



Tasmanian
Audit Office



**Report of the Auditor-General
No. 1 of 2014-15**

**Recruitment practices in the
State Service**



August 2014

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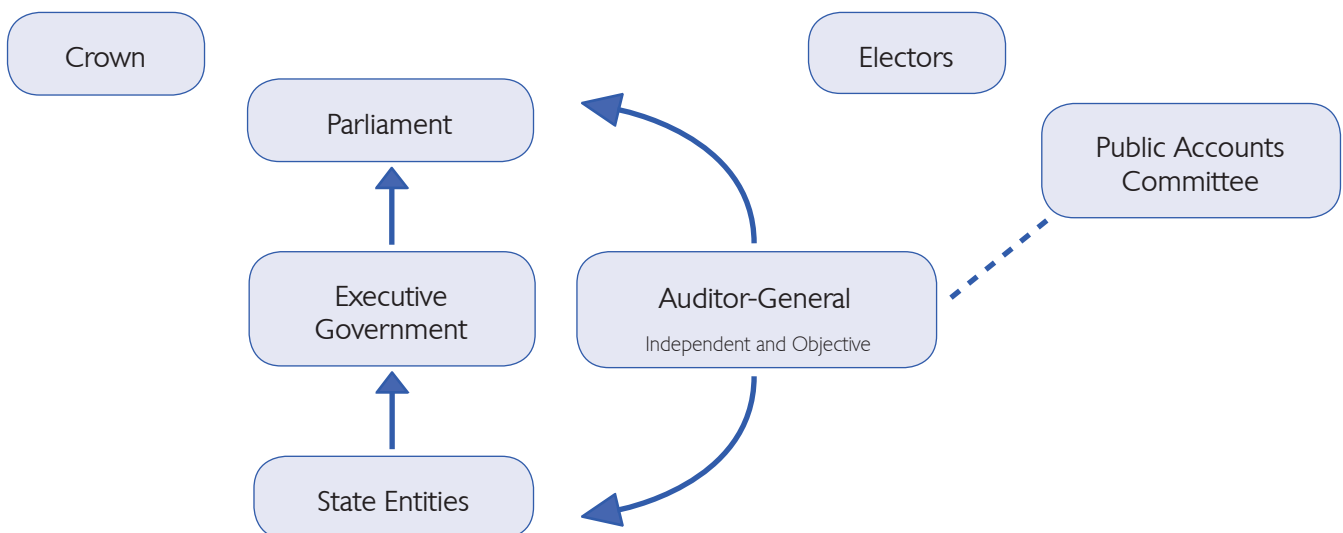
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2014

PARLIAMENT OF TASMANIA

**REPORT OF THE
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No. 1 of 2014-15**

**Recruitment practices in the
State Service**

August 2014

Presented to both Houses of Parliament in accordance with the provisions of the Audit Act 2008

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This report is printed on FSC Mix Paper from responsible sources.

ISBN: 978-0-9925757-0-0



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21 August 2014

President
Legislative Council
HOBART

Speaker
House of Assembly
HOBART

Dear Mr President
Dear Madam Speaker

REPORT OF THE AUDITOR-GENERAL

No. 1 of 2014-15: Recruitment practices in the State Service

This report has been prepared consequent to a performance review conducted under section 23(g) of the *Audit Act 2008*. The objective was to review recruitment practices used across four State Service entities and determine whether:

- those processes were compliant with the *State Service Act 2000* and with Employment Direction 1 *Employment in the State Service*
- compliance resulted in efficiency.

Yours sincerely

H M Blake
AUDITOR-GENERAL

Contents

List of Figures.....	vii
Foreword.....	viii
List of acronyms and abbreviations.....	ix
Executive summary.....	2
Background.....	2
Detailed review conclusions	3
Recommendations made.....	6
<i>Audit Act 2008</i> section 30 — Submissions and comments received ...	11
Introduction	16
1 Were the recruitment processes compliant, and was there confidence in the recruitment and selection process?	22
1.1 Background.....	22
1.2 Have agencies complied with the ‘Right Job, Right Person’ Framework?	22
1.3 Has the ‘Right Job, Right Person’ Framework promoted practice and process efficiency?.....	24
1.3.1 Time taken	24
1.3.2 Current approach.....	25
1.3.3 Opportunity for efficiency gains	25
1.3.4 Requirement for consistency.....	27
1.4 Has the “Right Person, Right Job” Framework enhanced public confidence in the recruitment process?.....	28
1.5 Conclusion	30
2 - Does compliance result in efficient recruitment process?	31
2.1 Background	32
2.2 Casual Workers	32
2.2.1 Background.....	32
2.2.2 Point of Origin and Basis of Selection.....	33
2.2.3 Selection and Engagement Process.....	33
2.2.4 Mode of Employment	34

