



Australian Government
Department of Home Affairs



Department of Home Affairs submission to the Inquiry into Commonwealth Financial Statements 2019-20

Joint Committee of Public Accounts and Audit

19 August 2021

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Thank you for your invitation to make a submission to the Joint Committee of Public Accounts and Audit Inquiry into the 2019-20 Commonwealth Financial Statements.

Audit findings

Auditor-General Report No.25 2020-21 - *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020* (Report) included one new and one unresolved moderate audit finding in relation to the Department of Home Affairs. Notwithstanding these findings, the Australian National Audit Office (ANAO) was able to gain assurance that the Department of Home Affairs' (the Department) 2019–20 financial statements were not materially misstated.

New Moderate Finding: Management of Staff Leave

The 2019–20 audit identified:

- the Department's leave policy had not been updated to include current leave information or the requirements and conditions under the 8 February 2019 Department of Home Affairs Workplace Determination 2019;
- the Policy and Procedure Control Register (which includes all underpinning legislation and requirements, including specific requirements relating to staff leave and links to specific controls relating to leave) was not up to date to reflect the Department's controls;
- 30 per cent of leave taken for foreseeable leave types (including annual, long service, purchased, study, time off in lieu, maternity and parental leave) was not supported by evidence within the Human Resource Management Information System (HRMIS) of approval in advance of that leave commencing – as required by the Department's leave policy;
- 18,181 instances of non-compliance with the Department's policy that unforeseeable leave types (personal leave, bereavement, primary care, parental care and miscellaneous leave) be approved or resolved within 30 days of the employee returning to work. Furthermore, 8,947 were approved more than 90 days after the last day of leave;
- 7.9 per cent of employees held excessive annual leave balances as defined by the workplace determination (i.e. exceeding 40 days) and 21.8 per cent of employees held an excessive flexible leave balance as defined by the workplace determination (i.e. maximum credit of 37.5 hours and maximum debit of 10 hours); and
- Inconsistencies in the application of other policies and procedures.

Unresolved moderate audit finding Visa and Citizenship Quality Management

The 2018–19 audit identified:

- throughout the international posts and visa program areas, there was significant non-compliance with the required quality assurance sample rate;

- there was no evidence of alternative assurance activities that compensated for the reduced level of assurance due to sample rates not being achieved;
- required reporting relating to the outcome of quality assurance management was suspended between January and June 2019 while capability of the tool was enhanced. This significantly reduced oversight of activities being undertaken;
- the Department was not able to demonstrate sufficient reporting to either the Executive or Audit Committee to facilitate their assessment and action including independent advice and assurance by the Audit Committee regarding the appropriateness of the system of risk oversight and management and system of internal control; and
- certain content in the existing framework document was out of date.

The ANAO concluded that the above issues did not impact the calculation and recognition of visa revenue in the financial statements and noted in their conclusion that the financial statements were materially correct. Further, during the 2019–20 audit, the ANAO noted that the Department progressed the following:

- drafting of revised assurance framework documents and commenced stakeholder consultation;
- implementation of an assurance activity procedural instruction;
- commenced the development of program Quality Management Plans;
- significantly enhanced the compliance rate by location of required sample rates;
- implemented reporting and monitoring activities;
- completed system enhancements;
- commenced the development of processes to be applied where control frameworks were ineffective; and
- Commenced a process to leverage results to inform decision making.

Departmental view

- As part of the 2019-20 audit, the Department agreed with the recommendations but disagreed with the 'moderate' rating of the Management of Staff Leave finding. In its management response to the ANAO, the Department held the view that the observations raised by the ANAO posed a low risk to the Department. Specifically, the Department noted that the ANAO's observations resulted from a comprehensive review of all leave transactions across an 18 month period totalling approximately 374,000 transactions. Noting the volume and value of all transactions across this period the Department considered the identified value of the errors (approx. \$436k) was immaterial to the Department's Financial statements.

While acknowledging that the leave policy at the time had not been updated since 2017, the Department noted that interim supporting guidance in relation to terms and conditions of employment under the Workplace Determination was provided through fact sheets, and that the formal policy was undergoing staff consultation. In addition, the Department also observed there were a range of compensating controls associated with attendance management. These included the managers' responsibility to their staff for corporate planning, WHS, pastoral care, budgeting and resource and performance management that were effective in contributing to the mitigation of the risks reported by the ANAO.

Additionally there remain several valid reasons why leave may not be recorded in the HRMIS prior to leave being taken, or being approved following return from leave. These include an unforeseen requirement to take leave, Comcare directed decisions regarding leave adjustments and leave adjustments related to long term leave such as long service leave, maternity leave and leave without pay. For example, when a person falls ill during a period of long term leave they can at a later date request a conversion of that leave to personal leave, which in practice occurs after the leave has begun.

