



AUDITOR-GENERAL
AUSTRALIAN CAPITAL TERRITORY



PA 02/08

18 June 2003

The Speaker
ACT Legislative Assembly
South Building
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with the Authority contained in the *Auditor-General Act 1996*, I transmit to the Legislative Assembly my Report titled “*Compliance Performance Audit – Recruitment Processes*”.

This audit was managed and conducted by Rod Nicholas with the assistance of Bobby Pawagi, Adrian Dalanon, Joe Menegazzo, Jason Pye and Anita Franklin of this Office.

Yours sincerely

John A Parkinson

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1. REPORT SUMMARY AND AUDIT OPINION

INTRODUCTION

1.1 This Report presents a summary of the results of a performance audit that reviewed the compliance of ACT Public Sector recruitment processes with the *Public Sector Management Act 1994* and relevant standards, policies, and guidelines.

COMPLIANCE PERFORMANCE AUDITS

1.2 This ‘compliance performance audit’ is the first of a proposed series of audits that will examine matters important to the ACT Public Sector as a whole and assess whether legislative and related policies and procedures are being complied with, in all significant respects.

1.3 Compliance performance audits are conducted under the performance audit provisions of the *Auditor-General Act 1996* (section 12 of the Act). Such audits examine specific and clearly delineated subject areas, and will be conducted across a selection of agencies. The scope of each audit is limited to compliance with legislation, policies, guidelines and so forth, and does not involve evaluating the legislative framework or other guidance *per se*. However, any departure from the framework identified during a compliance performance audit is analysed and reported so that (where appropriate) improvements can be made in the future.

COMPLIANCE PERFORMANCE AUDIT OF RECRUITMENT PROCESSES

Legislative and Policy Framework for Recruitment Activities

1.4 The *Public Sector Management Act 1994* (the PSM Act) provides the legislative framework for the vast majority of employees in the ACT Public Sector. The PSM Act sets out general provisions (values and principles) and primary employment issues, including categories of employment, promotion, transfer, appeal and review mechanisms, and discipline. In short, the PSM Act establishes a framework for most recruitment activity in the ACT Public Sector.

1.5 The PSM Act is supported by Public Sector Management Standards (subordinate law) and Best Practice Notes. These documents expand

upon the framework established by the PSM Act and provide practical advice and assistance to agencies for their recruitment activities.

1.6 There is no compulsory recruiting or selection process in the ACT Public Sector. The PSM Act and concomitant Standards introduce a framework for recruitment that gives effect to the principles of selection based on a proper assessment of merit, and affording equal opportunities for all employees to secure promotion and advancement in their employment on the basis of relative merit. The application of these principles is not centrally prescribed or managed; rather it is left to individual agencies to establish processes depending on the agencies' needs and circumstances.

1.7 Several agencies have prepared policy and guidelines that relate the mandated recruitment framework to the agency-specific environment. Such guidance also has regard to recruitment related provisions in agency-specific Certified Agreements. In general, the documents emphasise better practice (including 'streamlining' some of the more administrative aspects), and encourage consistent application of the recruitment process.

1.8 Agencies use a variety of internal and external recruiting strategies to locate and engage staff. The Audit recognises that although one strategy may work well for some agencies, the same techniques may prove ineffective for others. However, the Audit focused predominantly on those matters of policy and process that are common to all agencies (see Appendix A) rather than the recruitment strategies of individual agencies.

Quantifying the Issue

1.9 At 30 June 2002, 15,490 personnel were employed in the ACT Public Sector under the PSM Act. Of these, 14,333 are recorded on the PERSPECT Human Resource Management Information System. PERSPECT data show that around 44% of public sector employees were in clerical, administrative, Executive, professional or IT positions; about 31% were teaching staff, and about 14% were medical staff (doctors, specialists or nurses). About a quarter of the public sector workforce was engaged on a temporary or casual basis.¹

¹ From *The State of the Service Report 2001-2002*, Commissioner for Public Administration, September 2003.

COMPLIANCE PERFORMANCE AUDIT – RECRUITMENT PROCESSES

1.10 During 2001-02, there was an overall growth in the ACT Public Sector of about 5%. In the same year, however, the PERSPECT Human Resource Management Information System used by most ACT government agencies recorded more than 22,000 recruitment activities across the ACT Public Sector. Recruitment activities include appointments, promotions (internal and external), temporary performance of higher duties, contract appointments (internal and external) and transfers within the ACT Public Sector. Table 1.1 summarises the recruitment activities in 2001-2002. Appendix A provides further detail of these activities.

Table 1.1: Summary of Recruitment Activity in the ACT Public Sector (2001-2002)			
		Number	Percentage
Appointment			
External ¹		1,409	
Internal ²		29	
		<hr/>	1,438
			6.5
Promotion			
External ³		6	
Internal ⁴		894	
		<hr/>	900
			4.1
Temporary Performance of Higher Duties ⁵			12,504
Temporary Contract			
External ⁶		1,993	
Internal ⁷		5,056	
		<hr/>	7,049
			32.0
Transfer ⁸			171
			<hr/>
		22,062	100.0
<hr/>			
NOTES:			
¹ Appointed from outside the ACT PS			
² Appointed following ACT PS temporary employment			
³ Promoted from an ACT PS agency that does not use PERSPECT (e.g. Totalcare)			
⁴ Promoted from within an ACT PS agency			
⁵ Instances of Higher Duties, including extensions			
⁶ Engaged from outside the ACT PS			
⁷ Extension of existing employment contract			
⁸ Transfer between ACT PS agencies			

Audit Approach

1.11 The scope of the Audit was limited to compliance with the PSM Act, Standards and Best Practice Notes and did not involve an evaluation of the legislative and policy framework underpinning recruitment activities. The audit did not address the effectiveness of the recruitment process (that is, whether the ‘right’ person has been selected).

1.12 The Audit examined recruitment processes in the ACT Government departments. Details of recruitment activities for each department were extracted from the PERSPECT Human Resource Management Information System, and a representative sample of ‘transactions’ was selected for detailed examination using the Audit’s test program. More than 700 individual transactions were examined in detail during the audit.

1.13 Further details regarding the Audit approach, including a summary of the broad stages of the recruitment process considered during the Audit are at Appendix B.

AUDIT OBJECTIVES

1.14 The objectives of this Audit were to provide an independent opinion to the Legislative Assembly on whether:

- ACT Public Sector recruitment processes are consistent with the *Public Sector Management Act 1994*, relevant standards, policies and guidelines; and
- the competitive selection process would allow the selection of suitable applicants.

AUDIT OPINION

1.15 The independent opinions drawn against the audit objectives are set out in the shaded box below.

AUDIT OPINION

Compliance with the Public Sector Management Act

ACT Public Sector recruitment processes are consistent with the *Public Sector Management Act 1994*, relevant standards, policies, and guidelines. There is a high level of compliance with legislation in all significant respects.

Application of the Competitive Selection Process

The competitive selection processes applied by ACT Government agencies would allow the selection of suitable applicants for the ACT Public Sector.

BASES FOR OPINION

1.16 For this Audit, sampling was considered the most appropriate means for selecting items for testing to gather evidence to meet the audit objectives. It should be noted that audit procedures are designed to provide reasonable – not absolute – assurance regarding the audit opinion. The use of testing based on sampling introduces some risk that the auditor will reach an erroneous conclusion because, for example, the sample tested was not representative of the full population of transactions. The Audit considers that the risk in this instance is small. Nevertheless, because sampling was used, the Audit cannot offer absolute assurance that instances where recruitment activities do not comply with legislated requirements and standards do not exist.

Compliance with the Public Sector Management Act

1.17 The opinion that *ACT Public Sector recruitment processes are consistent with the Public Sector Management Act 1994, relevant standards, policies, and guidelines; there is a high level of compliance with legislation in all significant respects* is based on the following findings:

Positive Findings

Consistency of Agency Policy and Guidelines

- Recruitment policies and guidelines prepared and used by agencies were consistent in all significant respects with the Public Sector Management Act, Public Sector Management Standards, and Best Practice Notes.
- Recruitment activities conducted by agencies were consistent overall with their recruitment policy and procedures.

Authenticity of Position

- Satisfactory evidence was available to support the creation, modification, or abolition of all positions created after 1992 (the year in which the PERSPECT Human Resource Management Information System was introduced). Data from establishment variations were correctly recorded in PERSPECT.
- Satisfactory job descriptions existed for positions, indicating work responsibilities, classification, selection criteria and, where relevant, qualification requirements. Job descriptions were generally reviewed when a vacancy arose.
- Delegate approval was sighted to advertise vacant positions.

