



DEW Reference Number: DEW22/077

Your ref: 16695346

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Australia

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www.environment.sa.gov.au

Hon Heidi Girolamo MLC
Parliament House
North Terrace
ADELAIDE SA 5000
E: Girolamo.office@parliament.sa.gov.au

Dear Ms Girolamo

I refer to your application pursuant to the *Freedom of Information Act 1991* (Act) received by the Department for Environment and Water (DEW) on 4 October 2022, seeking access to:

"Please provide copies of all Audit Management Letters and their corresponding audit reports from the 30 June 2022 Auditor-General's Department Audit period".

As confirmed with Brendan Clark from your office on 13 October 2022 the scope of the request was reduced to

"For the financial year 2021-22 – please provide any Audit Management Letters, the Audit Reports and the Agency responses to and from the Auditor General".

The determination is due to be completed and forwarded to you by the statutory due date of 14 November 2022. Section 19(2a) of the Act permits a determination to be made after the statutory due date has lapsed, this course of action was pursued.

DETERMINATION

Searches of the Department's records have found 9 documents held by this agency within scope of your request.

As a DEW Accredited FOI Officer, I have determined to grant you full access to 6 documents, partial access to 1 document and refuse access to 2 documents.

Section 20 of the Act provides that an agency may refuse access to a document if it is an exempt document under the Act. The information that I am refusing access and the reasons for the refusal are summarised in the document schedule (Attachment 1). Some exemption clauses in schedule 1 of the Act require an agency to weight up the public interest. Where applicable, all public interest claims are presented in the document schedule.

In accordance with [PC045 – Disclosure logs for Non-personal information](#) once a determination has been provided, the agency is required to make available on our website information and documents that have been disclosed. Information will be publicised online at <http://www.environment.sa.gov.au/about-us/freedom-of-information/foi-disclosure-log>.

FEES AND CHARGES

Pursuant to section 53(2)(b) of the Act and Regulation 6 of the *Freedom of Information (Fees and Charges) Regulations 2018* a determination is provided to Members of Parliament (MP) without charge in instances where the work generated by the applicant does not exceed the \$1000 threshold. There are no additional charges for the release of these documents.

YOUR APPEAL RIGHTS

If you are dissatisfied with this determination, you are entitled to exercise your rights to internal review and appeal as outlined in the attached documentation, by completing the attached 'FOI Application Form – For Internal Review of a Determination'. If you decide to apply to exercise your rights to review, the completed form must be returned within 30 days to:

Chief Executive (Principal Officer FOI)
Department for Environment and Water
GPO Box 1047
ADELAIDE SA 5001
E: dew.oci@sa.gov.au

Should an FOI applicant believe an agency has failed to identify all of the documents within the scope of their FOI application, complaints about sufficiency of searches can be raised with the Ombudsman SA by visiting www.ombudsman.sa.gov.au.

If you have any queries in relation to the above please contact a Freedom of Information Officer on telephone (08) 8463 6625 or email DEW.FOI@sa.gov.au.

Yours sincerely



VIRGINIA FISHER

Accredited Freedom of Information Officer, Department for Environment and Water

19 / 12 / 2022

Encl: 1. Document Schedule
 2. Release documentation
 3. FOI Fact Sheet – Your Rights to Review and Appeal

Freedom of Information application: DEW22/077 Heidi Girolamo MLC

For the financial year 2021-22 – please provide any Audit Management Letters, the Audit Reports and the Agency responses to and from the Auditor General.

