Public Service Commission

12

Main points

The Public Service Commission (PSC) is the central human resource agency responsible for representing the public interest in the administration of *The Public Service Act, 1998* and related regulations. PSC is responsible for staffing positions within the classified division of the public service. As permitted under the Act, in 2010, PSC delegated certain staffing functions to ministries.

Staffing out-of-scope positions (classified division)

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations.

The Public Service Act, 1998 requires all appointments to be made "on the basis of merit." This chapter explains that establishing minimum documentation requirements to support "merit" would assist those responsible for staffing to consistently support their decisions.

To help PSC more readily demonstrate that its staffing processes complied with the Act and regulations and that appointments were made based on merit, we recommend that when PSC is staffing out-of-scope positions in the classified division, it:

♦ Clarify what documents it expected managers to keep
♦ Use a risk-based process to confirm that essential documentation is kept

Human resource/payroll security audit

PSC is also responsible for administering the human resources and payroll system. This includes having effective central controls to secure information in its payroll and personnel computer system. At December 2010, PSC's central controls were effective other than for the following two areas. First, at December 2010, service-level agreements between PSC and ministries did not clearly assign responsibilities for key payroll activities. PSC has plans to clarify those responsibilities that ministries have delegated to PSC and those that remain with the ministries. Second, staff did not always document their review of payroll reports and where documented, staff did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect payroll amounts.

Introduction

This chapter includes the results of two audits. In the first audit, we assessed whether the Public Service Commission (PSC) and ministries staff out-of-scope positions within the classified division in compliance with *The Public Service Act, 1998* and regulations. In the second audit, we assessed whether PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on its human resource/payroll system.

Staffing out-of-scope positions (classified division)

Background

By law, PSC is responsible for human resources management for Government ministries.[1] In 2009-10, PSC spent approximately $50 million to carry out its responsibilities. These services affect 12,348 people employed by ministries including 1,984 out-of-scope employees (i.e., employees not within a collective bargaining unit).[2] Out-of-scope employees are typically professionals in complex technical roles or managers.

At March 31, 2010, 1,767 out-of-scope employees were in positions within the classified division of the public service (classified positions). Exhibit 1 explains the difference between the classified and unclassified divisions of the public service.

PSC is responsible for representing the public interest in the administration of *The Public Service Act, 1998* (Act), and *The Public Service Regulations, 1999* (regulations). One of the purposes of the Act is to maintain an independent and professional public service. The Act makes PSC responsible for staffing positions within the classified division. As noted later, PSC has given ministries authority to carry out some of its staffing responsibilities.

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[1] *The Public Service Act, 1998*, section 20(1).
[2] *Public Service Commission 09-10 Annual Report,* p. 18 (spending) and p. 25 (positions).

PSC's aim is to attract and retain a professional, highly skilled, and diverse workforce for the public service.[3] To achieve its aim, PSC needs appropriate staffing processes to recruit, screen, select, and appoint qualified employees. It also needs to make certain that ministries adhere to these processes. If employees are not qualified, the effectiveness of public services may be at risk and the public's confidence in the professionalism of public servants could deteriorate.

This section of the chapter sets out the results of our audit of whether PSC and ministries staff out-of-scope classified positions in compliance with *The Public Service Act, 1998* and regulations.

Exhibit 1: Classified and unclassified divisions of the public service

The public service consists of employees of ministries and other agencies whose legislation makes them part of the public service. *The Public Service Act, 1998* (Act) organizes the public service into two divisions.

1. **The unclassified division**: Cabinet, through Orders in Council, makes appointments to all positions in the unclassified division. Under the Act, this division is composed of permanent heads (such as deputy ministers), members of boards or commissions, the Clerk of the Executive Council, and any positions Cabinet decides, through an Order in Council, to be part of this division. At March 31, 2010, the unclassified division included 217 employees.

2. **The classified division**: PSC makes appointments to all positions in the classified division. Under the Act, this division is composed of all positions within the public service other than those in the unclassified division that Cabinet has removed, through an Order in Council, from the public service. At March 31, 2010, the classified division included 12,131 employees.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether out-of-scope positions within the classified division were staffed, during the 12 months ended August 31, 2010, in compliance with *The Public Service Act, 1998* and regulations.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance.* To evaluate compliance, we used criteria based on legislation and requirements

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[3] *Public Service Commission Plan for 2009-10*, p. 2.

established by PSC as listed in the selected references. PSC agreed with the criteria.