2.2.5	Casual workers - inclusion in head count reporting.....	34
2.2.6	Service level agreement between State Service and labour hire companies	37
2.3	Progression of workers and employees.....	38
2.3.1	Background	38
2.3.2	Casual workers - progression from casual to fixed term contract	38
2.3.3	Fixed term employees – progression from fixed term to permanent appointments	38
2.3.4	Fixed term contract rollovers	39
2.3.5	Progression versus workforce planning	41
2.4	Use of labour hire firms	42
2.4.1	Background	42
2.4.2	How often are staff employed via labour hire firms?	42
2.4.3	Were State Service branding objectives being achieved?.....	43
2.5	Selection process – interview panels	44
2.5.1	Conflict of interest (COI).....	44
2.5.2	Composition of Selection Panels	45
2.5.3	Training of selection panel members	46
2.5.4	Selection tools used in candidate assessments.....	47
2.6	Selection process – involvement of HR Personnel	48
2.6.1	Training of HR Personnel	48
2.6.2	Involvement of HR Personnel.....	49
2.7	Conclusions.....	50
3	Workforce planning and related considerations	53
3.1	Background	53
3.2	Has ‘Right Job – Right Person’ assisted with effective workforce planning?.....	53
3.3	Tenure in role	57
3.4	Statement of Duties (SoDs)	57
3.5	<i>Head count reports – data accuracy</i>	58
3.6	Head Count Reporting and Workforce Analysis	59
3.7	Workforce Planning	60

3.8 Conclusion	61
Independent reviewer’s conclusion	63
Recent reports	66
Current projects.....	68
Appendix 1 - Detailed Review criteria	70
Appendix 2 – Limitations	73
Appendix 3 – SSMO Response	75

List of Figures

Figure 1	Page 30	Casual workers subject to an appropriate selection process
Figure 2	Page 36	Percentage of fixed term contract rollovers
Figure 3	Page 37	Percentage of fixed term contracts rolled more than once
Figure 4	Page 38	Number of fixed term v permanent appointments
Figure 5	Page 42	Panel composition
Figure 6	Page 52	Percentage of male v female in data tested
Figure 7	Page 52	Female appointments broken down by Casual, Part-Time, Full-Time
Figure 8	Page 53	Male appointments broken down by Casual, Part-Time, Full-Time
Figure 9	Page 55	Data accuracy by agency

Foreword

This Report represents my first independent performance review of employment functions within the Tasmanian State Service since the abolishment of the position of State Service Commissioner and changes to the *State Service Act 2000* ('the Act') effective 4 February 2013.

The purpose of this review was to assess recruitment practices used by three departments and one Tasmanian Health Organisation (the agencies) and determine whether those practices were:

- compliant with the Act and Employment Direction 1 *Employment in the State Service* (ED 1)
- and whether compliance resulted in efficiency.

An important conclusion I reached was that agencies were applying merit-based recruitment techniques consistent with the Act and ED 1. Similarly, the 'Right Job, Right Person' framework (the framework) was being followed, whether or not that framework had been officially rolled out in the particular agency under review.

However, I noted areas of inconsistent implementation of the framework and areas where improvement was needed including the need to address:

- lack of availability of personnel reports that capture all workers, regardless of whether permanent, casual or labour hire
- lack of rigour and control in the declaration of any real or perceived conflicts of interest that may exist in the recruitment process
- lack of any formal record of appropriate recruitment training or skills assessment pertaining to personnel involved in the recruitment process.

While this review was of practices in four agencies, recommendations made may well apply similarly to other agencies in the State Service and I urge them to consider the relevance of this report to their organisational arrangements.

I was assisted in this review by representatives from Crowe Horwath who conducted review field work and prepared early drafts of this Report. My thanks to them. My thanks also to agency staff who participated on an Advisory Committee, assisted with field work and commented on draft reports and also to representatives from the State Service Management Office for similar reasons.

H M Blake

Auditor-General

21 August 2014

List of acronyms and abbreviations

A-G	Auditor-General
COI	Conflict of Interest
DHHS	Department of Health and Human Services
DIER	Department of Infrastructure, Energy and Resources
DPIPWE	Department of Primary Industries, Parks, Water and Environment
ED1	Employment Direction No. 1 <i>Employment in the State Service</i>
EEO	Equal Employment Opportunity
HR	Human Resources
OH&S	Occupational Health and Safety (also Workplace Health and Safety)
SLA	Service Level Agreement
SoD	Statement of Duties
SSMO	State Service Management Office
The Act	<i>The State Service Act 2000</i>
THO-N	Tasmanian Health Organisation – North
WACA	Workforce Analysis Collection Application
The Network	Workforce Planning Network

Executive summary

Executive summary

Background

In 2010, the then Office of the State Service Commissioner (OSSC) (now the State Service Management Office (SSMO)) completed an evaluation report titled *Recruitment in the State Service* ('the Commissioner's Report'). The Commissioner's Report considered both permanent and fixed-term vacancies (over 12 months) and fixed-term vacancies (12 months or less) across 10 criteria. It identified several opportunities for improvement with a particular focus on vacancy identification and advertising; selection panels; selection process; referee reports and selection reports.