No	Date	Author	Document type	Determination	Clause	Reason	Public Interest Test - Contrary to release	Public Interest Test - In favour of release
1	19/05/2022	Auditor General - A Richardson	Audit management letter	Full Release				
2	21/06/2022	DEW - J Schutz	Audit management letter	Full Release				
3	19/05/2022	Auditor General - A Richardson	Audit management letter	Full Release				
4	15/06/2022	DEW - J Schutz	Audit management letter	Full Release				
5	15/07/2022	Auditor General - A Richardson	Audit management letter	Full Release				
6	18/07/2022	Auditor General - J Fitzpatrick	Email	Partial Release	6(1) - Documents affecting personal affairs	Redaction over staff mobile phone number. Release of mobile phone number into the public domain may result in unsolicited phone calls being received out of business hours, impacting the personal affairs of an individual.		
7	4/08/2022	DEW - J Schutz	Audit management letter	Full Release				

No	Date	Author	Document type	Determination	Clause	Reason	Public Interest Test - Contrary to release	Public Interest Test - In favour of release
8	4/08/2022	Auditor General - A Richardson	Audit management letter	Exempt in Full	7(1)(c)(I and ii) - Documents affecting business affairs	The release of any portion of this document could reasonably be expected to have an adverse effect on the ability for the agency to uphold security measures in relation to Information and Communications Technology systems and softwares.	<p>Audit Management Letters containing business related information that if released could compromise ICT security systems and softwares should be protected from release under the FOI Act.</p> <p>The release of information contained within this letter could reasonably be expected to encourage criminal activity against the department.</p> <p>Release of this letter to the intended FOI applicant does not protect the department from the disclosure of this letter to a wider audience, either by accident or intention.</p>	Meeting the objects of the FOI Act, which promotes public access to documents.
9	19/08/2022	DEW - J Schutz	Audit management letter	Exempt in Full	7(1)(c)(I and ii) - Documents affecting business affairs	The release of any portion of this document could reasonably be expected to have an adverse effect on the ability for the agency to uphold security measures in relation to Information and Communications Technology systems and softwares.	<p>Audit Management Letters containing business related information that if released could compromise ICT security systems and softwares should be protected from release under the FOI Act.</p> <p>The release of information contained within this letter could reasonably be expected to encourage criminal activity against the department.</p> <p>Release of this letter to the intended FOI applicant does not protect the department from the disclosure of this letter to a wider audience, either by accident or intention.</p>	Meeting the objects of the FOI Act, which promotes public access to documents.



Our ref: A22/110

19 May 2022

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Mr J Schutz
Chief Executive
Department for Environment and Water
Email: john.schutz@sa.gov.au

Dear Mr Schutz

Department for Environment and Water audit of Cash for 2021-22

We have completed our interim audit of the cash function for the Department for Environment and Water (DEW). This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 17 June 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 the agency could improve its internal controls. The main findings are set out here, with full details in the attachment.

Clearing of unmatched items in the DEW bank reconciliation

For several years we have noted large numbers of unresolved reconciling items in the DEW bank reconciliation prepared in conjunction with Shared Services SA (SSSA). These reconciling items total \$425,240 as at February 2022.

DEW has previously advised that they were working with Shared Services SA (SSSA) to implement a system solution to automate bank reconciling item matching. A system solution has not yet been established and we are unclear on DEW's revised timeframes for resolving the ongoing concerns with the bank reconciliation process.

It is important that DEW clear these reconciling items as a matter of priority before preparing the DEW and bureau entity 2021-22 financial reports.

Clearing of reconciling items in the reconciliation of the Advance bank accounts

We have noted several longstanding reconciling items totalling approximately \$27,000 in the reconciliation of the Commonwealth Bank Advance account.

We recommend DEW investigate and clear these long-standing reconciling items prior to the preparation of the 30 June 2022 financial report.

We discussed the audit findings with the Director, Finance and Manager, Financial Accounting on 4 May 2022 and have reflected that feedback in this letter where appropriate.

2 Audit scope

The audit reviewed the following areas:

1. appropriate segregation of duties exists between key functions
2. the performance and review of the bank reconciliation
3. access to the bank account.