Exhibit 2: Criteria

To staff out-of-scope positions in the classified division in compliance with *The Public Service Act, 1998* and regulations requires that PSC:

♦ Create a specific employment opportunity
♦ Identify qualified candidates using pre-established criteria
♦ Select qualified candidates

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations.

***The Public Service Act, 1998* requires all appointments to be made "on the basis of merit." This chapter explains that establishing minimum documentation requirements to support "merit" would assist those responsible for staffing to consistently support their decisions.**

Overview of authorities guiding staffing of classified positions

The following authorities govern staffing for out-of-scope positions in the classified division of the public service: *The Public Service Act, 1998* (Act), *The Public Service Regulations, 1999* (regulations), and related PSC procedures and policies. In this chapter, we call these staffing authorities. For further detail on staffing authorities for classified positions, see the key staffing provisions of the Act (Exhibit 4) and footnotes that explain regulations and policies.

The Act sets basic requirements for staffing positions within the classified division. Most important is that all appointments must be made based on merit (e.g., staff appointed to a position must be qualified to carry out the duties of that position). This requirement is fundamental to maintaining a professional and capable public service—one of the stated purposes of the Act.

The Act makes PSC responsible to set procedures and policies for recruiting and appointing employees to positions within the classified

division.[4] The Act allows PSC and permanent heads (e.g., deputy ministers) to staff positions without using a competitive process in prescribed situations. In addition, it allows a permanent head, at any time, to move employees between positions in his/her ministry.[5] The Act allows PSC to give authority to ministries to carry out some of its responsibilities. Even in these situations, PSC retains overall responsibility for staffing.

The regulations provide specific directions for the staffing process, particularly when hiring for permanent positions in the public service. During 2009-10, PSC's staffing procedures and policies included checklists and its Leadership and Management Competency Framework.[6]

From September 1, 2009 to August 31, 2010, PSC appointed 213 employees to out-of-scope classified positions. Exhibit 3 sets out appointments by the type of staffing process used.

Exhibit 3: Out-of-scope appointments by type of staffing process used during audit period

	Staffing by PSC September 2009 to August 2010	Staffing by ministries June - August 2010	Total
Posted competitions[7]			
Permanent positions	143	6	149
Non-permanent positions	45	1	46
	188	7	195
Non-competitive			
Permanent positions[8]	12	0	12
Non-permanent positions[9]	6	0	6
	18	0	18
Total	206	7	213

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[4] *The Public Service Act, 1998* (subsection 20(1)) says that, subject to the regulations, PSC shall develop procedures and policies respecting recruitment and appointment of employees to positions in the classified division.

[5] Under section 2(p) of the Act, both positions must have the same maximum salary.

[6] PSC uses checklists to guide managers involved in the hiring process generally and specifically related to checking for criminal records. Detail on PSC's competency framework is available at: http://www.psc.gov.sk.ca/Default.aspx?DN=10cb8e2b-1c22-4de3-bf40-7edd8718e319. (February 3, 2011)

[7] PSC posts competitions on an Internet website to make them available to the public or on an internal website.

[8] To fill these positions, permanent heads transferred employees within their ministry (*The Public Service Act, 1998* section 24) or made appointments without a competition because of an urgency, or to achieve employment equity, etc. (*The Public Service Regulations, 1999*, section 22).

[9] These were non-posted positions with a duration of less than six months.

Key findings and recommendations

In this section, we set out our expectations (criteria) in italics, related key findings, and recommendations.

Creating the employment opportunity

The Act requires that PSC (or ministry permanent heads) make all appointments and classify positions before doing so. Classifying a position confirms that the permanent head agrees to the position's role, duties, and required qualifications. Classifying a position and setting qualifications and suitability attributes creates a foundation for judging how to staff a position "on the basis of merit" as required by the Act. Staffing authorities also require PSC to keep the job description current, re-classify the position if it changes significantly, and get approval to staff a vacant position.

To fill a vacant position, most ministries obtained and documented the required approval. PSC classified positions before a competition, making it easier to state required qualifications clearly in advertisements. For new or altered positions, PSC and ministries had up-to-date job descriptions and position classifications.

The staffing authorities expected PSC and ministries to set position requirements (pre-set criteria) before making appointments. We expected the pre-set criteria to be documented and consistent with job duties set out in the current job description and with PSC's competency framework.