Our review did not follow-up the Commissioner's findings, they were taken into account in scoping our work.

As of 2013, the State Service had over 30 000 employees across a wide and varied workforce with 47 per cent of the workforce employed on a part-time basis and approximately 1 000 persons employed on a casual basis.

In the period 2005–2010, approximately 3 436 State Service job vacancies were advertised each year by government agencies covered by the *State Service Act 2000* ('the Act'). This suggests much time and expertise is invested in recruitment. It is essential that this work results in our State Service taking on the best people for the roles advertised and that processes followed are in line with merit and other relevant principles.

This review was aimed at testing processes followed. It focused on the effectiveness and efficiency of recruitment practices with respect to compliance with the requirements established by SSMO (Employment Directions) and, therefore, with the principles established in the Act. The review scope considered recruitment practices for casual workers; labour hire workers; employees on fixed term contracts and the merit based selection process at four agencies being: Tasmanian Health Organisation – North; Department of Infrastructure, Energy and Resources¹; Department of Primary Industries, Parks, Water and Environment; and Department of Health and Human Services.

¹ The review was completed prior to the establishment of the Department of State Growth into which the Department of Infrastructure, Energy and Resources merged with effect from 1 July 2014.

Recruitment practices in each category of employment were, broadly, broken down as follows:

- **Casual Workers:** point of origin, selection and engagement process, inclusion in head count/personnel reporting, and progression from casual to fixed term contract.
- **Fixed Term Employees:** selection process, contract rollover, and workforce planning considerations with respect to fixed term versus permanent.
- **Labour Hire:** workers utilisation of labour hire firms, costs and controls associated with labour hire usages.
- **Merit Based Selection:** composition and training of panels, human resources involvement; effectiveness of position descriptions with regards to workforce planning.

Findings on these four categories are noted in Chapters 1 and 2 of this Report. During the course of the review, matters relating to workforce planning and head count reporting were noted as needing to be addressed by the State Service. These are addressed in Chapter 3.

Detailed review conclusions

These review conclusions are based on criteria that we developed to support the review's objective and are aligned to the chapter structure of this Report.

Were the recruitment processes compliant, and was there confidence in the recruitment and selection process?

Agencies were applying merit-based recruitment techniques consistent with the Act and Employment Direction No. 1 *Employment in the State Service* (ED 1). Similarly, the 'Right Job, Right Person' framework was being followed, whether or not that framework had been officially rolled out in the particular agency under review.

However, in the quest to be compliant, agencies on the whole were not maximising opportunities for efficiency gains. This stemmed from recruitment tasks being undertaken in a sequential, linear approach, rather than considering what tasks could be performed concurrently.

Also, while the 'Right Job, Right Person' framework was being followed, we noted instances of inconsistency between agencies and the need for training on the framework to ensure inconsistencies are avoided and benefits of the framework are better understood.

There is still some progress to be made in removing the perception of favouritism and enhancing public confidence in State Service recruitment process. This could be advanced by standardising composition of selection panels so as to incorporate an external member.

Does compliance result in efficient recruitment process?

The review found no instances of favouritism or actual conflict in recruitment decision making processes. However, while there was evidence of compliance, many areas for process and efficiency improvement were identified including:

Conflict of interest process

While the review did not identify any specific examples of favouritism, 100% of our sample identified a lack of a strong focus on conflicts of interest (COI). Similarly, selection processes tested had not identified a means to declare a conflict either explicitly or implicitly. Instead, the conflict of interest process relied on self-disclosure by panellists or candidates and there was inconsistency in how these disclosures were made.

The lack of any established COI policy and process does in itself heighten amongst staff the perception or suspicion that conflicts or bias may be present in the recruitment process. This perception then has the potential to become heightened in unsuccessful candidates, thus leading to potentially erroneous conclusions being drawn and ultimately an erosion of, and negative impact on, the whole agency culture.

Training of selection panel members and participation by HR personnel

No mechanism was in place to record which staff members had undertaken training in the area of recruitment and selection – specifically interview training. Given the movement in the general protection provisions, equal employment opportunity and anti-discrimination legislation over the past four years, it is essential that such training be undertaken, and training registers be maintained. This would result in both an enhancement to the skill of the selection panels and also a key risk mitigant for the State Service.