If your staff have any questions, please contact my Principal Audit Manager, Jake Fitzpatrick, on PC045 redaction

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 T Stubbs, Chair, Risk and Performance Committee, tom.stubbs@internode.on net
Ms S Carruthers, Executive Director, Strategy, Science and Corporate Services,
sandy.carruthers@sa.gov.au
Mr S O'Brien, Director, Finance and Chief Finance Officer, Shaun.O'Brien@sa.gov.au
Mr D Cooke, Senior Audit & Risk Coordinator, DEW.InternalAuditCoordinator@sa.gov.au

Attachment

Contents

			Rating			
		Page	E	H	M	L
1	Clearing of unmatched items in the DEW bank reconciliation	4		x		
2	Clearing of reconciling items in the reconciliation of the Advance bank account.....	5				x

The following issues are repeat findings from prior years.

			Rating			
		Page	E	H	M	L
1	Clearing of unmatched items in the DEW bank reconciliation	4		x		
2	Clearing of reconciling items in the reconciliation of the Advance bank account.....	5				x

Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment

1 Clearing of unmatched items in the DEW bank reconciliation

Rating: High

The Department for Environment and Water's (DEW's) bank account is used by 16 separate entities and 19 funds (bureau entities) established to support specific SA Government and Commonwealth programs. The monthly bank reconciliation is a fundamental control to ensure the completeness and accuracy of DEW and these 35 bureau entities' general ledger and financial reports.

Our review of DEW's February 2022 bank reconciliation identified 174,378 unresolved reconciling items with a net variance of \$425,240.52 between the bank account and the general ledger.

These reconciling items comprise:

- 7,848 transactions totalling \$7.450 million recorded in the bank statement but not recorded in DEW's general ledger
- 166,530 Transactions totalling \$7.025 million recorded in DEW's general ledger but not recorded in the bank statement.

Some of these unresolved reconciling items date back to 2016-17.

To ensure that the cash balances of DEW's bureau entities are not materially misstated, unmatched bank transactions are reviewed and categorised monthly according to the entity to which they relate. Our review of the analysis performed by the Financial Accounting Manager for February 2022 identified that 73% of the reconciling items belong to DEW.

We acknowledge that DEW is currently implementing a solution designed to fix the systemic errors causing these reconciling items to reappear. There is currently the Financial Systems Review (FSR) Bank Reconciliation working group whose primary focus is to clear historic reconciling items and ensuring Shared Services SA (SSSA) Banking Support System (BSS) issues are resolved. In addition, there is also the Parks ICT work group who are focused on improving the data quality for ledger feeder systems, primarily Bookeasy.

Risk exposure

The monthly bank reconciliation is a fundamental control to ensure the completeness and accuracy of general ledger processing, and in the detection of fraud. The cause, volume and financial significance of the unresolved reconciling items in DEW's bank reconciliation have remained consistent for a number of years and DEW has had limited success in developing a system-based response to them.

Attachment

While DEW has, since at least 2016, applied manual processes to ensure the completeness and accuracy of the general ledger at 30 June each year for financial reporting purposes, the absence of a systemic approach to completing the monthly bank reconciliation increases the risk of undetected fraud and compromises DEW's overall control environment.

Recommendation

Resolve the identified system issues as a matter of priority and ensure the outstanding reconciling items are cleared before preparation of the 2021-22 financial reports for DEW and its bureau entities.

I would appreciate your advice on the Department's planned date for resolving this matter.

2 Clearing of reconciling items in the reconciliation of the Advance bank account

Rating: Low

DEW's Commonwealth Bank (CBA) Advance Account is used for petty cash float and cheque management purposes and are reconciled to the general ledger monthly.

Our review of the reconciliation of the CBA account for February 2022 identified numerous reconciling items totalling \$27,139.72, with some items outstanding since 2017.

Risk exposure

Longstanding reconciling items may lead to incorrect cash balances and records.

Failure to resolve reconciling items in a timely manner may increase the risk of undetected fraud or error.

Recommendation

Resolve longstanding reconciling items and ensure future reconciling items are resolved in a timely manner.