The majority of files we examined had documented pre-set criteria. These criteria set out position requirements consistent with the job description and expected competencies. Also, PSC and ministries consistently noted if the position required a criminal record check.[10]

Before beginning a competition to staff a position, staffing authorities require that PSC assess if there are qualified persons on a re-

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[10] In late 2010, PSC made a criminal record check a requirement prior to all appointments to the classified division of the public service.

employment list and if so, consider them for appointment in a specific order.[11]

PSC consistently documented via emails that it considered persons on re-employment lists.

In prescribed situations, staffing authorities allowed PSC or ministries to recruit for positions without using a competitive process (i.e., non-competitive appointments). [12] In these situations, we expected PSC and ministries to evaluate if the reasons for staffing a position without a competitive process complied with the authorities and document why. For all other positions (i.e., competitive appointments), we expected PSC and ministries to communicate the availability of positions.

For non-competitive appointments examined, files documented reasons for not using a competitive process. For competitive appointments, PSC consistently communicated the availability of positions by posting them on a public career website or an internal website. The postings generally contained sufficient information about the position to attract qualified candidates.

Identifying qualified candidates

To demonstrate consideration of merit, staffing authorities expected ministries to screen candidates using pre-set criteria as discussed in the previous section and assess qualified candidates consistently. Staffing authorities expected ministries to conduct reference checks to verify selected candidates had merit and would be suitable for the position. We expected PSC and ministries to document the results of appraising candidates through screening, assessment, and key reference responses to show the candidate had merit.

Screening candidates is an efficient best practice to speed up the staffing process and save managers' time. PSC used an electronic system (TALEO) to track positions being staffed, and to document certain staffing

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[11] A re-employment list contains the names of current or former employees who were on disability leave, laid off due to staff reductions, etc. If several people on the re-employment list are qualified, PSC must appoint them in priority order as set out in *The Public Service Regulations, 1999* (section 11).
[12] *The Public Service Act, 1998* (section 24) and *The Public Service Regulations, 1999*, (sections 22 and 24.1).

activities. Ministries and PSC used this system when setting pre-screening criteria and sorting candidates who met these criteria.

When staffing permanent positions using a competitive process, staffing authorities required assessment of candidates by a panel comprised of representatives of the related ministry and PSC. Staffing authorities required this panel to assess candidates' education, experience, personal attributes, and knowledge. The panel must also verify the candidates' work history and performance references.

As required, PSC and ministries used panels to assess candidates when staffing permanent positions using a competitive process. PSC and ministries did not always document clearly whether the panel had appropriate representation from PSC and the ministry. In some cases, it was unclear whether a PSC representative attended interviews.

When using a competitive process to staff permanent positions, PSC and ministries most often documented assessments of candidates' qualifications. They based these assessments on interviews or written comments about performance from candidates' current supervisors.

Most files we examined had evidence that managers called previous employers or other references. When a position required a criminal record check, PSC consistently documented the results.

Selecting qualified candidates

As previously noted, the Act requires that all appointments to classified positions be made "on the basis of merit" from those candidates assessed as qualified to carry out the duties of that position. Also, the Act expects PSC to make all appointments or to delegate this power to a ministry permanent head. We expected PSC or a delegated authority would advise the successful candidate in writing of the selection decision (letter of offer) and would appoint the person who accepted the offer.

Ministries and PSC appointed candidates from those they had assessed as qualified to carry out the duties of that position. For all files examined, permanent heads or appropriately delegated staff made the appointments.

PSC and ministries used written letters of offer as contracts of employment with successful candidates. These letters documented the position title, conditions of employment, salary, and benefits of the successful candidates.

Assigning authority to ministries

We expected, where authority was delegated, PSC would assign authority for staffing in writing and clearly set out the roles and responsibilities for staffing of each party. The Act expected PSC would monitor the performance of delegated staffing activities. We expected PSC would ensure it had sufficient documentation to show compliance with staffing authorities.

PSC assigned, in writing, authority for staffing to certain of its staff (e.g., staffing consultants). Also, as permitted under the Act, on May 13, 2010, PSC's Chairperson delegated to deputy ministers staffing functions for recruiting and selecting qualified persons for out-of-scope classified positions within their own ministry.