In addition, we noted insufficient participation in the selection process by HR staff members either directly as panel members or indirectly by providing coaching and guidance to panel participants.

Hiring of Casual Workers

Lack of control in the process for hiring casual or temporary workers had the potential to expose the State Service to a high degree of risk.

Process pertaining to hiring of labour hire workers

Labour hire in the context of this review referred to the use of temporary staff that had been sourced through labour hire/recruitment firms. While the interview and selection process for casual workers was found to be compliant, the use of labour hire was largely driven from a procurement process. This meant that as long as the purchase was within procurement delegation limits, HR was unlikely to have any line of sight to additional personnel brought in through that mechanism.

This weakness in process is further compounded by the worker being recorded from a cost perspective but not in personnel reports. This presents a health and safety risk, quite aside from other compliance concerns, including equal employment opportunity and anti-discrimination.

Overall we observed that agencies didn't monitor the use of labour hire firms and were unable to easily provide data regarding labour hire workers on site.

Service Level Agreements – Labour Hire & Casual Works

The State Service did not have service level agreements in place with labour hire firms.

Workforce planning and related matters

It was not possible to obtain any head count or personnel report that contained parameters pertaining to the entire State Service employment history of the employee. For an organisation as large as the State Service, it would be advantageous if reports of this type were readily available; they would provide excellent support to any workforce planning initiatives.

Recommendations made

The Report contains the following recommendations.

Rec	Section	We recommend that ...
1	1.3.3	... agencies work closely with Vacancy Control to process map the recruitment process to identify the most efficient flow in the process (with an emphasis on concurrent tasks) and to implement this process.
2	1.3.3	... there be consistency in the recruitment and selection processes and procedures across agencies.
3	1.3.4	... there be a focussed effort within each agency to operationalise the 'Right Job, Right Person' framework and to educate line managers on both these requirements and the resultant benefits.
4	1.4	... selection panels be diverse and represent both a diversity of thought and representation. As a minimum, it is recommended panels are made up of: <ul style="list-style-type: none"> ▪ a subject matter expert ▪ the direct supervisor ▪ an independent member who is, preferably, external to the hiring team.
5	2.2.3	... each time a casual worker is to be engaged the process should be subject to a role-appropriate selection and appointment process, and include a clear document trail.
6	2.2.5	... SSMO review the hiring process for labour hire workers and set clear parameters around this process.
7	2.2.5	... for appointments of casual workers: <ul style="list-style-type: none"> ▪ the practice of recruitment via procurement has additional controls added to ensure a level of HR oversight ▪ all personnel be appropriately identified on head count reports so that a level of induction (suitable to the tenure of the appointment) can be completed. This may require employment category distinctions to be updated ▪ all labour hire personnel complete a 'working for the State Service as a labour hire employee' training module. (This could be lighter than the full HR

Rec	Section	We recommend that ...
		<p>induction for and would cover OHS, Equal Opportunity and Anti-Discrimination and other important policies such as email and social media)</p> <ul style="list-style-type: none"> ▪ at a minimum, induction needs to encompass equal employment opportunity and workplace health and safety principles. <p><i>nb: This recommendation specifically excludes doctors and agency nurses</i></p>
8	2.2.5	<p>... current systems capabilities be investigated or a system be put in place whereby SSMO can reliably produce, at any time, head count reports showing both employees and labour hire workers.</p>
9	2.2.5	<p>... the use of recruitment and labour firms for temporary staffing should be subject to HR approval and oversight and not be solely a decision for finance departments to sign off on.</p>
10	2.2.6	<p>... the State Service negotiate consistent service level agreements with labour hire companies and recruitment consultants.</p> <p><i>nb: This recommendation specifically excludes doctors and agency nurses</i></p>
11	2.3.4	<p>... agencies substantiate and document why a position should be a fixed-term contract rather than a permanent employee.</p>
12	2.3.5	<p>... an overarching workforce planning framework be developed and applied consistently so that vacancy type can be correctly categorised for recruitment.</p>
13	2.4.2	<p>... controls be put in place to ensure that labour hire firms cannot be used solely through the procurement process, thus avoiding HR line of sight.</p>
14	2.4.2	<p>... SSMO implement an integrated system that can capture data pertaining to labour hire workers so that meaningful cost benefit, trend and workforce benefit analysis can be performed. Any system implemented would need to recognise, where valid, unique workforce circumstances.</p>
15	2.4.3	<p>... all agencies use the State Service branding that has been established when utilising hiring options external to the State Service.</p>
16	2.5.1	<p>... the 'Right Job, Right Person' framework explicitly</p>