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>



Government of South Australia

Department for Environment
and Water

Your Ref: A22/110

Our Ref: DEW-D0017484

Mr Andrew Richardson
Auditor-General
Auditor-General's Department
PC045 redaction State Administration Centre
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Dear Mr Richardson

Thank you for your letter dated 19 May 2022 seeking comments on the findings of the audit of cash within the Department for Environment and Water for 2021-22.

Please find below my responses to the recommendations raised in your letter.

1. Clearing of unmatched items in the DEW bank reconciliation (Rating: High)

Audit Recommendation: *Resolve the identified system issues as a matter of priority and ensure the outstanding reconciling items are cleared before preparation of the 2021-22 financial reports for DEW and its bureau entities.*

DEW Response: Shared Services SA (SSA) was formally engaged in November 2021 to undertake a full review of the auto-matching function within their in-house Banking Support System (BSS). This review was completed in January 2022 and the auto-matching function in BSS was resolved in March 2022. Both DEW Finance & Shared Services teams are currently working through an exercise of manually clearing all remaining historic items (including those that were incorrectly un-matched) and these will be cleared before the preparation of the DEW Financial reports for 2021-22.

2. Clearing of reconciling items in the reconciliation of the Advance bank accounts (Rating: Low)

Audit Recommendation: *Resolve longstanding reconciling items and ensure future reconciling items are resolved in a timely manner.*

DEW Response: The identified reconciling items are being cleared in the lead up to the preparation of the DEW Financial Statements for 2021-22 and any current outstanding acquittals will also be followed up.

For further information regarding this matter, please contact Paul Wurdemann, Manager Financial Accounting within the Department for Environment and Water by email paul.wurdemann@sa.gov.au or 8204 9257.

Thank you for writing to me and I trust this information is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Schutz', with a stylized flourish extending from the end.

JOHN SCHUTZ

Chief Executive, Department for Environment and Water

21/06/2022



Our ref: A22/110

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19 May 2022

Mr J Schutz
Chief Executive
Department for Environment and Water
Email: john.schutz@sa.gov.au

Dear Mr Schutz

Interim audit of the Department for Environment and Water CHRIS payroll system for 2021-22

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

I would appreciate receiving your comments by 17 June 2022. Please also confirm the responsible officer for addressing each issue, and your proposed time frame for resolution.

1 Summary of findings

Our only finding, which is a repeat finding from the prior year, is set out below. We have rated this finding as a medium risk.

Controls to ensure the accuracy of leave records in CHRIS

The timely submission and approval of TimeWise records, together with the reconciliation of leave records in TimeWise and CHRIS, are designed to ensure all leave taken by the Department for Environment and Water (DEW) employees is recorded in the CHRIS payroll system.

For several years, our review of payroll controls has noted large numbers of outstanding leave reconciliations.

As at the date of this letter, no leave reconciliations have been performed for 2021-22. We were advised that the new Timewise system is unable to produce the relevant reporting, but that DEW is working to resolve this issue and ensure all outstanding leave reconciliations are completed by 30 June 2022.

Delays in performing leave reconciliations increases the risk that leave taken by DEW employees is not recorded in the CHRIS payroll system, resulting in an overstatement of leave liabilities in DEW's financial statements.

We discussed this finding with the Human Resources Manager, Assistant Manager, Human Resources Operations and the Workforce Information and Systems Consultant on 10 May 2022 and have reflected that feedback in this letter where appropriate.

2 Audit scope

We gained an understanding of DEW's payroll environment and analysed payroll transactions up to 31 December 2021 to assess the risk of material misstatement to DEW's financial statements.

When doing this work, we noted that:

- the material accuracy of leave liabilities recognised in DEW's financial statements depends on the timely submission and certification of time records, and the regular reconciliation of leave records in TimeWise with leave recorded in the CHRIS payroll system
- for several years DEW has been unable to ensure these controls have operated consistency during the reporting period, relying on significant work performed as part of the financial reporting process to ensure the material accuracy of leave records.

For this reason, we again tested DEW's controls to ensure the accuracy of leave records in Chris21.