Selection Processes

- Although a selection strategy was infrequently documented before a vacancy was advertised, documentation indicated that for selection processes involving appointments or promotions a suitable process was adopted, including formation of a suitable selection advisory committee.
- The methods employed to select suitable candidates to fill positions were appropriate to the requirements of the positions. Methods included selections based on written applications, job interview, references, and the use of an assessment centre.

COMPLIANCE PERFORMANCE AUDIT – RECRUITMENT PROCESSES

- Selection committee reports for selection processes involving appointments or promotions contained a summary of the assessment strategy used, individual assessments, a comparative assessment of applicants and ranking of suitable applicants.
- Assessments for selection processes involving appointments or promotions adequately documented due consideration to the stated duties and responsibilities to be performed and the relevance of the qualification/s, work experience, knowledge, skills and potential of each applicant.
- Delegate approvals existed for the implementation of selection advisory committee recommendations.

Appointment Procedures

- Selections were finalised within a six-month period.
- Appointment letters to successful candidates contained adequate information regarding the position to which they had been appointed. In the case of new appointments, the letters also contained information on any probationary period to apply and pre-employment checks to be followed.

Pre-employment Checks

- Documentation evidencing the performance of key pre-employment checks of applicants was available for selection processes involving appointments or promotions.

Record Keeping

- Although record keeping practices differed across the agencies reviewed, documentation was generally sufficient for accountability purposes, and evidenced compliance with mandated requirements.

Negative Findings

- It was not always evident that all options were considered before approval was sought to advertise a vacancy; that is whether there was a genuine need to recruit at all. This was particularly common with the appointment of staff for the temporary performance of higher duties.
- Selection processes for the appointment of staff for the temporary performance of higher duties were commonly not documented. It

is thus not possible to determine whether a suitable competitive selection process was employed.

- Typically, agencies did not document whether regard was had to excess officers when job vacancies arose. It is not evident whether, in practice, consideration of excess or potentially excess officers (within the agency and across the ACTPS) is an established recruitment practice within agencies.

Application of the Competitive Selection Process

1.18 The opinion that *the competitive selection processes applied by ACT Government agencies would allow the selection of suitable applicants for the ACT Public Sector* is based on the following findings:

- Vacancies likely to result in appointments or promotions were advertised in a manner that would provide all eligible persons a reasonable opportunity to apply.
- Evidence available suggests that temporary vacancies of more than three months were advertised in the Staff Bulletin, but because selection processes were commonly not documented, the Audit cannot reach a definitive conclusion on this matter.
- Sufficient information on vacant positions was made available to permit potential applicants to make informed decisions regarding their suitability and efficiency.
- The level of assessment and degree of competition applied was appropriate to the type of vacancy, the qualifications or knowledge needed, and the length of employment.
- There was no evidence to suggest that any selection committee imposed any restriction on any applicant, which would have the effect of impeding that applicant's selection, or discriminated against applicants in an unlawful manner.
- Although the evidence available suggests that, for any given recruitment process, the same selection methodology was applied to all applicants, the Audit cannot reach a definitive conclusion on this matter. This is because recordkeeping practices vary across the agencies reviewed.
- The evidence also suggests that all applicants were given a similar opportunity to demonstrate their suitability and efficiency for the vacant position. Once again, however, the Audit cannot reach a definitive conclusion on this matter.

Audit Comment

1.19 The Audit reviewed more than 700 individual recruitment actions covering all types of recruitment (appointments, promotions, temporary performance of higher duties, contract appointments and transfers). The Audit confirmed the expectation that there would be a high level of compliance with legislation, standards, policies, and guidelines.

1.20 The Audit noted that recruitment practices differed across agencies. This too was expected, as agencies are generally free to adapt the framework introduced by the legislation and standards to suit their particular environment.

1.21 Although the Audit has reached a positive opinion regarding legislative compliance and the general suitability of recruitment processes, the Audit consistently found deficiencies in documentation and record-keeping practices, which while not affecting compliance, impacted on accountability and transparency of decision-making. The Audit noted, for example, that in many cases it was difficult to sight documentation that covered the full extent of a recruitment action. In some instances, this may have been the result of ‘streamlining’ of recruitment processes, but in many cases, it appears to be a result of haphazard practice, resulting in incomplete, and generally disorganised recruitment records and files.

1.22 Sound recruitment practices are clearly a key requirement for organisational effectiveness. The practices must be sound in effect and in appearance. Documentation and record-keeping practices are important. This has been recognised in many government jurisdictions by the establishment of records management legislation (such as the ACT’s *Territory Records Act 2002*). Such legislation aims to ensure government entities maintain complete, accurate, reliable, and useable records of the activities, decision-making processes, and decisions. The Audit has suggested that a review of recruitment practices, aimed in part at ensuring the adequacy of record-keeping practices, is worthwhile. At the very least, agencies should encourage staff with recruitment responsibilities to apply sound record-keeping practices.

SUGGESTIONS FOR FUTURE ACTION

1.23 The following suggestions are made to address the audit findings detailed in this report.

Suggestion 1 – Common Guidelines

1.24 Consideration should be given to developing a common set of guidelines for recruitment, at a whole-of-government level, as a means of encouraging consistency in approach across the ACT Public Sector (paragraph 2.5).

Suggestion 2 – Recruitment Practices

1.25 Agencies should review their recruitment practices to ensure:

- documentation captures a complete, accurate, reliable and useable record of recruitment activities to meet legal, evidential and accountability requirements (paragraph 2.10);
- a selection strategy is considered, documented, and approved for recruitment activities as a means of helping to ensure a sound process was applied, consistent with the circumstances of the vacancy, and compliant with all legislative and policy requirements (paragraph 2.14);
- processes routinely provide for consideration of excess officers for vacancies, and for documentation of such consideration (paragraph 2.21);
- processes include and document timely pre-employment checks as described in the PSM Act (s68) (paragraph 2.29);
- information for applicants regarding vacancies includes advice regarding the use of rating systems where such a system is used as an aid to selection (paragraph 2.31);
- documentation of selection processes demonstrates that the composition of the selection advisory committee had regard to the recommended better practices (particularly gender, membership of EEO designated groups, training in selection processes and techniques) (paragraph 2.32);
- selection advisory committees include, in their recommendations for appointment, recommendations for a probationary period for new appointees (paragraph 2.35); and
- written offers of appointment include a salary offer (paragraph 2.36).

Suggestion 3 - Temporary Performance of Higher Duties or Temporary Employment

1.26 Agencies should review their current recruitment regarding practices for temporary performance of higher duties or temporary employment (contract) positions to ensure the practices represent efficient and effective use of public resources, and that decisions are made in an accountable and transparent manner (paragraphs 3.20, 3.26-27 and 3.34).

RESPONSE TO THE REPORT

1.27 In accordance with section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Chief Executives of the departments involved for consideration and comments.² The Chief Executives' responses were consistently supportive of the audit and the audit's suggestions for improvement.

1.28 Set out in the following paragraphs are three responses to the audit.

Chief Executive, Chief Minister's Department

I welcome the conduct of this audit and the positive nature of the resulting audit opinions. As with all administrative processes, there is always scope for improvement and I accept the report's recommendations on that basis. Each of the audit recommendations will be considered to see how the suggestions can be incorporated within an overall upgrade of policy and procedural guidance on each aspect of the recruitment process.

Chief Executive, Department of Justice and Community Safety

I have considered the findings of the report and I am pleased to note that they confirmed a high level of compliance with legislation, standards, policies, and guidelines. I further note the findings regarding areas for improvement across the ACT Public Service and assure you that agencies, within the Justice and Community Safety portfolio, will take on board these suggestions as they review and seek to continuously improve recruitment processes.

² Departments involved in this reaudit were: Chief Minister's Department; Department of Treasury; Department of Disability, Housing and Community Services; Department of Health and Community Care; Department of Education, Youth and family Services; Department of Justice and Community Safety; and Department of Urban Services.

Chief Executive, Department of Disability, Housing and Community Services

The report is a useful tool to the Department as it is finalising its processes and we will take note of its findings in the ongoing development of recruitment processes that are established in the Department.

To date we have particularly acted on the recommendation that practices in relation to higher duties and temporary employment contracts be examined. This Department has moved to ensure that legislation is adhered to in relation to temporary employment contracts and that the earliest practical resolution of higher duties is achieved.

CONCLUDING COMMENTS

1.29 The audit confirmed the expectation that there would be a high level of compliance with legislation, standards, policies, and guidelines. The Audit did note, however, several areas where recruitment practice could be improved to align processes more closely with those recommended by the Best Practice Notes. The Audit's suggestions for improvement address these deficiencies, which were related more to accountability and transparency of decision-making than compliance. It is pleasing to receive support from the Chief Executives regarding the Audit's suggestions for improvement.

