# Chapter 13
# MIDAS HR/Payroll

## 1.0 MAIN POINTS

The Public Service Commission (PSC) is the central human resource agency for staff primarily employed by government ministries.

PSC is responsible for administering the human resources and payroll system. PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on the system with two exceptions. PSC did not sign new service level agreements with all user agencies; therefore, responsibilities for key payroll activities between PSC and user agencies have not been clearly assigned. Also, staff did not always document their review of payroll reports and did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect or inappropriate payroll amounts.

## 2.0 INTRODUCTION

Under *The Public Service Act, 1998*, PSC is the central human resources agency for staff employed primarily by Government ministries. Government ministries have about 12,000 staff positions.

PSC provides leadership and policy direction for the development of a professional public service. PSC delivers human resource services including staffing, classification of positions, compensation and labour relations, and works with ministries in the delivery of human resource services.

PSC is responsible for the Multi-Informational Database Applications human resources and payroll system (MIDAS HR/Payroll).[1] Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre has been 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 $1.03 billion in payroll expenses for about 12,000 ministry employees.

Given PSC's overall responsibility for MIDAS HR/Payroll, it must have effective 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.

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[1] Public Service Commission (2011). *2010-11 Annual Report*. Regina: Author.

The objective of this audit was to assess whether PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending January 31, 2012. This audit did not assess the effectiveness of controls at user agencies (e.g., ministries). Rather, it focused on the central controls at PSC.

User agencies rely on PSC, as a service provider, to have effective controls and carry them out properly. We carry out this audit annually to support our audits of various user agencies.

We used criteria based on 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 Figure 1 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*.

**Figure 1—Audit Criteria**

Effective central controls used to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll systems and data should include control processes that:

1. **Show management commitment to security (governance)**
   a. Responsibilities for security are clearly defined
   b. Management identifies threats and risks
   c. Management has approved security policies and procedures
   d. Management monitors security

2. **Protect systems and data from unauthorized access**
   a. User access controls protect the system from unauthorized access
   b. Physical security controls protect the system from unauthorized access

3. **Make systems and data available for operation**
   a. System and data backups occur and are tested
   b. Disaster recovery plans are in place and tested

4. **Maintain the integrity of systems and data**
   a. Management has policies and procedures for managing the system and data
   b. Change management processes exist and are followed
   c. Management monitors the system to ensure operating as planned

**We concluded that, for the twelve-month period ending January 31, 2012, the Public Service Commission had effective 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**

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

## 4.1 Assigning PSC's Responsibilities for Key Payroll Activities

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). (2010 Report – Volume 1)

**Status** – We continue to make this recommendation.

On June 7, 2011, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

During the audit period, PSC completed its development of a new SLA template. This template sufficiently clarifies the responsibilities that user agencies have delegated to the PSC and those they have retained.

By January 31, 2012, PSC had signed the new SLA with 10 out of 30 user agencies. PSC signed five more SLAs by March 31, 2012. PSC expects to sign the new SLAs with the remaining user agencies by December 31, 2012. Without signed SLAs, PSC and user agencies have not formally agreed to their respective payroll responsibilities.

## 4.2 Maintaining Sufficient Documentation

We recommended that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review. (2010 Report – Volume 1)

**Status** – We continue to make this recommendation.

On June 7, 2011, PAC agreed with our recommendation.

As previously reported, in 2010, PSC had developed and implemented new payroll procedures. These procedures require staff to periodically generate and review payroll reports. The payroll reports help to identify specific risks associated with the payroll process. These risks include incorrect input of payroll information (e.g., number of hours from timesheets), as well as inappropriate changes to payroll system information (e.g., creation of fictitious employees).

The review of the reports, as required by the payroll procedures, includes investigating identified significant differences or changes and requiring staff to initial, date, and file the reports as evidence of their completion of the review.

During the audit period, staff continued to not consistently follow these payroll procedures. Staff did not always document their review of payroll reports indicating the date of their review. Also, staff did not always review the reports on a timely basis. Our review of the payroll reports did not identify any instances of fraudulent payments.

Not following established payroll procedures increases the risk of inappropriate payments or employees receiving incorrect payroll amounts.

## 5.0 SELECTED REFERENCES

Canadian Institute of Chartered Accountants (CICA) and the American Institute of Certified Public Accountants (AICPA). (2009). *Trust Services Principles, Criteria, and Illustrations.* Toronto: Author.

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

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