- As part of the 2018-19 audit, the Department agreed with the recommendations but disagreed with the 'significant' rating of the Visa and Citizenship Quality Management finding. However, the rating was downgraded to a moderate audit finding as part of the 2019-20 interim audit. In the Department's management response to the original finding in 2018-19, the Department advised its view that the finding had not considered the Department's full suite of risk, quality and assurance frameworks and processes and systems in categorising the finding. The Department also held the view that the ANAO had not considered the full end to end business design and program outcomes.

Progress made by the Department

Throughout the 2020-21 financial year the Department has diligently developed and implemented policy and procedures and directed efforts to address the audit findings. The improvements were reviewed by the ANAO during the 2020-21 financial year and both findings were downgraded to minor ratings as reported in Auditor-General Report No.40 2020-21 - *Interim Report on Key Financial Controls of Major Entities*.

The ANAO did not raise any new findings through the interim phase of the 2020-21 financial statements audit.

The Department's Audit and Risk Committee, including its Financial Statements Sub-Committee, monitors the Department's progress in addressing audit findings. The Department has taken the following actions to address the outstanding findings in 2020-21:

Management of Staff Leave

- The *Future Ready Positive Participation Strategy 2020 – 2025* document and accompanying *Leading for a Positive Participation Strategy Manager's Toolkit* was published to provide guidance to managers on how they can improve leave and attendance reporting compliance and assist their staff to manage annual leave balances.
- The *Payroll Services Controls & Assurance Framework – Policy Statement* has been published on the Policy and Procedural Control Register (PPCR). The Framework includes references to underpinning legislation and policies that form the basis for all controls developed and implemented by the Controls and Data Management areas embedded within Payroll Services. In addition, the framework also contains a Risk & Controls Matrix, listing risks identified within payroll processes and controls to mitigate these risks.
 - In addition to the Framework, Payroll Services have published 15 Procedural Instructions on the PPCR. These Procedural Instructions are high level descriptions of the main areas of Payroll Services.
- The Controls and Assurance Program Quarterly Report is now prepared to highlight controls implemented and the effectiveness of controls to reduce risks within Payroll Services. This includes leave compliance with a focus on maternity leave, long service leave and personal leave.

- Previously, the Executive Dashboard provided information on staff leave balances, however it was replaced by the Manager's Dashboard in June 2021 allowing a wider audience to view the data with restrictions based on positions. Leave compliance reporting is expected to be available on the Manager's Dashboard by 31 July 2021. This reporting enhancement will include leave usage and leave approval compliance rates.

Visa and Citizenship Quality Management

- The Department has finalised the Immigration Integrity Strategy and its three framework documents (the Immigration and Settlement Services Group Assurance Framework, Risk Model and Quality Model) to establish a consistent approach to applying assurance, risk and quality management across visa and citizenship programs.
- The system enhancements to the EQuIP tool (Evidence of Quality in Performance) have been finalised with the implementation of an executive dashboard and more reporting options within EQuIP for program management and program delivery managers. EQuIP is a centralised Quality Management system that provides managers across the Global Service Delivery Network with valuable, real time reporting that can be used to identify issues, trends and gaps in systems and processes within their team, location and programme.
- Quarterly reporting against quality assurance and quality control checking has been introduced to all program managers in Immigration and Settlement Services Group, noting their performance and reinforcing clear expectations for all managers.
- The Department has developed governance arrangements for macro level analysis of risk and quality planning and reporting to ensure appropriate assurance across migration and citizenship programs, with outcomes of these activities being progressively tabled at the SES Band 3 Client Services Delivery Transformation Committee and Band 1 Immigration Integrity Risk and Assurance Forum to support executive oversight and departmental governance requirements.
- A review of process maps and the control effectiveness has been established as an ongoing component of Global Program Management with the overarching Immigration Integrity Strategy and its three framework documents providing an associated governance structure.
- Global Program Management is complemented by a suite of Procedural Instructions providing a structure for consistent caseload management.

Current Status

The Department has been investing significant resources into the resolution of the above findings over a number of years. Notwithstanding the initial disagreements relating to these findings, the strengthened controls have enhanced the control and assurance frameworks in the staff leave and visa and citizenship areas.

Building on the downgrading of both findings, the Department has now progressed to the stage, following the significant amount of work in both areas, where closure packs for both findings have been drafted and submitted to the ANAO for their consideration.

The Department would like to acknowledge the professional, productive and collegiate working relationship with the ANAO on the financial statements audit process. The Department will continue to work collaboratively with the ANAO to support them in their assurance processes during the 2020–21 audit and into future financial years.