1.30 The Audit has also raised some issues regarding recruitment practices relating to temporary performance of higher duties and temporary employment contracts that might benefit from further consideration by agencies. Although the Audit did not involve a detailed performance audit of recruitment processes related to temporary performance and temporary employment, the observations warrant further, and detailed consideration, by agencies. Again, it is pleasing to receive support from the Chief Executives on this matter.

1.31 The Auditor-General will consider during 2003-2004 whether a full performance audit of recruitment processes related to temporary performance and temporary employment, considering matters such as economy, efficiency, and administrative effectiveness, is warranted.

2. AUDIT OBSERVATIONS REGARDING BETTER PRACTICE

INTRODUCTION

2.1 As would be expected, the Audit noted a high level of compliance with legislation in all significant respects. Consequently, the Audit has concluded that the recruitment processes employed by the agencies reviewed were generally consistent with the Public Sector Management Act, standards, policies, and guidelines. The Audit has also concluded that the selection processes applied by ACT Government agencies would allow the selection of suitable applicants for the ACT Public Sector.

2.2 The Audit did note, however, several areas where practice could be improved to align processes more closely with those recommended by the Best Practice Notes (BPNs). These areas are discussed briefly in the following paragraphs. The Audit is aware that the BPNs are intended to provide advice to managers and staff of the ACT Public Service on the processes and practices required under the Standards and the PSM Act and are, for the most part, not legally binding. However, the BPNs themselves note that ‘occasionally mandatory or explanatory material relating to rules is included’, and the Audit considers BPNs present sound practice in public sector administration. For this reason, the Audit considers it is appropriate for agencies to have regard to the relevant BPNs dealing with recruitment practices.

AGENCY POLICY AND GUIDELINES

2.3 The recruitment advice offered by the Best Practice Notes is useful, but the BPNs are not necessarily intended to provide a step-by-step guide to recruitment, nor are they organised in such a manner. Consequently, several agencies have prepared agency-specific recruitment policies, guidelines, and strategies. The policies and strategies offer the opportunity to translate whole-of-government guidance to a procedural level, tailored to the specific environment of the agency (including, where appropriate, agency certified agreements). The Audit noted these policies and strategies were consistent in all significant respects with the legislative requirements of the PSM Act.

2.4 The Audit noted, however, that with individual agencies preparing policies and guidelines there was a potential for inconsistencies in

approach across agencies that could affect the outcome of the recruitment process. For example, in discussing shortlisting applicants:

- one agency ‘encouraged [selection advisory committees] to take a firm approach’³ whereas
- another agency noted that ‘there is no obligation on the committee to interview an applicant who does not adequately demonstrate that they meet the criteria however applications that do not specifically relate to the criteria should not be discounted without careful consideration’ (sic)⁴.

2.5 The Audit considers it would be preferable to ensure the overall approach to recruitment adopted by agencies was generally consistent. One means of achieving this would be to have a common set of guidelines at a whole-of-government level (for example, by reviewing and updating the Best Practice Notes or consolidating the advice in the BPNs into a single ‘guide to recruitment’).

DOCUMENTING THE RECRUITMENT PROCESS

2.6 The Audit has previously noted that documentation of recruitment activities was generally sufficient for accountability purposes, and evidenced compliance with mandated requirements. This is not to say that documentation and recordkeeping was of a consistent high standard.

2.7 Documentation and recordkeeping practices differed considerably across the agencies reviewed. For example, tracking a particular recruitment activity might require examining four separate files in one agency – an establishment file, a position file, a recruitment file, and a personnel file – whereas another agency might retain all relevant material on a single file. Some agencies ‘culled’ records soon after the recruitment activity was completed – for example, destroying documentation from unsuccessful applicants after any period for appeals lapsed, or ‘archiving’ files after a few months.

2.8 Regardless of the recordkeeping practice, in many cases it was difficult to sight documentation that covered the full extent of a recruitment action, that is, from determining the need (and gaining approval) to fill a vacancy, through to appointing the successful candidate

³ Chief Minister’s Department *Refining Recruitment*, reviewed February 2001

⁴ ACT Community Care *Recruitment and Staff Selection Procedures*, 2002

and advising those who were unsuccessful. In some instances, this may have been the result of ‘streamlining’ administrative processes, but in many cases, it appears to be a result of haphazard practice, resulting in incomplete, and generally disorganised recruitment records and files.

2.9 The Audit noted that a common theme in the agency-specific policies and strategies was a proposal to ‘streamline’ recruitment processes. Improved public administration – through efficiency gains - is clearly an important objective. However, it should not be accompanied by a diminution of public accountability or transparency of decision-making. The Audit notes that some streamlined processes have resulted in minimal documentation to support key stages of recruitment, particularly the initial review of the need to fill a vacancy, selection strategies and shortlisting and assessment of applicants. Although these stages of the recruitment process are not mandated by legislation, the lack of documentation available makes difficult the task of accounting suitably for compliance with legislated requirements of fairness, merit, equity, natural justice and anti-discriminatory conduct.

2.10 The Audit considers that agencies should review their recruitment documentation processes, preferably in the context of developing a formal records management program as required by the *Territory Records Act 2002*. The review should aim to ensure agencies capture complete, accurate, reliable and useable documentation of their recruitment activities to meet legal, evidential and accountability requirements.

SELECTION STRATEGIES

2.11 The Audit found few instances where a selection strategy was developed and documented.

2.12 BPN 2.3 *Selection* advises, in the section *Merit and the Recruitment Process*, that ‘it is the responsibility of Chief Executives to decide how to assess applicants’ and ‘the selection process should be designed to suit the type of vacancy and the number of applications’. The BPN goes on to describe several desirable characteristics of the selection process and good decision-making in recruitment. An implication of these statements is that it is sound practice to prepare a ‘selection strategy’ whenever a vacancy arises. A selection strategy would aim to ensure that:

- there was a genuine need to fill the vacancy;
- the job level, description, and duties were appropriate;

- the vacancy was advertised in a manner that would encourage a wide field of suitably qualified applicants;
- innovative and proactive recruitment sources were used appropriate to the market and the individual needs of the vacant position;
- the selection and assessment methodology (including criteria, selection advisory committee, rating system and so forth) was appropriate to the needs of the position;
- a sound decision, based on the relative merits of the applicants, was made within a reasonable timeframe; and
- conditions of appointment were appropriate to the circumstances of the selected applicant and the needs of the position.

2.13 In short, a selection strategy would demonstrate how the agency intended to meet the requirements of the PSM Act to recruit in an open and fair manner, with decisions based on merit. Documenting a selection strategy would be a valuable first step in ensuring accountability and transparency in recruitment decision-making.

2.14 The Audit considers that documentation of a selection strategy, appropriate to the needs of the particular recruitment activity, would represent sound recruitment practice. The complexity and detail of such a strategy would clearly be influenced by the nature of the recruitment; for example, the selection strategy to permanently fill a senior professional specialist vacancy may be more involved than a strategy to fill a five-month vacancy for a mid-range administrative position. Nevertheless, consideration, documentation, and approval of a selection strategy would help ensure a sound process was applied, consistent with the circumstances of the vacancy, and compliant with all legislative and policy requirements.

EXCESS OFFICERS

2.15 Few recruitment activities clearly documented the consideration of excess or potentially excess officers for transfer or promotion to the vacancies.

2.16 An officer may be declared excess to an agency's needs for several reasons.⁵ The number of excess officers across the ACT Public Sector or within a particular agency will clearly vary from time to time, as will the officers' substantive classifications and the reasons for declaring them excess. During the period of the Audit, central records of excess officers were not maintained, but in January 2002 there were 24 officers declared excess in the ACT Public Sector.

2.17 Agencies have many obligations (established through industrial awards or certified agreements) regarding officers who have been declared excess to an agency's needs. Principal among these is the obligation to seek to redeploy an excess officer. For example, the recently endorsed *ACT Public Sector Certified Agreements Template* states:

The Agency will make every effort to facilitate the placement of an excess employee, both within the Agency and to other ACTPS agencies.⁶

2.18 The relevance of these obligations to recruitment is evident in the following provisions of the 'core conditions template':

88.2 The Agency will consider potentially excess and excess employees from other ACTPS agencies in isolation for vacancies at their substantive level.

88.3 Excess employees (potential or actual) have absolute preference for transfer to positions at their substantive level and must be considered in isolation from other applicants for any vacancy within the ACTPS. An excess employee need only be found suitable, or suitable within a reasonable time (generally three to six months) to be transferred to the position.

