

Chapter 16

Public Service Commission—MIDAS HR/Payroll

1.0 MAIN POINTS

The Public Service Commission (PSC) is the central human resource agency for staff employed primarily by government agencies. Effective May 25, 2012, the Public Service Commission (PSC) is under the responsibility of the Ministry of Central Services.

PSC is responsible for administering the human resources and payroll system – MIDAS HR/Payroll primarily for government ministries. We conduct an annual audit to determine if PSC has effective central controls to manage and secure MIDAS HR/Payroll.

In 2012, PSC had effective central controls with two exceptions. PSC has not signed client service agreements with all of its clients and therefore has not formally agreed upon respective responsibilities for key payroll activities. Also, staff did not always document their review of payroll reports or perform these reviews in a timely manner. This increases the risk of incorrect payroll amounts.

2.0 INTRODUCTION

Under *The Public Service Act, 1998*, PSC is the central human resources agency for about 12,000 staff employed primarily by Government ministries.¹ 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.

Since March 2006, PSC has been responsible for the Multi-Informational Database Application 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) has been responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC, ministries, and other government agencies manage employee information (i.e., benefits, salary, job assignment, and training) and processes payroll transactions. In the past year, MIDAS HR/Payroll recorded over \$1.07 billion in payroll expenses.²

Given PSC's overall responsibility for MIDAS HR/Payroll, it must have effective central controls to manage and secure MIDAS HR/Payroll transactions and information.

¹ Public Service Commission (2012). *2011-12 Annual Report*. Regina: Author.

² Ministry of Finance (2012). *Public Accounts 2011-12 Volume 2*. Regina: Author.



3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether PSC had effective central controls to manage and secure MIDAS HR/Payroll for the eleven-month period³ ending December 31, 2012. This audit did not assess the adequacy of controls at user agencies (e.g., ministries). Rather, it focused on the central controls to manage and secure MIDAS HR/Payroll at PSC.

User agencies rely on PSC, as a service provider, to have effective central controls and carry them out properly. We conduct this audit annually to support our audits of ministries and other government agencies that are PSC's clients.

We used audit 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 **Figure 1** below, describes 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*. We based our findings on our examination of PSC's agreements, plans, reports, policies and processes. We also interviewed PSC staff and examined PSC's controls to secure MIDAS HR/Payroll.

Figure 1—Audit Criteria

Effective central controls to manage and secure MIDAS HR/Payroll systems and data should include control processes that:

- 1. Monitor systems and data centrally**
 - 1.1 Responsibilities for managing and securing the system are clearly defined
 - 1.2 Management has approved policies and procedures
 - 1.3 Management monitors security and system operating as planned
- 2. Protect systems and data from unauthorized access**
 - 2.1 User access controls protect the system from unauthorized access
 - 2.2 Physical security controls protect the system 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 Processes to manage the system and data exist and are followed
 - 4.2 Change management processes exist and are followed

We concluded that, for the eleven-month period ending December 31, 2012, the Public Service Commission had effective central controls to manage and secure MIDAS HR/Payroll except for:

- › **Completing the assignment of responsibilities for key payroll activities in its service level agreements with its clients**
- › **Following its processes to document the timely review of key payroll reports**

³ MIDAS HR/Payroll underwent a significant upgrade in December 2011; therefore, our previous audit covered the period ended January 31, 2012.

4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and recommendations related to the audit criteria in **Figure 1**.

4.1 Working Towards Formalizing 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; Public Accounts Committee agreement June 7, 2011)

Status – Partially Implemented

PSC completed a new client service agreement (CSA) template in 2012, replacing existing SLAs. This template sufficiently clarifies key payroll responsibilities between PSC and its clients. At December 31, 2012, 25 clients, including 14 ministries, use MIDAS HR/Payroll. PSC had signed the new CSA with 16 of its 25 clients.

Without signed CSAs, PSC and its clients receiving payroll services from PSC have not formally agreed to and may not understand their respective payroll responsibilities.

4.2 Need Timely Review of Payroll Reports

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; Public Accounts Committee agreement - June 7, 2011)

Status – Partially Implemented

Payroll procedures developed by and implemented at PSC require staff to regularly generate and review payroll reports. The 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, unreasonable salaries, coding of hours worked), 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 review prior to payroll being finalized.



During the audit period, the review of payroll reports was considerably improved from the prior year. However, appropriate staff did not always document their review of payroll reports including indicating the date of their review. Also, some staff did not always review the reports on a timely basis.

For example, during the year, a \$1.4 million payment was made to an employee in error. The payroll report reflecting this error was not reviewed in a timely manner. While MIDAS HR/Payroll has edit controls to prevent this type of error from occurring, staff are able to override the edit controls making timely review of payroll reports a critical step in ensuring appropriate payroll payments are made. The overpayment was identified on the date of pay and was promptly recovered from the employee's bank account. Without review of reports prior to the date of pay, there is an increased risk of incorrect payroll payments.

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.