Rec	Section	We recommend that ...
		require all panel members to declare and attest to their conflict of interest status.
17	2.5.3	... a Training Records System is developed and utilised to ensure that training has been completed and is up to date, whether that be training required as a result of the position held or additional training.
18	2.5.3	... individuals who are part of the recruitment process are subject to training on recruitment practices, anti-discrimination and equal opportunity and behavioural analysis. It is our belief that Departments have the necessary skills and personnel to conduct ... this training.
19	2.5.3	... one or more members of each selection panel have been appropriately trained.
20	2.5.4	... HR provide appropriate guidance to selection panels as to the use of additional recruitment tools that could be used in the selection process. Alternatively, HR could facilitate education for hiring managers on the additional recruitment tools available.
21	2.6.1	... all relevant HR personnel must have formal recruitment training or recorded skills assessments.
22	2.6.2	<ul style="list-style-type: none"> ▪ a review of HR process both intra and inter agency be conducted with a view to maximising efficiency in recruitment process and replicating where possible ▪ the ratio of HR personnel to agency employees be considered to ensure coverage is sufficient to meet the demands of operational and strategic requirements ▪ consistent HR practices be adopted across the State Service.
23	3.2	... the SSMO implement an integrated system able to capture relevant HR data for trend analysis and monitoring across all like agencies and the State Service as a whole.
24	3.3	... a HR Information System or other alternate solution be implemented so that the entire lifecycle of an employee can be viewed accurately and easily.
25	3.4	... Statements of Duties (SoDs) be updated, and a record thereof be maintained, in accordance with the adopted

Rec	Section	We recommend that ...
		workforce planning principles and forecasts.
26	3.6	... SSMO consider ways in which the quarterly data collection can become dynamic so that full working histories of employees are created. This may be an intra-agency, rather than an inter-agency undertaking – with the electronic work history being transferred when an employee changes agency.
27	3.7	... SSMO reinvigorate the Workforce Planning Network so that a consistent platform of understanding can be established across agencies as to what workforce planning is; how a workforce plan can assist the State Service; and the benefits to individual agencies.

***Audit Act 2008 section 30 – Submissions and comments
received***

Audit Act 2008 section 30 — Submissions and comments received

Introduction

In accordance with section 30(2) of the *Audit Act 2008* (the Act), a copy of this Report was provided to the state entities indicated in the Introduction to this Report and to the Secretary, Department of Premier and Cabinet.

A summary of findings, with a request for submissions or comments, was also provided to the Treasurer, the Minister for Health, the Minister for Primary Industries and Water, the Minister for State Growth and to the Premier in his capacity as the employer of State Service employees.

Submissions and comments that we receive are not subject to the review nor the evidentiary standards required in reaching a review conclusion. Responsibility for the accuracy, fairness and balance of these comments rests solely with those who provided the response. However, views expressed by agencies were considered in reaching review conclusions.

Section 30(3) of the Act requires that this Report include any submissions or comments made under section 30(2) or a fair summary of them. Submissions received are included as follows:

- from DPAC – the Secretary’s covering letter with a detailed response in appendix 3
- from other Agency heads – in full below.

Department of Premier and Cabinet

Thank you for your correspondence of 1 August 2014 providing me with a copy of your draft report ‘Report of the Auditor-General No. 1 of 2014-15 – Recruitment practices’.

The State Service Management Office (SSMO) is currently developing good practice guidelines on recruitment and merit selection. I have therefore directed SSMO to consider your Report’s recommendations when finalising its guidelines.

Thank you again for your correspondence.

Greg Johannes
Secretary

Tasmanian Health Organisation – North

THO – North welcomes the prospect of reflecting on our performance. The review conducted by the Tasmanian Audit Office provided an excellent opportunity to receive independent feedback on some aspects of our recruitment practices.

THO – North acknowledges the report's recommendations and will give due consideration to those that are Agency specific. In addition, the THO – North would welcome the opportunity to provide input to the State Service Management Office regarding any whole of State Service considerations.

The THO – North is achieving in many areas relating to the recommendations. For example:

- Right Job, Right Person has been implemented as our recruitment framework for some years;
- The THO – North has implemented a strategic workforce plan which includes succession planning;
- Recruiters and hiring managers receive advice, training, mentoring and support regarding the recruitment process.

In addition THO – North as part of a program of continuous improvement has already initiated actions which will ensure a number of the recommendations are addressed in the near future. For example:

- Reviewing, extending and improving the information and training provided to selection panels;
- Providing further education regarding conflicts of interests and ensuring that selection panels are required to declare, manage and document, any such conflict;
- Work has already commenced to establish a whole-of-Agency training records system.

I note that the report makes a number of overarching State Service wide recommendations. THO – North will collaborate with other agencies and the State Service Management Office for any such whole of State Service approach as appropriate. Any collaborative work would need to consider the operational differences of each agency and recognise that agency specific needs may necessitate different processes in some circumstances. THO – North would expect to be consulted and provide input regarding any State Service wide matters which impact THO – North.