2.19 With few recruitment activities documenting whether regard was had to excess officers when job vacancies arose, it is not evident whether,

⁵ PSM Act, s139. For example, an agency may determine that it has more staff than are necessary to efficiently and economically perform the work, or the agency may be unable to effectively use the services of the officer because of technological or other changes in work methods.

⁶ The *ACT Public Sector Certified Agreements Template*, Section M: Redeployment/Redundancy, Paragraph 88 Redeployment. This agreement provides a 'template' for certified agreements in the ACT Public Sector, and contains core conditions of employment agreed between the relevant unions and the Government. The template was endorsed for use across the ACT Public Sector in December 2002.

in practice, consideration of excess or potentially excess officers is an established recruitment practice within agencies.

2.20 The Audit acknowledges that there are relatively few excess officers across the public sector, and that many agencies have no officers declared excess. On the face of it, this would suggest that consideration of excess officers for vacancies would be a simple, routine action. But with much of the recruitment activity devolved to line areas within an agency (particularly for temporary vacancies), rather than being centralised, the risk that consideration of excess officers will be overlooked is increased.

2.21 The Audit considers that agencies should ensure their recruitment processes routinely provide for consideration of excess officers for vacancies, and for documentation of such consideration. Potentially, this step could be included in a selection strategy (see paragraphs 2.11-14). At the least, delegates should be satisfied that such consideration has taken place before approving an appointment, promotion or transfer to a vacancy.

PRE-EMPLOYMENT CHECKS

2.22 Although documentation showed key pre-employment checks of applicants for selection processes involving appointments or promotions were undertaken, some practices could be improved.

2.23 The PSM Act provides that before a person can be appointed to the ACT Public Sector, the responsible Chief Executive must be satisfied the person is ‘a fit and proper person to be so appointed’.⁷ This is done by conducting several pre-employment checks which have regard to:

- verification of the person’s identity;
- whether the person has any prior criminal convictions;
- the previous employment record of the person;
- the need for suitable references in support of the person’s application for appointment; and
- verification of the person’s educational qualifications required for the appointment.⁸

⁷ PSM Act s68 (2)(c)

⁸ *ibid*

2.24 These are important checks, not least because they should confirm information obtained during the selection process that might influence not only the selection decision but also matters such as the person's commencement classification and salary. Further, pre-employment checks should be an important part of an agency's fraud and corruption management program. For example, in a recent report on serious fraud in Australia and New Zealand, published by the Australian Institute of Criminology, 'personnel failures' – including 'inadequate staff employment screening' – were noted as a high area of risk, which (among others), enabled offences to take place.⁹

2.25 The BPNs advise that all checks should be completed before the person starts work. This is sound management, but in practice, many employees are engaged 'subject to' the pre-employment checks.

2.26 Several of the agency-specific recruitment policies and guidelines examined during the Audit also refer to the need to undertake pre-employment checks. One agency stresses that pre-employment checks should be undertaken when engaging a person as a temporary employee as well as for permanent appointments. The Audit agrees. Indeed, the Audit notes that BPN 2.2 *Entry to Employment* advises, in the section *Appointment*, that 'a police records check is arranged as a matter of course for applicants for appointment, and fixed and temporary employment, even when no criminal conviction is disclosed by the applicant'.

2.27 The Audit noted evidence on relevant recruitment and personnel files that 'criminal history character' checks had been conducted for new appointments by the Australian Federal Police, and commonly, that a health assessment had been performed. However, it was not always evident that the agency had verified the identity, previous employment record, or educational qualifications of the appointee. In other words, the files did not show the appointee had provided (or been asked to provide) acceptable, original, documentation of proof of identity or of the veracity of claims regarding previous employment or educational qualifications.

2.28 The Audit also noted that in several cases, the pre-employment checks were not carried out in a timely manner; that is, the applicant

⁹ Australian Institute of Criminology and PriceWaterhouseCoopers 2003 *Serious Fraud in Australia and New Zealand, Australian Institute of Criminology Research and Public Policy Series No. 48*

commenced employment before some checks (particularly the ‘criminal history character’ checks) were completed.

2.29 Further, for many of the recruitment activities examined during the Audit, there was no documentation to indicate that suitable references had been obtained in support of the person’s application for appointment. The Audit acknowledges that agencies are not obliged to seek a referee’s report (written or oral) during a recruitment activity. Nevertheless, there are sound reasons why a referee should be approached (particularly the current supervisor for applicants from within the public sector), and why any consideration of a referee’s report should be documented.

2.30 The Audit considers that agencies should ensure their recruitment processes include, as a matter of importance, timely pre-employment checks as described in the PSM Act (s68). Such checks should be documented. Where, for whatever reason a decision has been made not to conduct a check (including contacting referees), the decision and the reasons for it should be documented.

OTHER MATTERS

2.31 In several agencies there was little documentation to suggest the areas of recruitment activity discussed in the following paragraphs were established practice within the agency:

Advice to Applicants

2.32 BPN 2.3 *Selection, Merit and the Selection Process* advises that applicants should be informed when ‘a rating system is being used [as a selection methodology], and explain how it is being applied’. Documentation made available to applicants did not commonly include such advice.

Selection Advisory Committees

2.33 BPN 2.3 *Selection, Merit and the Selection Process* provides advice regarding the role, responsibilities, and composition of a selection advisory committee. Documentation available to the Audit frequently did not indicate that the composition of the committee had regard to the recommended better practices (particularly gender, membership of EEO designated groups, training in selection processes and techniques).

Recommendations of Appointment

2.34 The PSM Act (s70) provides that appointments to the public sector will be on probation except under certain, limited, circumstances. The PSM Act provides for a six-month probationary period. However, the recently endorsed *ACT Public Service Certified Agreement Template*, provides that ‘where a person is appointed on probation under the PSM Act, the period of probation will be three months or longer if this is reasonable, having regard to the nature and circumstances of the employment’.

2.35 BPN 2.2 *Entry to Employment, Probation* notes that ‘appointments without probation are rare’ and offers examples of circumstances that may warrant appointment without probation. Such circumstances (for example, ‘the applicant’s proven employment record clearly shows that they can meet all the requirements of the job at the expected standard’ or ‘the applicant has worked as a temporary employee and ... performance reports show they meet the required standards’) are not altogether unusual, and the Audit expects they would arise from time to time.

2.36 Nevertheless, none of the recommendations for appointment (prepared by selection advisory committees) reviewed by the Audit made any reference to a probationary period for new appointees. Decisions regarding probationary periods have been made by the relevant agency’s Human Resource Section, without input from the selection advisory committee notwithstanding that the committee would be best placed to advise on such matters. The Audit considers it would be appropriate for selection advisory committees to make a specific recommendation regarding probation, particularly if the circumstances may warrant appointment without a probationary period.

Offers of Appointment

2.37 BPN 2.2 *Entry to Employment, Appointment* advises that after a recommendation for appointment has been approved in principle, the delegate should make a written offer to the applicant. The BPN lists several matters that should be included in the written offer. The Audit noted that written offers of appointment generally included the matters recommended by the BPN, although surprisingly, many did not contain a salary offer.

CONCLUDING COMMENTS

2.38 The matters discussed in this Chapter are not necessarily compliance issues. They are all, however, matters raised in the current better practice policy and guidance available to agencies generally (that is, PSM Standards and Better Practice Notes). Many are matters referred to in agency-specific policies and guidelines. Furthermore, the issues raised reflect sound practice in public sector administration.

2.39 The Audit considers that agencies should review their current recruitment practices to ensure they represent best practice, and provide for accountable and transparent recruitment decisions. At the least, agencies should remind staff with recruitment responsibilities of the importance of sound administrative practice, which is often demonstrated by sound record-keeping and documentation.

3. TEMPORARY PERFORMANCE OF HIGHER DUTIES/TEMPORARY EMPLOYMENT

INTRODUCTION

3.1 This Chapter briefly discusses recruitment activities related to the temporary performance of higher duties or temporary employment (contract) positions. It should be noted that the audit findings are the result of observations made during the compliance audit of recruitment processes; they are not based on a full and detailed performance audit of these matters.

3.2 The Audit has concluded that ACT Public Sector recruitment processes, including those relevant to temporary performance of higher duties or temporary employment, are consistent with the PSM Act, relevant standards, policies, and guidelines.

3.3 Nevertheless, the Audit noted several areas, many related to temporary performance of higher duties or temporary employment, where forming an opinion on compliance was somewhat problematic. These are discussed in this Chapter. The Audit has also made a number of more general observations regarding recruitment practices for temporary performance/temporary employment that might benefit from further examination by agencies.