No other significant risks of material misstatement were identified within DEW's payroll environment.

We also performed a combination of analytical review procedures and focussed testing of a sample of payroll transactions. No issues were identified in this work.

If your staff have any questions, please contact my Principal Audit Manager, Jake Fitzpatrick on PC045 redaction

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 T Stubbs, Chair, Risk and Performance Committee, tom.stubbs@internode.on.net
Ms S Carruthers, Executive Director, Strategy, Science and Corporate Services,
sandy.carruthers@sa.gov.au
Mr S O'Brien, Director, Finance and Chief Finance Officer, shaun.o'brien@sa.gov.au
Mr D Cooke, Senior Audit & Risk Coordinator, DEW.InternalAuditCoordinator@sa.gov.au

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>



Government of South Australia

Department for Environment
and Water

Your Ref: A22/110

Our Ref: DEW-D0017485

Mr Andrew Richardson
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Dear Mr Richardson

Thank you for your letter dated 19 May 2022 seeking comments on the findings of the interim audit of the CHRIS payroll system within the Department for Environment and Water for 2021-22.

Please find below my responses to the recommendations raised in your letter.

1. Controls to ensure the accuracy of leave records in CHRIS (Rating: Medium)

Audit Finding: *The timely submission and approval of Timewise records, together with the reconciliation of leave records in Timewise and CHRIS, are designed to ensure all leave taken by the Department for Environment and Water (DEW) employees is recorded in the CHRIS payroll system.*


For several years, our review of payroll controls has noted large numbers of outstanding leave reconciliations.

As at the date of this letter, no leave reconciliations have been performed for 2021-22. We were advised that the new Timewise system is unable to produce the relevant reporting, but that DEW is working to resolve this issue and ensure all outstanding leave reconciliations are completed by 30 June 2022.

Delays in performing leave reconciliations increases the risk that leave taken by DEW employees is not recorded in the CHRIS payroll system, resulting in an overstatement of leave liabilities in DEW's financial statements.

DEW Response: From August 2021 the HR Operations team encountered technical difficulties in generating the reports necessary to perform the leave reconciliations. The HR Operations team engaged with DEW's ICT to develop a solution; and the issue was resolved at the end of May 2022.

The HR Operations team will work to resolve the backlog of leave reconciliations resulting from this technical issue by the end of September 2022.

For further information regarding this matter, please contact Lee Sorensen, General Manager within the Department for Environment and Water by email lee.sorensen@sa.gov.au on 

Thank you for writing to me and I trust this information is of assistance.

Yours sincerely



JOHN SCHUTZ

Chief Executive, Department for Environment and Water

15/06/2022

OFFICIAL



Government of South Australia
Auditor-General's Department

Our ref: A22/110

15 July 2022

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Mr J Schutz
Chief Executive
Department for Environment and Water
email: john.schutz@sa.gov.au

Dear Mr Schutz

Interim audit of Department for Environment and Water for 2021-22

We have completed our interim audit for the Department for Environment and Water (DEW). This management letter outlines our findings and requests your comments on any matters requiring action.

I would appreciate receiving your comments by 12 August 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 two matters where the agency could improve its internal controls. The findings are set out in the attachment.

2 Audit scope

The audit reviewed the following areas:

- governance
- general ledger functions
- cash
- revenue
- expenditure
- payroll
- assets
- administered crown land
- Murray Darling Basin Authority joint venture.

OFFICIAL

For each area we gain an understanding of the control environment and analyse the financial data to identify risks of material misstatement or areas of significance to the public interest.

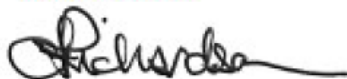
We review a selection of internal controls based on that risk assessment and follow up any issues identified in the previous audit. We also perform predictive analytics and/or test a sample of transactions for each significant area to determine transactions have been accurately recorded to inform our financial statement opinion.

Letters detailing our findings for cash, payroll, administered crown land and the Murray Darling Basin Authority joint venture were issued to DEW in May 2022.