In considering the report I noted that the delineation between a casual employee of THO – North and the labour hire workers was not always clear creating some ambiguity and inconsistencies in

the report. As a general principle I am satisfied that THO – North’s recruitment of casual employees of THO – North is appropriate. I also note for the report that the majority of the instruments for the engagement of labour hire workers are approved by the Chief Executive Officer, and these instruments are entered into with appropriate oversight and review by THO – North Human Resources and legal advisors.

In considering each particular recommendation THO – North will do so in light of the following factors:

- The size of our agency and the volume and complexity of the recruitment processes undertaken
- The diversity of the Agency
- The existing delegations, legislation, policy and operational frameworks relevant to THO-North
- The existing human resource and information technology systems and their capabilities
- In relation to any State Service wide solutions, the level of consultation undertaken and the consideration of Agency specific factors.

Finally, in addition to the recommendations in this report, THO – North is of the view that it would be timely to review and refine Employment Direction No. 1 – Employment in the State Service and the Right Job, Right Person framework.

Yours sincerely

John Kirwan
Chief Executive Officer

Department of State Growth (during the course of the review - Department of Infrastructure, Energy and Resources)

Thank you for your letter of 1 August 2014 regarding the request for management response to: Recruitment practices.

The former Department of Infrastructure, Energy and Resources now the Department of State Growth welcomed the opportunity to participate in the audit and notes the findings. The Department is an active participant in whole of government reforms on human resource management and will incorporate key findings of the review in recruitment policies and standards.

Yours sincerely

Mr Kim Evans
Acting Secretary

Department of Health and Human Services

Thank you for the opportunity to comment on the Report of the Auditor-General No. 1 of 2014-15 – Recruitment practices. I welcome the overall finding of the review that recruitment processes are compliant with established practices and note the areas of improvement that have been highlighted.

I am pleased to advise that the Department of Health and Human Services has implemented and is working to implement a number of measures relevant to the Report's recommendations. These include:

- the introduction of an online training module for selection panels members, effective 4 August 2014, which covers recruitment legislation and Employment Directions, roles and responsibilities of selection panel members, how to manage conflicts of interest, merit selection, workplace diversity and discrimination, pre-employment checks and delegations
- the development of a Selection Methods and Decisions Guide for selection panel members and a library of selection tools and assessments
- the introduction of a *Conflict of Interest (COI) and Improper Use of Power Procedure* effective 1 July 2014 which formalises COI declarations during the recruitment process
- the placement of Statements of Duties in the formal recruitment approval chain to ensure they are reviewed before each process; and
- the introduction of a *Recruitment and Employment of Employees Procedure* which requires HR approval before labour hire firms and recruitment agencies are engaged and also the requirements for employing casual employees.

In line with our comments provided during the review process, the Department encourages an appropriate level of flexibility within consistent State Service frameworks to take into account specific agency and position circumstances and encourages training of those involved in recruitment and selection activities rather than prescription of practice. The Department acknowledges the need to improve workforce planning processes and record keeping systems and welcomes a focus on these.

The Department will incorporate the review recommendations as far as is possible, to inform improvements to its recruitment processes. We would also like to thank Crowe Horwath for their professional and consultative approach to the review.

Yours sincerely

Michael Pervan
Acting Secretary

Department of Primary Industries, Parks, Water and Environment

I am pleased to see that the Department has complied with established recruitment practices in an efficient and effective manner during the period of the review. There are always opportunities for continued improvement regarding recruitment procedures within the context of State Service employment policy.

The Department has already committed to a number of initiatives during 2014-15 in line with recommendations from the Auditor-General's report such as the:

- Implementation of revised online agency-wide guidelines and templates for recruitment and selection;
- Extension of the advisory role provided by Human Resources Branch to support line managers and selection panels about the recruitment and selection process;
- Progressive review of Statements of Duties and creation of an online library for each division;
- Opportunities for managers and selection panel members from each division to learn and apply good practice in recruitment procedures and selection techniques;
- Continued training about discrimination for all employees; and
- Implementation of a revised policy and templates for Conflict of Interest.

It is also the Department's intention to be an active member of any State Service initiatives including the recommended Workforce Planning Network.

Yours sincerely

J Whittington
Acting Secretary

Introduction

Introduction

Background

As of 2013, the State Service had over 30 000 employees across a wide and varied workforce with 47 per cent of the workforce employed on a part-time basis and approximately 1 000 persons employed on a casual basis.