BACKGROUND

3.4 Under the PSM Act (s100 and s101), a Chief Executive ‘may, by writing, direct an officer to perform temporarily the whole, or a specified part, of the duties of an office’ in the relevant agency. A ‘Higher Duties Allowance’ is payable to an officer who is directed to perform the duties of an office higher than their normal office (PSM Standard 3 *Conditions of Employment and Attendance, Higher Duties*).

3.5 Under the PSM Act (Division 7, particularly s106 and s108), a Chief Executive may engage a person for temporary employment for up to five years in the relevant agency subject to certain conditions. A person may also be engaged for temporary employment on a casual basis.

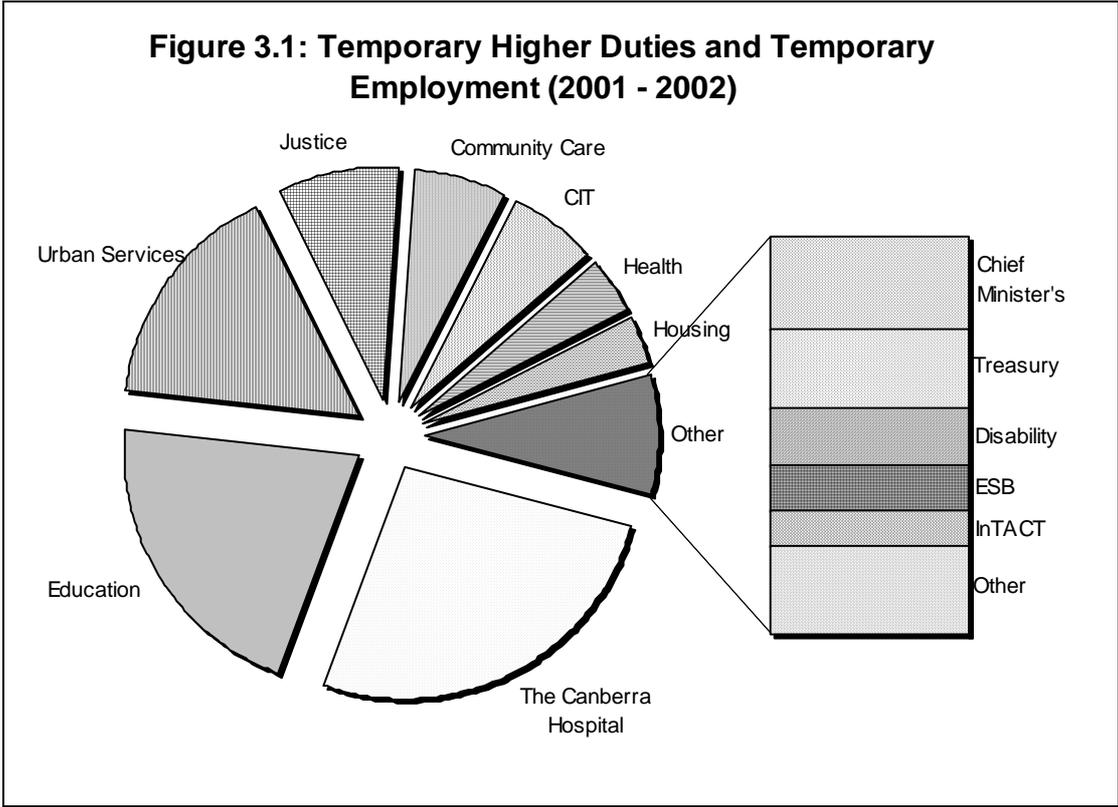
3.6 The PSM Standards and the BPNs provide policy, guidance, and advice in relation to temporary performance of higher duties and temporary employment.

QUANTIFYING THE ISSUE

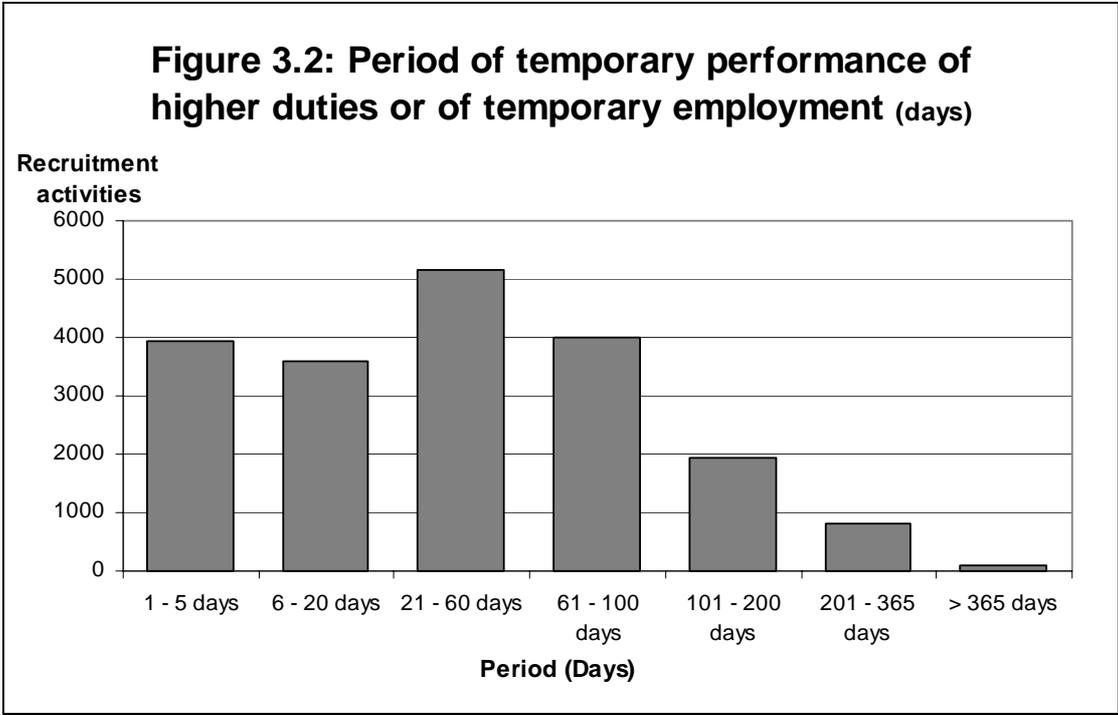
3.7 The Audit has previously noted (Table 1.1 at paragraph 1.10) that of the 22,000 individual recruitment activities recorded in the PERSPECT Human Resource Management Information System during 2001-2002, more than 19,500 (88%) related to temporary performance of higher duties or temporary contract positions. The following tables and figures provide further detail.

Table 3.1: Temporary Performance of Higher Duties and Temporary Contracts (2001-2002)				
Agency	Higher Duties	Temporary Contract		Total
		External	Internal	
The Canberra Hospital	4,132	333	704	5,169
Education	1,882	647	1,574	4,103
Urban Services	2,420	176	549	3,145
Justice	844	166	649	1,659
Community Care	637	191	402	1,230
CIT	493	169	532	1,194
Health	468	70	228	766
Housing	535	25	74	634
Chief Minister's	279	31	80	390
Treasury	246	28	55	329
Disability	167	53	22	242
ESB	120	13	51	184
InTACT	124	7	12	143
Other	157	84	124	365
Total	12,504	1,993	5,056	19,553

Source: PERSPECT Human Resource Management Information System

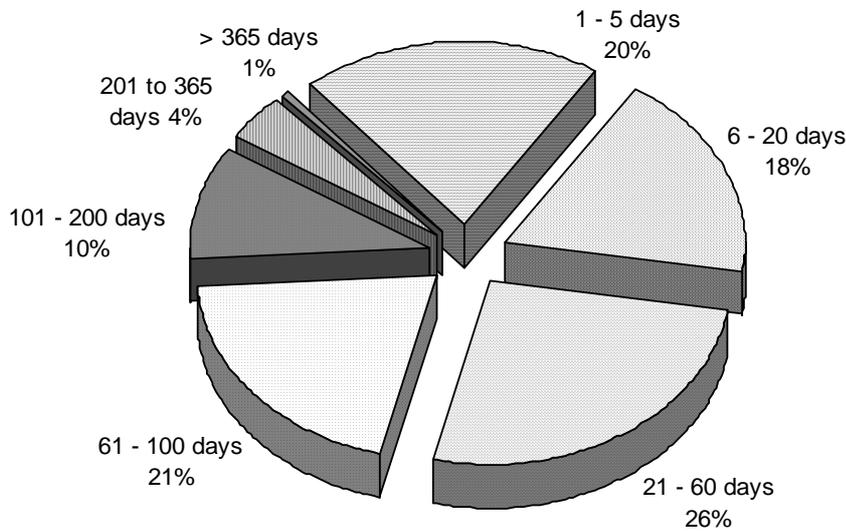


NOTE: The Figure shows each agency's recruitment activities for temporary performance of higher duties and temporary employment, as a percentage of all relevant recruitment activities (n = 19,553)



NOTE: The figure shows the number of relevant recruitment activities in relation to the period (in days) of temporary performance of higher duties or temporary employment (n = 19,553)

Figure 3.3: Period of temporary performance of higher duties or temporary employment (days)



NOTE: The figure shows the period of temporary performance or temporary employment as a proportion of all relevant recruitment activities (n = 19,553)

3.8 Further examination of the PERSPECT data for 2001 – 2002 shows:

- two agencies – The Canberra Hospital and the Department of Education, Youth and Family Services – accounted for almost half of all recruitment activity in relation to temporary performance of higher duties or temporary contract positions;¹⁰
- about 20% (about 4,000) of all relevant recruitment activity was for periods of five days or less;
- almost 10% (approaching 2,000) of all relevant recruitment activity was for only one day;
- some 35% (approaching 7,000) of all relevant recruitment activity involved periods in excess of three months; and
- more than 100 persons have been on temporary performance of higher duties arrangements or on temporary employment contracts for more than a year.