If your staff have any questions, please contact my Principal Audit Manager, Jake Fitzpatrick, on ^{PC045 redaction}

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 T Stubbs, Chair, Risk and Performance Committee, tom.stubbs@internode.on.net
Ms S Carruthers, Executive Director, Strategy, Science and Corporate Services,
sandy.carruthers@sa.gov.au
Mr S O'Brien, Director, Finance and Chief Finance Officer, Shaun.O'Brien@sa.gov.au
Mr D Cooke, Senior Audit & Risk Coordinator, DEW.InternalAuditCoordinator@sa.gov.au

Attachment

Contents

		Page	Rating			
			E	H	M	L
1	Financial Delegations have not been reviewed annually as required by TI8.....	4	x			x
2	DEW has not reviewed and updated its Risk Management Framework and Policy	5				x

Rating key:¹

E Extreme
H High
M Medium
L Low

¹ Refer appendix for explanation of risk ratings

Attachment

1 Financial delegations have not been reviewed annually as required by TI 8

Rating: Low

Treasurer's Instruction 8 *Financial Authorisations* (TI 8) requires a chief executive to establish a financial authorisation register and to review this register at least annually.

Our review has noted that DEW has not formally reviewed the following instruments of authorisation in accordance with TI 8:

Instrument of authorisation	Evidence of last review
Contract pre-approval, procurement, payment & disbursement	January 2020
Disposals	January 2020
Debt write-off and small debt underpayment	January 2020

We acknowledge that DEW maintains a delegations register that records and updates for new and changed delegations. The Chief Executive does approve each authorisation change outside of the annual review process. The latest update to the register was in June 2022.

Risk exposure

The Chief Executive approved instruments of authorisation are not accurate or complete.

Non-compliance with TI 8.

Recommendation

Review all instruments of authorisation at least annually as required by TI 8.

Attachment

2 DEW has not reviewed and updated its Risk Management Framework and Policy

Rating: Low

DEW's Risk Management Framework requires an internal review every two years, and the Risk Management Policy requires an internal review every three years. The framework and policy were due for review in November 2021. We note that this review has not been performed and an updated version of these documents has not been released.

Within the Risk Management Framework under 'Establishing the responsibility and accountability' section, there is mention of a Senior Risk Management Advisor and an Audit Coordinator. However, within the current structure of the Governance and Performance team, both roles and related responsibilities have now been amalgamated into the Senior Risk and Audit Coordinator role.

It is important that this documentation is updated to reflect the change in position responsibility to ensure this is clearly communicated to staff.

Risk exposure

Policy requirements with regards to risk management are not regularly reviewed, increasing the chance that risk management activities are not performed in accordance with management's current expectations.

Recommendation

Formally review and update Risk Management Framework and the Risk Management Policy in accordance with timelines set out in the policy.

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>

From: Jake Fitzpatrick
Sent: Monday, 18 July, 2022 3:53 PM
To: Carruthers, Sandy (DEW); O'Brien, Shaun (DEW)
Cc: Cooke, David (DEW)
Subject: RE: DEW Management Letter

OFFICIAL

Hi Sandy and Shaun,

David brought to our attention that there was an X displayed under Extreme and Low for the delegation issue.

The finding was rated low as evidenced in the finding and discussed with Shaun and Paul.

I have spoken to Rob Huddy and he doesn't want to re-issue the letter, but re-assure you the finding is rated LOW.

Attachment

1 Financial delegations have not been reviewed annually as required by TI 8

Rating: Low

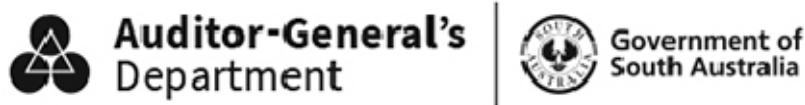
Treasurer's Instruction 8 *Financial Authorisations* (TI 8) requires a chief executive to establish a financial authorisation register and to review this register at least annually.

