



**Australian Government**

---

**Department of Infrastructure,  
Transport, Regional Development,  
Communications, Sport and the Arts**

Ref: IS26-000003

Mr Josh Burns MP  
Committee Chair  
Joint Committee of Public Accounts and Audit  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

via: [jcpaa@aph.gov.au](mailto:jcpaa@aph.gov.au)

Dear Mr Burns

Thank you for inviting the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts to make a submission to the Inquiry into Commonwealth Financial Statements 2023-24 and 2024-25.

The department notes the committee's expanded terms of reference for the inquiry to include any matters contained and associated with Auditor-General Report No. 17 of 2025-2026: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2025*. The department's submission relates to the moderate findings raised against the Norfolk Island Health and Residential Aged Care Service (NIHRACS) in the 2024-25 Financial Statements report.

The department's submission is enclosed.

Yours sincerely,

Lisa Rauter  
A/g Deputy Secretary  
Sport, Territories and Regions

5/03/2026



Australian Government

Department of Infrastructure, Transport,  
Regional Development, Communications, Sport and the Arts

# Inquiry into Commonwealth Financial Statements 2023-24 and 2024-25

## SUBMISSION TO THE PUBLIC ACCOUNTS AND AUDIT COMMITTEE

13 March 2026

The Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (the department) is pleased to provide this submission to the Joint Committee of Public Accounts and Audit (the committee) Inquiry into Commonwealth Financial Statements 2023-24 and 2024-25.

The department notes the committee's expanded terms of reference for the inquiry to include any matters contained and associated with Auditor-General Report No. 17 of 2025-2026: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2025*. The department's submission relates to the moderate findings raised against the Norfolk Island Health and Residential Aged Care Service (NIHRACS) in the 2024-25 Financial Statements report.

NIHRACS is deemed to be a Commonwealth controlled entity. NIHRACS is a body corporate with perpetual succession under the *Norfolk Island Health and Residential Aged Care Act 1985*, a Norfolk Island continued law under section 16A of the *Norfolk Island Act 1979 (Cth)*. The *Public Governance, Performance and Accountability Act 2013 (Cth)* does not apply to NIHRACS and, therefore, the Auditor-General of the Australian National Audit Office (ANAO) is not required to audit NIHRACS. Despite this, the department has requested the ANAO to audit NIHRACS's financial statements for assurance purposes and in order to continuously improve the organisation's financial administration.

In October 2024, NIHRACS was accredited to the National Safety and Quality Health Service Standards. To achieve this accreditation and maintain it, NIHRACS committed to a significant body of work to improve its clinical and corporate operations and governance; develop and embed its financial and ICT system infrastructure; and confirm its strategic direction over the next five years. There has been significant work by NIHRACS covering operations, governance and infrastructure, as evident in the 2024-25 reporting, including the downgrading from a significant to a moderate finding of NIHRACS's corporate governance, however there is still more to be done.

The department expects outcomes from these substantial changes will become evident in future financial years and continues to work closely with NIHRACS to ensure its 2025-26 Financial Statements resolve the outstanding moderate findings.

Below are some examples of the improvements being progressed by NIHRACS and the department.

## Revenue management in 2025-26

The ANAO had previously identified ongoing weaknesses in NIHRACS's revenue management and financial reporting processes. Key issues include incomplete billing and Medicare claiming; absence of formal policies and procedures for revenue processing and reconciliation; and insufficient statistics to monitor business and financial performance. Outlined below are some examples of how NIHRACS is working to address this finding.

- Formalising the Finance and Performance Framework and supporting plans and procedures, with priority being given to revenue management and debt recovery.
- Tailoring the enterprise resource-planning suite and related systems to automate debt recovery and streamline financial reporting.

## Financial statements preparation processes

The ANAO had previously reported a moderate audit finding related to weaknesses in NIHRACS's financial statements preparation process, including the absence of a formal preparation plan, inconsistent review of reconciliations and working papers, inadequate review of accounting estimates and judgements, and lack of analytical reviews. Outlined below are some examples of how NIHRACS is working to address this finding.

