) required increased clarification between the agency and services providers
- whole of government network conditions for connection between agencies and preferred service providers had taken longer to define and establish than anticipated
- some agencies were focusing on ongoing IT enterprise projects and the COVID-19 pandemic redirected agencies' efforts away from transition in lieu of more pressing concerns and/or lack of resources due to illness.

Audit scope

Our 2021-22 review of the transition of agency services to the new MPS arrangement focused on:

- undertaking a status update of the proposed transition of agencies from the prior DCSS arrangement to the new MPS arrangement
- assessing how the transition is progressing and what may have contributed to any delays.

Our 2021-22 review was initially intended to also assess across several agencies the adequacy of performance monitoring for transitioned services. Given the extensive delays that agencies have experienced in transitioning to the new MPS arrangement, that aspect was unable to be performed.

Concluding comment and response sought

A summary of the MPS transition is attached and is intended to be included in our upcoming Parliamentary Report.

In August 2022 we discussed the content of this commentary with Ms Barbara Rudge, Manager ICT Category, Ms Karen Ryan, Principal Category Manager and Mr Andrew Heitmann, Category Manager, Procurement Services SA and have included their respective feedback, where appropriate. This included providing a response from DTF representatives in relation to our recommendations,

If you have any further amendments to this commentary or DTF's response please respond by **20 September 2022** to enable any amendments to be reflected in our Parliamentary Report.

I would like to thank your staff and management of your agency for their assistance during this review.

Should your responsible officers have any queries regarding the review scope, results or our audit fee please contact either my Principal Audit Manager (IT Audit), Mr Brenton Borgman on 0434 602 639, or me on (08) 8226 9687.

Thank you for your assistance in this matter.

Yours sincerely



Andrew Richardson
Auditor-General

enc

cc: Ms E Stavreski, Executive Director, Procurement Services SA, Elizabeth.Stavreski@sa.gov.au
Ms N Aibara, Senior Risk and Audit Officer, Risk, Audit and Security, nazneen.aibara2@sa.gov.au

Attachment

Whole of government managed platform services arrangement

1 Introduction

Agencies use third party suppliers to manage components of their ICT infrastructure. This includes servers, hosting services¹ and cloud services.² Agencies can procure many of these services through whole of government contract arrangements.

The managed platform services (MPS) arrangement was established by the Department of Treasury and Finance (DTF) Procurement Services SA (PSSA). The aim was to consolidate and transition existing services from two previous arrangements, the former Distributed Computing Support Services (DCSS) contract and the Hosting Services Panel (HSP) contract, which were both reaching the end of their terms.

This new arrangement was intended to provide agencies with better day-to-day management of their servers, hosting, and cloud arrangements. It was the responsibility of individual agencies to select their required services and conduct the necessary activities to transition to the MPS contract.

In 2021-22 we conducted a high-level review to determine the transition approach to and status of the MPS contract.

2 Estimated costs and savings

The total estimated value of the approved whole of government MPS agreement is \$301.5 million (GST inclusive) for a maximum six-year contract term. This includes an initial three-year term commencing on 1 December 2020, with an option for a further three-year extension if required. Required services could be selected through a catalogue process and would incorporate several services procured from previous contracts.

Under the MPS arrangement, the pricing model established to support the initial acquisition plan included a number of cost variances that would need to be considered, including whether:

- State agency servers were held on-premises or located offsite, such as a cloud arrangement
- new service provider arrangement setup costs were required or an existing DCSS/HSP service provider could be used to lessen set up costs

¹ Hosted services are ICT functions and services that agencies access from external service providers, typically through an internet connection.

² Cloud computing delivers computing services over private network connections or the internet (the cloud) using several different service delivery and deployment models. It can involve service delivery for servers, software applications, storage, databases, and networking.

Attachment

- the level of service costs attributed to the server fleet was still competitive and comprehensive.

DTF PSSA has acknowledged that the ability to perform cost/savings comparisons against previous service arrangements is difficult, given the complexity and diversity of services offered.

DTF PSSA confirmed that an annual contract review of the MPS arrangement contract terms and conditions is planned post the December 2022 anniversary. The scope of this review will include the identification of the actual agency expenditure across the panel services and suppliers. This review will also assist in determining the anticipated savings that could be expected as part of the new MPS arrangement.