The decision to conduct a performance review into Recruitment Practices in the State Service followed discussions with staff at the State Service Management Office (SSMO) and relevant Unions. Informal observations had been made that recruitment practices were not always being conducted in accordance with established practices for the Tasmanian State Service. Examples of these shortcomings included concerns regarding:

- current practices pertaining to experience levels of recruitment panel members
- the process pertaining to fixed term appointments and their potential conversion to permanency
- the possibility for longer-term casuals to find their way to permanent roles without necessarily having to be scrutinised in the same way as permanent applicants.

As a result of these factors, a project aimed at reviewing recruitment practices was included in the Tasmanian Audit Office's *Annual Plan of Work 2013–14*.

Previous Evaluations of Recruitment Practices in the State Service

In 2010, the then Office of the State Service Commissioner (OSSC) (now the State Service Management Office (SSMO)) completed an evaluation report titled *Recruitment in the State Service* ('the Report'). The Report considered both permanent and fixed-term vacancies (over 12 months) and fixed-term vacancies (12 months or less) across the following criteria:

- vacancy identification and advertising
- selection panels
- selection processes
- referee reports
- selection reports
- notification of outcomes and post selection counselling
- applicants

- use of scribes
- post selection counselling
- the duration of the recruitment process.

The Report identified several opportunities for improvement with a particular focus on vacancy identification and advertising; selection panels; selection process; referee reports and selection reports.

It is worthwhile noting that in 2010, when work leading to completion of the Report was undertaken, the labour market was very tight in the wake of the 2008–2009 economic crisis. In the period 2005–2010, approximately 3 436 State Service job vacancies were advertised each year by government agencies covered by the *State Service Act 2000* ('the Act'). During this period, those in employment favoured continuity and security of tenure over employment moves that potentially advanced careers to the next developmental step, but that in doing so introduced an element of performance uncertainty due to the associated learning curve period.

In 2013, the Tasmanian State Service found itself in a labour market where liquidity had increased from 2010, and candidates were willing to make an employment change to advance their career, but only to roles or organisations that offered, or were perceived to offer, longer-term security. However, the labour market has not returned to the 18–24 month employment tenure mindset that was evident throughout the economic boom period prior to the global financial crisis.

Review objectives

The objectives were to review the adequacy of recruitment practices with respect to whether:

- the selected general government sector entities are complying with the recruitment requirements established by the State Service Management Office (Employment Directions) and, therefore, with the principles established in the *State Service Act 2000*
- the level of compliance with applicable legislation, policy and procedures results in an outcome that is efficient and effective for the State Service, supports the Service's human resource objectives and results in efficient recruitments.

We also separately considered head count reporting and workforce analysis.

Review scope

The review scope encompassed recruitment practices for:

- casual workers
- fixed-term contracts
- labour hire workers
- merit-based selection processes.

The review focus areas were applied to the following agencies:

- Tasmanian Health Organisation — North
- Department of Infrastructure, Energy and Resources²
- Department of Primary Industries, Parks, Water and Environment
- Department of Health and Human Services.

Conduct of review

To conduct the review, we:

- considered work previously undertaken by the State Service Commissioner including:
 - the use of non-government training organisations to hire trainees
 - the use of labour hire firms
 - examination of youth and graduate employment profiles and assessment of trends
 - examination of the extent to which agencies took on fixed-term contractors or casual employees and subsequently converted them to full time employment, while at the same time satisfying merit principles
- examined compliance by agencies with the merit principle generally and that individuals authorising appointments had the appropriate delegated authority

^{2 2} The review was completed prior to the establishment of the Department of State Growth into which the Department of Infrastructure, Energy and Resources merged with effect from 1 July 2014.

- examined effectiveness of workforce planning through analysis of fixed-term contract rollovers leading to permanent appointment
- sample tested the selection process for appointed applicants over a 24-month period
- performed data analysis over head count data and data obtained from sample testing.

Review criteria

Detailed review criteria can be found in Appendix 1 of this Report.

Timing

Planning for this review began in May 2013. Fieldwork was conducted in the period October 2013 to February 2014 and the report was finalised in June 2014.

Resources

Total Office hours were 68 and actual costs, excluding production, were \$144 113 which was within budget. Cost includes contractor time which was as budgeted.

Reason for selecting this review

The catalyst for this performance review was discussions with staff at SSMO, relevant Unions and informal observations made that recruitment practices were not in all instances being conducted in accordance with established practices for the State Service. As a result of this a project aimed at reviewing recruitment practices was included in the 2013-14 Annual Plan of Work.

1 - Were the recruitment processes compliant, and was there confidence in the recruitment and selection process?

1 Were the recruitment processes compliant, and was there confidence in the recruitment and selection process?

1.1 *Background*

The Act and Employment Direction No. 1 *Employment in the State Service* (ED 1) provide the compliance requirements for recruitment in the State Service. The 'Right Job, Right Person' framework was developed to give effect to compliance requirements in the Act as well as those of ED 1.