- Establishment of a Manager, Finance and Administration leadership role, advertised on 28 February 2026. This role will be a critical part of the organisation's executive leadership team, ensuring robust financial governance, sustainability, and decision-making aligned with organisational strategy and statutory obligations.
- Formalising and standardising the financial statement preparation process, supporting the Manager, Finance and Administration in effective coordination and facilitation, and in assessing future vendor requirements for financial reporting.

## Corporate governance

The ANAO previously reported significant weaknesses in NIHRACS's corporate governance framework and system of internal controls. In its 2024-25 Financial Statements report, the ANAO noted that NIHRACS had made significant efforts to strengthen corporate governance, internal controls and revise its organisational structure during the 2024-25 audit cycle. Outlined below are some examples of how NIHRACS and the department are continuing work to address this finding.

- NIHRACS's internal governance committees are in place and effective. Recent enhancements to the committee structures focused on role delineation, reporting and escalation lines.
  - At the highest level, the committees are the Executive Leadership Team, Corporate Governance, Finance and Performance and Clinical Governance.
  - Subordinate committees include Medication Safety and Infection Control, Clinical Assurance, Morbidity and Mortality, Information and Innovation, Asset and Procurement, Emergency Planning, Workplace Health and Safety, and Engagement and Partnerships.
- The department is undertaking work to establish a skills-based advisory committee that can provide it with independent, expert advice on the clinical and corporate governance of NIHRACS and its strategic direction. The committee is expected to be in place in the early part of 2026-27.

## OFFICIAL

- The department works directly with NIHRACS to improve its corporate governance. This includes a strict reporting regimen for clinical, corporate and financial governance.
- The department also contracts the Queensland Department of Health, through an overarching intergovernmental arrangement, to provide support and advice to NIHRACS on clinical safety and care.

## Procurement and contract management practices

In its 2024-25 Financial Statements audit report, the ANAO identified the following weaknesses in NIHRACS's procurement and contract management practices: incomplete and outdated contract register; insufficient evidence of value for money; and procurement before contract execution. Outlined below are some examples of how NIHRACS is working to address this finding.

- NIHRACS has implemented business practices and systems around short-term employment contracts that centralise the organisation's activity.
- NIHRACS is updating its Procurement Framework to include robust vendor assessment and comparison.
- NIHRACS is currently implementing centralised record management and monitoring for contractors, assets, equipment and inventory.

## Business risks due to IT infrastructure and system deficiencies

In its 2024-25 Financial Statements audit report, the ANAO noted the following key issues: lack of documentation; system backups and restore capability; outdated IT infrastructure; and lack of multi-factor authentication on Microsoft 365. Outlined below are some examples of how NIHRACS is working to address this finding.

- Upgraded its encryption standards and domain protection software.
- Integrated its financial management information system with its broader IT network.
- Invested in identifying and ongoing management of its critical infrastructure risks, including server redundancy, licensing remediation, network segmentation, and system modernisation.

## IT controls over user and privileged user accesses

In its 2024-25 Financial Statements audit report, the ANAO found that due to the absence of structured review processes and supporting documentation, NIHRACS's IT general controls cannot be assessed as providing reasonable assurance over the system. Outlined below are some examples of how NIHRACS is working to address this finding.

- Transitioning IT from a support service within the organisation to a critical part of the executive leadership, with responsibility for the management and safety of information, technology and data.
- The Manager, Information and Technology Services, position was advertised on 28 February 2026, and will lead the organisation's information, data, digital, and technology services. The position will be responsible for ensuring the organisation's systems, information assets and infrastructure enable safe, high-quality care, strong governance, and organisational sustainability.
- Formalising its Information and Technology Governance Framework and a 5-year ICT strategy. The information and technology workforce has been defined and a Managed Service Provider commenced on 1 February 2026.
- Undertaken a review of its user profiles to better distinguish between privileges and align to delegations.

## OFFICIAL