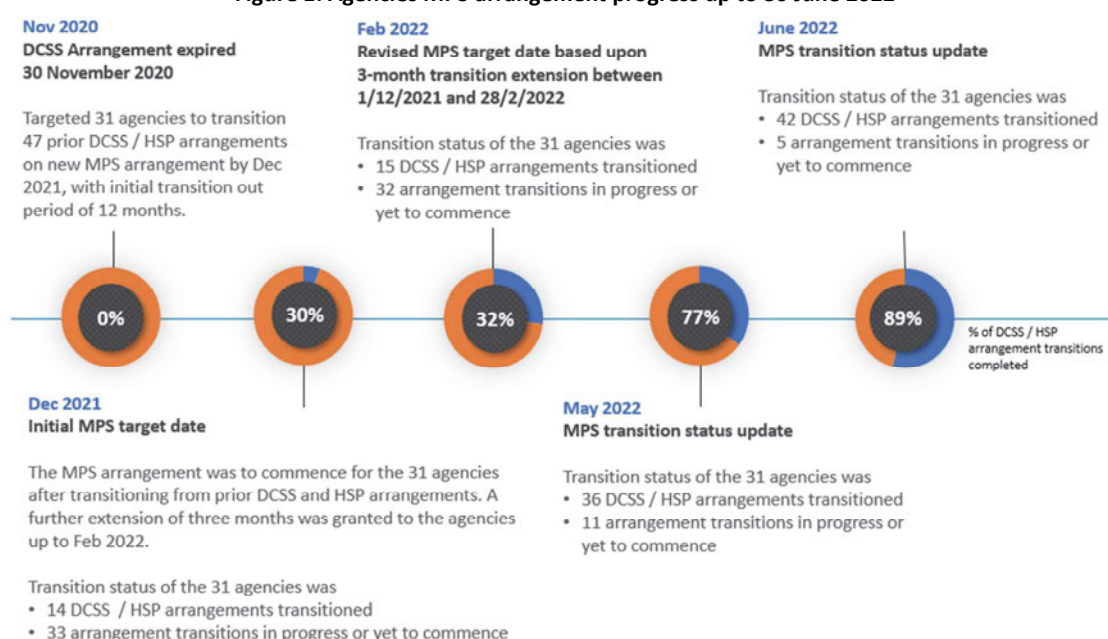
3 Transition status

Following the expiry of the old DCSS arrangement on 30 November 2020, agencies were expected to prepare and conduct the migration of existing DCSS services to the new MPS arrangement over the next 12-month transition-out period. Agencies with HSP services were expected to transition by 8 October 2021. The MPS arrangement commenced December 2020 and transition was to be completed by a target date of 1 December 2021.

Our review noted that this original target date was not met, and agencies have experienced delays in the transition of services from their previous DCSS and/or HSP arrangement(s) to the new MPS arrangement.

The following diagram outlines the transition progress of the in-scope agencies.

Figure 1: Agencies MPS arrangement progress up to 30 June 2022



Attachment

4 Reason for transition delays

Some contributing factors relating to the delay in transitioning for respective agencies were:

- slow engagement of agencies in commencing the assessment process in preparation for the migration of services to the new MPS arrangement
- some agency tender evaluation(s) required increased clarification between the agency and services providers. This clarification led to delays in the secondary procurement process and the signing of new customer agreement(s)
- Department for Premier and Cabinet (DPC) whole of government network conditions for connection³ between agencies and preferred service providers had taken longer to define and establish than anticipated
- ongoing IT enterprise projects within larger agencies were still in progress. Consequently, agencies sought approval through the DPC ICT and Digital Government unit exemption process which would delay transition
- the Covid pandemic redirected agencies efforts away from transition in lieu of more pressing concerns and/or lack of resources due to illness.

Consequently, these delays in finalising secondary procurement process, precluded/restricted the migration of agency services to the MPS arrangement in a timely manner.

Subsequent to our review, DTF advised that a lessons-learned review was conducted in late-June 2022 to assist and identify how future agency transition arrangements could be better planned and coordinated.

5 Recommendations

We recommend that DTF PSSA conducts its proposed anniversary review of the new MPS arrangements. This could include a reassessment of the MPS arrangements contract to determine whether the term of the arrangement need to be extended, given the transition delays experienced.

DTF should also actively assist agencies with their future contractual arrangements. This includes transition strategies and guidance to ensure key outcomes and timeframes are achieved.

6 DTF's response

DTF PSSA has stated the following in response to our commentary and recommendations.

DTF PSSA has reviewed and agrees in the main with the points made above.

³ Network conditions for connection seeks to define and establish the requirements and obligations that service providers are required to undertake when connecting service provider managed hardware to the State/agency network/s.

Attachment

DTF PSSA has a role in monitoring the transition-out process from old contracts into new contracts but is not resourced to fully manage the process on behalf of internal and external stakeholders. The transition process to the new MPS panel arrangement has been both protracted and difficult to monitor for the reasons noted in the report but primarily due to the COVID-19 impact to the initial timeframe. The impact of one of the two DCSS incumbents not being successful in winning like services on MPS also added to the complexity of the transition timeframes as they experienced their own resourcing issues but also benefited by securing additional revenue as the transition out period extended revenue beyond the original contract term.

Agencies were also slow to submit exemptions which may have offered an insight to the difficulties or challenges being faced and provided an opportunity for PSSA to actively assist in the management of the transition.

A number of lessons have been learnt throughout the transition process and as a result of the significant work undertaken in support of this audit/report.

- **Managed Transition in Process** – PSSA has recognised that greater engagement with the agencies and suppliers post contract commencement is essential for large services contracts. A more active role in managing rather than just monitoring the transition process will be beneficial to all stakeholders. In this regard, to assist agencies through the secondary procurement process for future service arrangement transitions, starting with the new Telecommunications Services procurement, DTF PSSA will actively manage the transition-out/in process, which will include but not be limited to:
 - where required, aggregating agencies into collective secondary procurements where there are synergies, ie small agencies with commodity requirements or agencies with similar regional and/or service requirements
 - scheduling calls of requests from the panel to be in a staggered and organised manner, enabling suppliers to respond with adequate time and assisting them to schedule and resource transitioning of agencies
 - scheduling physical migrations.
- **Transition** – When considering new procurements and their timeframes, consideration will be given to the length of time it takes for agencies to run their secondary procurement processes and for suppliers to start earning revenue. To accommodate the lengthy delays in the MPS transition, after the first MPS annual contract review is performed (post December 2022 anniversary) this review will consider and may recommend that the MPS contract arrangement be extended, with supplier contracts varied to allow for a further three-year extension term (on top of the existing six-year term). If the recommendation is endorsed by the Executive Director, PSSA, approval would be sought from the Treasurer, including financial approval for any increase in the total contract value (if required).