¹⁰ These two agencies are the ACT Public Sector’s largest employers; together they engage some 57% of public sector employees.

AUDIT COMMENTS

3.9 The Audit has concluded that recruitment processes relevant to temporary performance of higher duties or temporary contract positions comply with legislation in all significant respects. This conclusion was reached notwithstanding that documentation for most recruitment activity of this type was limited to the use of a standard form – the Temporary Transfer Form (or similar).

3.10 The forms used provide an opportunity for the recommending officer to indicate the ‘reason for the vacancy’ and whether the vacancy has been advertised. By recommending an employee to perform other duties on a temporary basis, and signing the form, the recommending officer is certifying that ‘the transferee is the most efficient officer available’. The form notes:

For transfers in excess of three months: If nominated officer was not selected as a result of interview, why is said officer deemed as **MOST** efficient? (separate minute)

3.11 The standard form provides for the delegate to sign to indicate approval to the recommendation and to formally direct the recommended officer to ‘perform the duties of the above position for the period stated’.

3.12 The completed form evidences compliance with all significant aspects of the legislation.

3.13 However, with no other documentation relating to this type of recruitment activity on file, the Audit found it difficult to form an opinion on whether the selections examined had regard to the guidance available from relevant BPNs and agency-specific material; that is, whether particular selection processes were undertaken in accordance with accepted ‘best practice’. This in turn raises questions regarding the transparency of decision-making.

3.14 Two areas in particular highlight these matters; namely the ‘authenticity’ of the vacancy, and the selection process.

The ‘Authenticity’ of the Vacancy

3.15 BPN 2.2 *Entry to Employment, Recruiting to Temporary and Casual Positions* advises that ‘as vacancies arise, managers should assess whether to fill the vacancy, considering broader operational requirements

of the area'. Agency-specific policy in a number of agencies encourages line managers to ask the following questions (among others) before advertising a vacancy:

- does the position need to be filled at all? and
- can the work be distributed to others in the workplace (addressing workload issues)?

3.16 This is nothing more than sound management; considering all options for getting the job done.

3.17 Given that more than a quarter of recruitment activities for temporary performance of higher duties and temporary employment in 2001 – 2002 involved less than 10 days performance, the question must be asked: was there a genuine need to fill the vacancy? Yet the Audit found no evidence that such an assessment had been made on any of the files reviewed, other than the typical notation on the Temporary Transfer Form that the vacancy arose because the nominal occupant of the position was on leave.

3.18 Advice was received during the Audit that one reason for temporary performance for very short-terms (one or two days) is the need to ensure particular actions are taken, or decisions are made, by properly delegated employees. Delegations rest with the position; they may be exercised by any properly appointed occupant of the position. If the substantive occupant of the position is absent from the workplace (for example, on personal leave, flex-leave, training etc) and the delegation needs to be exercised, a suitable employee may be directed to 'act' in the position. In most cases, temporary performance must be approved for a minimum of one day, regardless of whether the delegation was exercised for five minutes or constantly throughout the day.¹¹ Examples include some medical/nursing positions, or some finance or personnel functions.

3.19 The audit accepts that circumstances such as those described in the preceding paragraph will occur from time to time. In 2001 – 2002, there

¹¹ The recently endorsed *ACT Public Service Certified Agreement Template* prescribes minimum periods of Higher Duties Allowance for a person directed to perform the duties of a higher office. An employee acting in a position with a maximum salary of an ASO 6 or equivalent, or less will be paid Higher Duties Allowance for a period of 1 day or more. An employee acting in a position with a salary or maximum salary greater than the maximum salary of an ASO6 or equivalent will be paid Higher Duties Allowance for a period of 5 days or more.

were more than 2,800 ‘transactions’ for temporary performance or temporary employment of only one or two days. Whether temporary performance is necessary in each case, or is the most efficient option, is not clear.

3.20 The Audit considers that agencies should review their temporary performance/temporary employment recruitment processes to ensure managers realistically assess whether there is a genuine need to temporarily fill vacancies, particularly short-term vacancies of up to, say, 20 days.

The Selection Process

3.21 BPN 2.3 *Selection, Merit and the Selection Process* advises that ‘the level of assessment and competition may vary with the type of vacancy, the qualifications or knowledge needed, and the length of employment’. The BPN also advises that ‘to fill a temporarily vacant position, reasonable efforts must be made to select an officer on merit to “act” in the position’. For vacancies of less than three months, a ‘suitable applicant can be selected using a simple selection process, including informal interviews’. Vacancies exceeding three months ‘must be advertised in the appropriate staff bulletin, and a suitable applicant selected using a selection process similar to that used when filling a permanent vacancy’.

3.22 Some 35% (approaching 7,000) of all recruitment activities for temporary performance of higher duties and temporary employment in 2001 – 2002 involved periods in excess of three months. This does not include shorter periods that may have extended the overall period a person had been ‘acting’ to more than three months.¹²

3.23 Recruitment activities for temporary performance/temporary employment examined during the Audit did not document the selection process, even where the period involved exceeded three months. No files examined included documentation supplementary to the Temporary Transfer Form to explain why the recommending officer considered the

¹² The Audit examined selected representative recruitment ‘transactions’ primarily for compliance with the PSM Act. This did not extend to examining in detail whether recruitment activities for temporary performance of higher duties or temporary employment were continuations of previous temporary engagements, or were followed by further periods of temporary performance/temporary employment.

nominated officer as the **most** efficient officer available (see paragraph 3.10). No ‘recruitment’ files, documenting the application of competitive selection process, were provided to the Audit in support of recommendations. The absence of documentation was unexpected. That some form of competitive selection process is applied for many temporary vacancies of more than three months is evident from the numerous advertisements in the ACT Government Staff Bulletin. The Audit expected that documentation of this process would be available.

3.24 The Audit recognises that selection processes used should reflect the duration of the engagement, the qualifications and skills required, the level of the job and the quality of applicants. It seems clear that selection processes for a three-month vacancy will be less formal than those for, say, nine months. The processes applied may be a modified version of the selection processes described in the BPNs, simplified or streamlined to reflect the circumstances of the vacancy. But if the vacancy is for more than three months, agencies must be able to demonstrate that a competitive merit-based selection process was applied, as stated in PSM Standard 2:¹³

To ensure that a selection is based on merit as set out in section 65 of the Act a competitive selection process should be used to assess the merit of applicants for promotion, appointment, fixed term engagement, temporary transfers to a higher office for more than three months and temporary engagement for a term over twelve months.

Temporary engagement for a term under twelve months must be based on merit but does not involve all elements of the competitive selection process set out in Part 4 of this standard.

3.25 The Audit would expect documentation to be available to demonstrate that the requirements of PSM Standard 2 had been met. In the absence of sufficient supporting documentation, it is not possible to determine whether a suitable competitive selection process was employed. This has accountability and transparency implications.

3.26 The Audit considers agencies should review their temporary performance/temporary employment recruitment processes to ensure the

¹³ PSM Standard 2 *Employment in the Public Service, Part 3 Merit and the recruitment Process*

agency is able to demonstrate that, for vacancies exceeding three months, a suitable competitive merit-based selection process was applied.

3.27 Further, the Audit considers any review of recruitment processes for temporary performance/temporary employment should ensure that where the temporary performance was expected to be less than three months but has been extended to continue for more than three months, the decision is reviewed to ensure that merit is the primary basis for selection.