A key to appointing qualified candidates "on the basis of merit" is for all those involved in staffing to agree what merit is and how to achieve it. Merit is not defined by the Act or regulations. PSC's procedures refer to merit. For example, PSC's staffing website states: "For out-of-scope staffing, a merit-based selection process is used, whereby candidates are rated against the competency requirements, but are also ranked relative to other candidates."

In May 2010, PSC increased the responsibilities of ministries by delegating staffing for out-of-scope positions to them. While PSC staff continue to be available for advice, ministry staff may not always consult them when staffing positions. As a result, it is critical that PSC communicate to ministry managers involved in staffing out-of-scope positions which steps of the staffing process are essential to select candidates based on merit.

Also, in its 2010 delegation, PSC stated ministries must comply with the PSC's staffing principles, adhere to the legal framework, and keep adequate documentation. Furthermore, PSC's service agreements with ministries that covered staffing processes included expectations about

142

documentation.[13] These service agreements explicitly required PSC to verify that managers responsible for staffing the position completed documentation of staffing actions. Although PSC expects documentation, it did not clearly set out what documents it expected managers to keep when staffing out-of-scope positions.

1. **We recommend that the Public Service Commission establish and communicate minimum documentation requirements to evidence that appointments to out-of-scope positions within the classified division of the public service are made based on merit.**

We did not find evidence that PSC verified the completeness of staffing documentation. If documentation is not complete, PSC cannot readily demonstrate that its staffing processes complied with the Act and regulations and that appointments were made based on merit. PSC needs to identify those staffing actions with a greater risk of non compliance with staffing authorities and confirm its documentation requirements are met.

2. **We recommend that the Public Service Commission use a risk-based process to confirm that essential documentation related to staffing out-of-scope positions is kept.**

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[13] During the audit period, four (out of sixteen) ministries did not have a current service agreement that covered staffing processes. PSC advised us that it is in the process of renewing its service agreements.

Summary of key staffing provisions in *The Public Service Act, 1998*

Exhibit 4: Highlights of *The Public Service Act, 1998* related to staffing

The following lists provisions in *The Public Service Act, 1998* that are key to staffing out-of-scope positions in the classified division of the public service. The number in parenthesis is the related section of the Act.

- PSC may delegate the fulfilment of its responsibility for recruiting and selecting persons within the public service and appointing persons (s.11(2), s.12)

- PSC may, at any time, impose any terms or conditions on, amend or revoke its delegation (s.12)

- The position must be classified before any person can be appointed or employed in that position (s.16)

- PSC must develop procedures and policies respecting recruitment and appointment of employees and PSC (or delegated parties) must use them along with the regulations (s.20)

- PSC (or delegated parties) makes appointments to positions (s.21(3))

- All appointments to positions are to be made on the basis of merit (s.21(4))

- A permanent head (e.g., deputy minister) may, at any time, transfer an employee between positions with the same maximum salary in his/her ministry (s.24(1))

- PSC (or delegated parties) may transfer an employee from one ministry to another with the approval of the permanent head of each ministry (s.24(2))

- When making appointments, consideration must be given to persons whose names are on re-employment lists (if any) (s.26) (e.g., persons who were laid-off because of staff reductions, are returning from sick or disability leave, or are returning from leave to the unclassified division)

- Ministry officers and employees must give PSC any requested information (s.32)

- PSC may enter into agreements related to fulfillment of its responsibilities or functions (s.34)

Selected references

The Public Service Act, 1998.

The Public Service Regulations, 1999.

Public Service Commission. *PSC Staffing Reference Guide.* Regina: Author. http://www.psc.gov.sk.ca/staffing/

144

Public Service Commission. *New hire/internal hire checklist—manager checklist.* Regina: Author:
http://www.psc.gov.sk.ca/search?c=psc&q=checklist

Public Service Commission. *Information for managers/supervisors on criminal record checks.* Regina: Author.
http://www.psc.gov.sk.ca/CRCmanagers

Human resource/payroll security audit

Background

Since March 2006, the Public Service Commission (PSC) is responsible for the Multi-informational Database Applications System–human resources and payroll (i.e., MIDAS HR/Payroll). Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre (ESC) is responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC and ministries manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions. In the past year, MIDAS/HR Payroll recorded over $1.04 billion in payroll expenses.[14]

Given PSC's overall responsibility for MIDAS HR/payroll system, it must have adequate central controls to secure MIDAS HR/payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/payroll transactions.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending December 31, 2010. This audit did not assess the adequacy of controls at

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[14] Estimate of personal services expenses taken from General Revenue Fund financial statements for the year ended March 31, 2010.

user agencies (i.e., ministries). Rather, it focused on the central controls at PSC.