Regards

Jake Fitzpatrick
Principal Audit Manager
Auditor-General's Department

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Mon	Tues	Wed	Thurs	Fri
WFH			WFH	



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From: Cooke, David (DEW) <David.Cooke2@sa.gov.au>
Sent: Monday, 18 July 2022 12:44 PM
To: Jake Fitzpatrick <jake.fitzpatrick@audit.sa.gov.au>
Subject: DEW Management Letter

OFFICIAL

Hi Jake

I hope you had a great weekend.

We received the DEW management letter on Friday, Sandy's office just wanted me to clarify one aspect. In the below contents table for finding #1 it is recorded as both an extreme and low risk, in the attachment it is recorded as low. My understanding from discussions with finance the rating is low.

Furthermore, sorry to create more work for you, Sandy's office have requested the contents table to be corrected and the letter re-issued.

Contents

		Rating			
	Page	E	H	M	L
1 Financial Delegations have not been reviewed annually as required by TI8.....	4	x			x
2 DEW has not reviewed and updated its Risk Management Framework and Policy	5				x

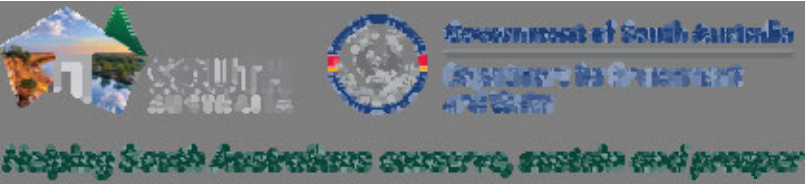
Regards

David Cooke
Senior Audit & Risk Coordinator

 [Chat with me on Teams](#)

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Department for Environment and Water
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The Department for Environment and Water acknowledges Aboriginal people as the First Peoples and Nations of the lands and waters we live and work upon. We acknowledge and respect the deep spiritual connection and relationship that Aboriginal and Torres Strait Islander people have to their Country. The department works in partnership with the First Peoples of South Australia and supports their Nations to take a leading role in caring for their Country.

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Your Ref: A22/110

Our Ref: DEW-D0018284

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Dear Mr Richardson

Thank you for your letter dated 15 July 2022 seeking comments on the findings of the interim audit for the Department for Environment and Water for 2021-22.

Please find below my responses to the recommendations raised in your letter.

1. Financial Delegations have not been reviewed annually as required by TI8 (Rating: Low)

Audit Recommendation: Review all instruments of authorisation at least annually as required by TI8.

DEW Response: As acknowledged in your letter, DEW performs regular reviews of the delegation register and updates this for any new or changed delegations. To fully comply with the requirements under TI-8 however, a full review of the delegation register and accompanying instruments commenced on 23 July 2022 and is anticipated to be completed on or before 31 August 2022. The results of this review will be provided to the Principal Audit Manager as required.

2. The Risk Management Framework and Policy documents have not been updated and reviewed (Rating: Low)

Audit Recommendation: Formally review and update Risk Management Framework and the Risk Management Policy in accordance with timelines set out in the policy.

DEW Response: DEW acknowledges that the DEW Risk Management Framework and Policy was due for review in November 2021.

Since providing documentation to your office as part of the 2021-22 interim audit (provided in January 2022), DEW has reviewed and drafted an updated Risk Management Framework and Policy; however, has not progressed finalisation pending outcomes of the strategic planning and risk management internal audit (part of DEW's 2021-22 internal audit plan), and any associated management actions.

Given the above, DEW will finalise the review and update of the DEW Risk Management Framework and Policy by 30 June 2023.

For further information regarding this matter, please contact Paul Wurdemann, Manager Financial Accounting within the Department for Environment and Water by email paul.wurdemann@sa.gov.au or 8204 9257.

Thank you for writing to me and I trust this information is of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Schutz', with a stylized flourish extending from the end.

JOHN SCHUTZ

Chief Executive, Department for Environment and Water

04/08/2022