CONCLUDING COMMENTS

3.28 The Audit considers that temporary performance/temporary employment is not an ineluctable consequence of a temporary vacancy. BPN 4.1 *Career Moves, Temporary Performance* advises that temporary performance is appropriate if:

- the duties of the position need to be carried out; e.g. when large numbers of staff are on leave or the level of work in the area is high or it is an off-line position;
- a position is vacant pending permanent filling; and
- the substantive occupant is on leave or performing other duties.

3.29 The BPN further advises that if the temporary performance will be for three months or less, operational requirements may be considered, including:

- the efficient management and functioning of the agency;
- the costs associated with temporary performance; and
- the need for officers to gain experience in the performance of those duties.

3.30 Several caveats are noted:

- consequential acting arrangements should be avoided;
- other options should be considered; e.g. reallocating work or transferring another officer at the same level for the period; and
- performance can be at the officer's substantive level or at a higher level;

3.31 Elsewhere, BPN 3.6 *Attendance and Absence* advises:

Generally, Higher Duties Allowance (HDA) is not payable to replace an officer during a flextime absence. Occasionally, the relevant Chief Executive may approve HDA payment when the usual occupant is on approved core time leave and essential duties are required to be performed. If these occurrences of HDA payments happen regularly, alternative arrangements should be put in place, or the occupant of the position should not have flextime available to them.

3.32 The intent of the advice in the BPNs is to encourage managers to consider seriously the full range of options for filling a temporary vacancy. Several options are available. Obviously, one option is not to fill a vacancy at all. Given that 20% of all recruitment activity (almost 4,000 ‘transactions’) for temporary performance/temporary employment during 2001 – 2002 was for periods of five days or less, it is not clear to the Audit that this option is seriously entertained. A further 18% (some 3,600 ‘transactions’) was for periods from six to twenty days.

3.33 There is undoubtedly a significant cost associated with administering recruitment and payroll activities associated with temporary performance/temporary employment. In 2001 – 2002, the PERSPECT Human Resource Management Information System recorded more than 19,500 such transactions. To put this in perspective, more than twelve temporary performance ‘transactions’ take place somewhere in the ACT Public Sector every hour, every working day. This represents a significant administrative cost.

3.34 The Audit has not, at this time, conducted a detailed performance audit of recruitment processes related to temporary performance and temporary employment. The audit findings discussed above are the result of observations made during the compliance audit of recruitment processes. Nevertheless, the Audit considers the observations warrant further, and detailed consideration, by agencies. The Audit strongly suggests that agencies review their current practices to ensure the practices represent efficient and effective use of public resources, and that decisions are made in an accountable and transparent manner.

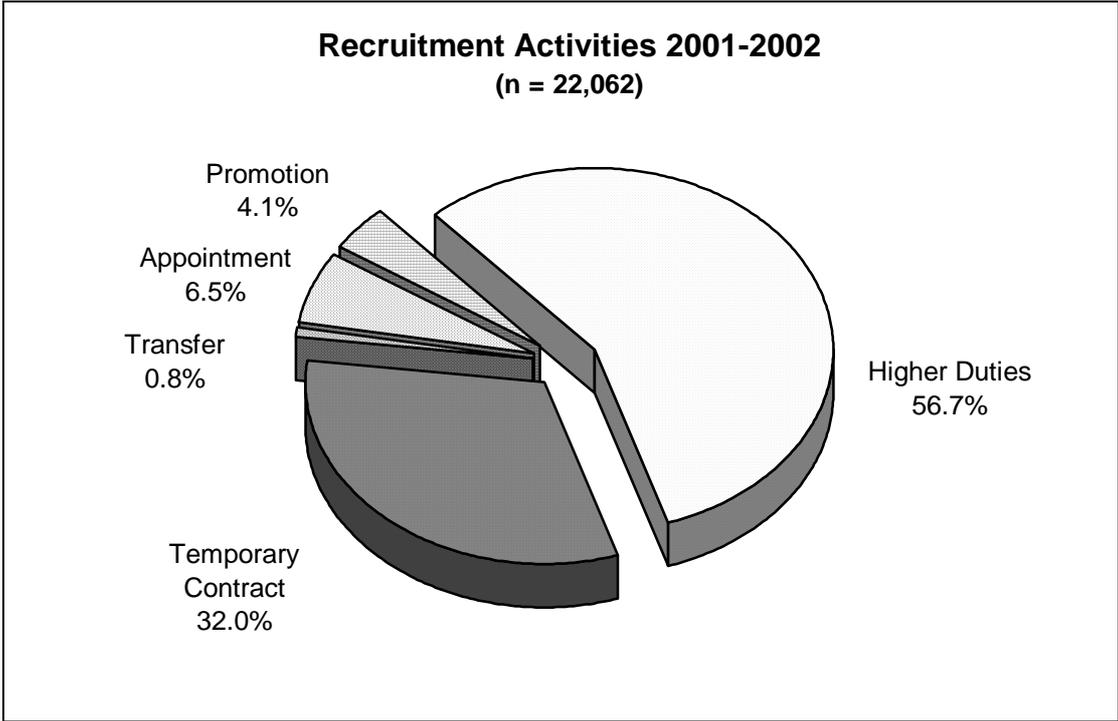
3.35 The Audit will consider during 2003-2004 whether a full performance audit of recruitment processes related to temporary performance and temporary employment, considering matters such as economy, efficiency, and administrative effectiveness, is warranted.

Appendix A – Recruitment Activity in the ACT Public Sector (2001-2002)

Table B1: Recruitment Activity in the ACT Public Sector (2001-2002)									
Agency	Appointment		Promotion		Temp. Contract		Higher Duties	Transfer	Total
	External	Internal	External	Internal	External	Internal			
ACT Treasury	33	1		42	28	55	246	7	412
Chief Minister's Department	34	4		45	31	80	279	22	495
Chief Minister's Office					23	29		1	53
InTACT	34			16	7	12	124	4	197
Education	234	3		193	647	1,574	1,882	26	4,559
Department of Justice & Community Safety	81	2		82	166	649	844	11	1,835
Department of Health & Community Care	39			53	70	228	468	37	895
The Canberra Hospital	435	7	1	152	333	704	4,132	3	5,767
Department of Urban Services	142	5	3	139	176	549	2,420	22	3,456
ACT Community Care	107	5	1	56	191	402	637	10	1,409
ACT Housing	38	1	1	32	25	74	535	6	712
Disability Program	85			20	53	22	167	5	344
ACT Auditor-General's Office	4			2	7	7			20
ACT Insurance Authority	1			1				2	4
ACT Workcover	7			13	26	44	75	2	167
Canberra Institute of Technology	48			34	169	532	493	6	1,282
Canberra Tourism & Events Corporation	4			1	10	19	57		91
Cultural Facilities Corporation						2		1	3
Emergency Services Bureau	76	1		6	13	51	120	5	272
Gambling & Racing Commission	3			5	9	14	11	1	43
Gungahlin Development Authority							2		2
Kingston Foreshore	1				2	1	4		8
Olympics							3		3
Pricing & Regulatory Commission	1			1	2	3	2		9
Stadiums Authority	2			1	5	5	3		16
Total	1,409	29	6	894	1,993	5,056	12,504	171	22,062

Source: PERSPECT Personnel System, InTACT November 2002

COMPLIANCE PERFORMANCE AUDIT – RECRUITMENT PROCESSES



NOTE: The figure shows the type of recruitment activity as a proportion of all such activities recorded in the PERSPECT Human Resource Management Information System for 2001 – 2002 (n = 22,062)

Appendix B – Audit Approach

COMPLIANCE PERFORMANCE AUDITS

Compliance performance audits provide an assessment regarding whether legislative and related policies and procedures are being complied with, in all significant respects.

Typically, a compliance performance audit will examine matters important to the ACT Public Sector as a whole, and will seek to provide assurance to the Legislative Assembly on specific and clearly delineated subject areas, based on an examination of financial or administrative activity in a selection of agencies. The audits will be reported generically, that is, common findings only are included in the report to the Legislative Assembly, and these findings are not attributed to any particular agency.

The extent of coverage, that is, the number of agencies involved and the number of subject areas to be examined, will be influenced by several factors, including:

- the significance of the proposed subject area to agency operations and accountability (including financial materiality);
- risks to good management;
- the extent of recent independent review of the proposed subject area (for example, by internal audit);
- overall potential audit impact; and
- the resources available to undertake the audit.

Typically, a compliance performance audit would include the following activities:

- a) identify those documents that set down the policies and procedures to be followed when conducting financial or administrative activity. This may involve researching documents and discussion with the relevant departmental staff.
- b) identify procedures and controls used to give effect to the legislation and to ensure was compliance or to be given consideration when conducting financial or administrative activity.