User agencies rely on PSC, as a service provider, to have adequate central controls and carry them out properly. Therefore, we carry out this audit on an annual basis.

We used criteria based upon the *Trust Services Principles, Criteria and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC agreed with the criteria.

Our criteria, set out in the Exhibit 5 below, describe the key processes that we expect PSC to have. Throughout our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance.*

Exhibit 5—Audit criteria

Adequate central controls used to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/payroll should include control processes that:

1. Show management commitment to security (governance)
    1.1. Responsibilities for security are clearly defined
    1.2. Management identifies threats and risks
    1.3. Management has approved security policies and procedures
    1.4. Management monitors security

2. Protect systems and data from unauthorized access
    2.1. User access controls protect the system and data from unauthorized access
    2.2. Physical security controls protect the system and data from unauthorized access

3. Make systems and data available for operation
    3.1. System and data backups occur and are tested
    3.2. Disaster recovery plans are in place and tested

4. Maintain the integrity of systems and data
    4.1. Management has policies and procedures for managing the system and data
    4.2. Change management processes exist and are followed
    4.3. Management monitors the system to ensure it is operating as planned

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We concluded that, for the twelve-month period ended December 31, 2010, PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except for:

♦ **Assigning responsibilities for key payroll activities in its service level agreements with ministries**

♦ **Following its processes to document the review of key payroll reports**

Key findings and recommendations

The following section sets out our significant audit findings.

Clarifying PSC's responsibilities for key payroll activities

In our 2010 Report – Volume 1, Chapter 9, *we recommended that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences)*. As noted below, PSC made some progress towards implementing this recommendation in 2010, but more work remains.

Existing SLAs between PSC and user agencies (ministries) do not clearly assign responsibilities for key payroll activities. At December 31, 2010, PSC is developing a new SLA template. It expects its new SLA template to clarify the responsibilities that ministries have delegated to the PSC and those that remain with the ministries. At December 31, 2010, PSC and ministries have not yet signed the new SLAs to agree to their responsibilities. PSC plans to implement the new SLA template in the 2011-12 fiscal year.

In 2010, as an interim step, PSC prepared a document that outlines roles and responsibilities related to payroll processing. The document clarifies PSC's responsibilities and the ministries' responsibilities for payroll. At the end of 2010, PSC met with ministries to discuss this document.

Status – We continue to make this recommendation.

Maintaining sufficient documentation

In our 2010 Report – Volume 1, Chapter 9, *we recommended that the Public Service Commission consistently document its review of*

payroll reports and resolution of matters resulting from its review.
As noted below, PSC made some progress towards implementing this recommendation in 2010, but more work remains.

In 2010, PSC developed and implemented new payroll procedures. These procedures list the frequency to generate and review payroll reports. They require team leads to generate reports and either review the reports themselves or assign the review to one of their staff. To evidence review, procedures require staff to initial, date, and file the reports. Review includes investigating identified significant differences.

During the audit, we found staff did not always follow the new payroll procedures. Staff did not always document their review of payroll reports and where documented, staff did not always review the reports on a timely basis. This increases the risk that employees will receive incorrect payroll amounts.

Since 2009, staff with the HR Payroll Administrator (HRPA) role within the MIDAS HR/Payroll system have incompatible functions. That is, these staff have authority to enter new employees into MIDAS HR and make payroll payments. This creates a risk that these staff could make payments to fictitious employees. PSC recognizes this risk, and therefore requires other staff to review certain reports to detect inappropriate use of the HRPA role on a timely basis.

During our audit, we found that staff did not always document their review of these reports. As a result, we could not determine if the review of these reports occurred as expected. Lack of documented evidence of review increases the risk that undetected inappropriate use of the HRPA role may occur. Our review of the reports did not identify any instances of inappropriate use of the HRPA role.

Status – We continue to make this recommendation.

Selected references

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust services principles, criteria and illustrations*. New York: Author.

International Organization for Standardization. (2005). ISO/IEC 27002:2005(E). *Information technology - Code of practice for information security management*, 2nd Edition. Geneva: Author.

IT Governance Institute. (2007). *CobiT4.0*. Rolling Meadows, IL: Author.

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