- c) determine whether all the relevant policies and procedures had been followed and relevant documentation has been prepared.
- d) determine whether the administrative decisions made were based on information that was accurate, complete, interpreted correctly and used appropriately.

FOCUS AND SCOPE

For the purpose of the proposed audit, ‘recruitment’ was defined to include all employment selection processes involving appointment, promotion or advancement of persons to or within the ACT Public Service. All categories of employment type and job group were considered, including Executive levels (employment types and job groups are those used in the *State of Service Report 2001-2002*).

The audit covered recruitment process across several ACT Government departments. The departments examined in detail were:

- Chief Minister’s Department;
- Department of Treasury;
- Department of Disability, Housing and Community Services;
- Department of Health and Community Care;
- Department of Education, Youth and family Services;
- Department of Justice and Community Safety; and
- Department of Urban Services.

The scope of the audit was limited to compliance with the legislation and did not involve evaluating the legislative framework or other guidance relied upon *per se*. However, reasons for any departure from the framework were to be analysed and reported where appropriate so that improvements can be made in the future.

Further the audit did not address the effectiveness of the recruitment process (i.e. whether the ‘right’ person has been selected). The emphasis was on compliance with legislation, policy and guidelines and the efficiency of the process.

METHODOLOGY

The broad approach applied consisted of:

COMPLIANCE PERFORMANCE AUDIT – RECRUITMENT PROCESSES

- identifying those documents that set down the policies and procedures to be followed when conducting recruitment activity. This involved researching documents and discussion with the relevant departmental staff;
- identifying procedures and controls used to give effect to the legislation and to ensure compliance, and developing a normative test program covering the major areas of the recruitment process, including authenticity of position, appropriate selection processes, appointment procedures, applicant checks, and record keeping. The test program was designed to capture all mandated actions in the recruitment process;
- determining whether all the relevant policies and guidelines had been followed and relevant documentation has been prepared. This was undertaken through the detailed examination of a representative sample of recruitment ‘transactions’ using the Audit’s test program. More than 700 recruitment transactions were examined in detail in this phase of the audit;
- determining whether the decisions made were based on information that was accurate, complete, interpreted correctly and used appropriately;
- briefing, interviews and correspondence with relevant Departmental staff;
- ongoing discussions with Departmental representatives; and
- preparation and finalisation of a report to the Legislative Assembly and to specific agencies (as required).

After identifying the legislative framework, the Audit identified the procedures and controls used to give effect to the legislation. From this information, the Audit developed a normative test program covering the major areas of the recruitment process, including authenticity of position, appropriate selection processes, appointment procedures, applicant checks, and record keeping. The test program was designed to capture all mandated actions in the recruitment process. The Audit checked the appropriateness of the test program in several agencies before its implementation to ensure the program was a robust model for application across public sector agencies.

Details of recruitment activities for each department for 2001 – 2002 were extracted from the PERSPECT Human Resource Management

Information System, and a representative sample of ‘transactions’ was selected for detailed examination using the Audit’s test program.

The Audit’s findings and opinions are based largely upon the results of the detailed testing of selected recruitment ‘transactions’; that is, the opinions are based on sampling. For this Audit, sampling was considered the most appropriate means for selecting items for testing. For each agency under review, a random selection of transactions was drawn for each of the main types of recruitment (appointment, promotion, temporary performance of higher duties and temporary contract). More than 700 individual transactions were examined in detail during the audit. It should be noted that audit procedures are designed to provide reasonable – not absolute – assurance regarding the audit opinion. The use of testing based on sampling introduces some risk that the auditor will reach an erroneous conclusion because, for example, the sample tested was not representative of the full population of transactions. The Audit considers that the risk in this instance is small.

Broad Stages of the Recruitment Process

The Audit’s test program considered the following broad stages of the recruitment process:

Authenticity of Position

The first stage in the recruitment process is concerned with authenticating a vacant position; that is, confirming there is a need to recruit at all. At the outset, the agency should consider all options for getting the job done, such as redistributing the work, job redesign, alternative working arrangements, better use of technology, secondments, and so forth. Such consideration is typically the responsibility of the line manager (perhaps in consultation with HRM staff) and may result in the creation or modification of a position (or ‘office’).

For each office, there should be job descriptions that relate to the specific requirements of the position. The job descriptions, including the level of the position and selection criteria, should be reviewed every time a vacancy arises.

Once the need to fill a position has been approved by the delegate, a selection strategy should be considered, covering such matters as advertising the vacancy (in a manner aimed at attracting an appropriate

field of applicants), forming a selection committee and determining the method of selection (for example, job application, interview, written assessment, assessment centre, referee reports etc).

Selection Processes

This stage of the recruitment process involves applying the approved selection techniques to the applications received. The selection process should lead to merit-based and non-discriminatory decisions based on the advertised selection criteria. Typically, the field of applicants will be considered overall and a selection short-listed for further consideration and to participate in the assessment process. This stage should result in a recommendation from the selection advisory committee regarding the preferred applicant. A report will be prepared that includes a summary of the assessment strategy, individual and comparative assessments, and a clear rationale for the ranking of the applicants.

Appointment Procedures

This stage involves the appointment of the recommended applicant, and follows the delegate's approval of the selection advisory committee's recommendation. The successful applicant should be advised in writing of the outcome of the selection process, and provided clear information regarding the position, classification, agreed salary, location, pre-employment checks required, and any probationary requirements. Unsuccessful applicants should also be advised of the outcome of the selection process, and offered feedback, in sufficient time to allow the applicant to lodge an appeal (where relevant).

The selection process to this stage should be completed within six months of the vacancy being advertised.

Pre-employment Checks

This stage will involve confirming that the recommended applicant is 'a fit and proper person to be ... appointed'¹⁴ under the PSM Act. Regard will be had to verifying the applicant's identity, citizenship, previous employment record, required educational qualifications, references, and whether the applicant has any prior criminal convictions. The applicant

¹⁴ *Public Sector Management Act 1994*, s 68(2)

may also be required to undertake a medical examination to determine their standard of health and fitness. Typically, an applicant is appointed to a position subject to meeting these requirements.

Record Keeping

It is important to ensure that all stages of the recruitment process are adequately documented. Sound documentation is a fundamental aspect of corporate accountability and transparency in public administration. The documentation should provide assurance that the process of decision-making and the reasons for decisions made were consistent with mandated requirements and sound practice in public sector recruitment.

PREVIOUS AUDIT REPORTS¹⁵

Reports Published in 2003

1. Effectiveness of Annual Reporting
2. Belconnen Indoor Aquatic Leisure Centre
3. Emergency Services
4. Management of Fraud and Corruption Prevention in the ACT Public Sector
5. Lease of FAI House
6. Allegations of Financial Mismanagement University of Canberra Union

Reports Published in 2002

1. Special Purpose Review of Part of the Commission of Audit Report on the State of the Territory's Finances at 31 October 2001
2. Operation of the Public Access to Government Contracts Act
3. Governance Arrangements of Selected Statutory Authorities
4. Frameworks for Internal Auditing in Territory Agencies
5. V8 Car Races in Canberra – Costs and Benefits
6. Annual Management Report for the Year Ended 30 June 2002
7. Financial Audits with Years Ending to 30 June 2002

Reports Published in 2001

1. Financial Audits with Years Ending to 30 June 2000
2. Enhancing Professionalism and Accountability
3. Market Research and Marketing (Second Report)
4. Peer-Based Drug Support Services Tender – 1998
5. The Administration of Payroll Tax
6. Annual Management Report for the Year Ended 30 June 2001
7. Managing Canberra Urban Parks and Open Spaces
8. Canberra Tourism and Events Corporation – Relocation to Brindabella Business Park
9. Agents Board – Financial Administration of Training Grant Program
10. Corrective Services – Review of Certain Allegations

¹⁵ 46 Reports were issued prior to 1996. Details can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>.

11. Financial Audits with Years Ending to 30 June 2001
12. The Freedom of Information Act

Reports Published in 2000

1. Bruce Stadium Redevelopment — Summary Report
2. Bruce Stadium Redevelopment — Value for Money
3. Bruce Stadium Redevelopment — Costs and Benefits
4. Bruce Stadium Redevelopment — Decision to Redevelop the Stadium
5. Bruce Stadium Redevelopment — Selection of the Project Manager
6. Bruce Stadium Redevelopment — Financing Arrangements
7. Bruce Stadium Redevelopment — Stadium Financial Model
8. Bruce Stadium Redevelopment — Actual Costs and Cost Estimates
9. Bruce Stadium Redevelopment — Market Research and Marketing
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13. Annual Management Report for the Year Ended 30 June 2000

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