The 'Right Job, Right Person' selection framework commenced its rollout to government agencies in early 2009. The framework was developed to:

- assist recruiters in establishing merit-based recruitment practices
- increase transparency of the selection process
- foster a relationship of trust with the Tasmanian community regarding recruitment and selection processes within the State Service.

Our review examined the 'Right Job, Right Person' framework to assess adherence to the principles outlined in the Act and ED 1, whilst also considering the resultant impacts on process efficiency.

This Chapter specifically focusses on compliance and confidence in recruitment and selection processes.

1.2 *Have agencies complied with the 'Right Job, Right Person' Framework?*

Typically, agency selection processes are developed on a set format based on the approved statement of duties (SoD).

This process requires applicants to submit the following documentation:

- a covering letter
- a completed application form
- a résumé
- a statement outlining experience against the specified selection criteria.

Selection panels are required to evaluate the documentation as provided by applicants, which will then generally result in a shortlisting process followed by formal interviews to determine the most appropriate candidate for the vacancy.

The 'Right Person, Right Job' framework allows for a range of other selection processes — that is, in addition to applicants addressing the selection criteria and the subsequent formal interview. Our review showed that, on the whole, agencies have adopted the selection criteria and interview technique platform as the most commonly used method of selection. However, in our sample, no other selection tools were utilised, and any indication of the occasional utilisation of other tools, was only furnished to us anecdotally through interviews.

The use of additional recruitment tools would allow candidate assessments to be tailored to the specific competencies of a role and may result in the capture of more granular and detailed information relevant to the selection decision. This observation is further discussed in Chapter 2 – section 2.5.4.

The process of evaluation was the least scripted aspect of the selection process. It required the selection panel to develop an evaluation criterion to assess and rank candidates, using both the written application and selection interview. Our review indicated that agencies were considering applications in a compliant way and making decisions based on the key selection criteria.

Our review further indicated that selection panels followed the required compliance steps in reaching their determination. This is not to say that our review did not find areas of concern, particularly regarding the composition and training of selection panels, but these areas of concern did not relate to the actual compliance with the process steps, and are further addressed in Chapter 2 of this Report.

We concluded from our review and associated testing that agencies were applying merit-based recruitment techniques consistent with ED 1 and the 'Right Job, Right Person' framework.

1.3 *Has the 'Right Job, Right Person' Framework promoted practice and process efficiency?*

Measuring or quantifying efficiency in the recruitment process can be an ambiguous and contentious task. Many factors impact on recruiting decisions including:

- determining resources requirements
- budget management
- updating the Statement of Duties ('the SoD')
- obtaining Vacancy Control redeployment clearance
- advertising/going to market
- assembling the interview panel
- selecting the short list
- interviews
- selecting the candidate
- reference checking and work history validation
- approval to hire
- preparing and negotiating salary and conditions.

We did not address all of the above factors. Instead, we examined time taken, the current approach used, opportunities for efficiency gains and the need for consistency.

1.3.1 Time taken

Often, time delays occur in resource planning, budgeting and the Vacancy Control process. As an example, during our review we observed that the recruitment time to appoint a Level 4 Maintenance Officer/Truck Driver took 74 days to complete from advertisement approval through to appointment. We also observed that general recruitment timeframes were around 60 days from the advertisement approval date through to appointment. With the average notice period being 28 days, it would therefore take on average 88 days to fill a position-which excludes the period for Vacancy Control to sign off and approve the vacant position.

1.3.2 Current approach

In consideration of the aforementioned factors listed in Section 1.3, and the compliance requirements of ED 1, we noted that frequently these factors were considered and completed one at a time, following a very linear and methodical work method. The benefit of this type of approach is that it provides ample opportunity to ensure each step is completed diligently and thoroughly. However, the risk of this approach is the elongation of the timeline which will inherently lead to an increased risk of losing candidates during the process. Additionally, a linear approach, such as we observed in many instances, embeds an acceptance of inefficiency through its very design.

Therefore, in our view, a number of opportunities for efficiency gains exist.

1.3.3 Opportunity for efficiency gains

Based on our observations in Sections 1.3.1 and 1.3.2, we considered that existing systems could be re-engineered to ensure improved efficiency.

(A) Phased Approach

If a process mapping exercise were undertaken, it is likely it would disclose that several of the factors outlined in Section 1.3 could be undertaken concurrently. A model that we suggest could follow this pattern:

Phase 1:

- Determine resources requirements of the vacant role, for example:
 - What is actually required of the vacant role?
 - Is this different to what may have been required of the role in the past?
 - What is the longer term projection of the role—for the department?
 - What cultural considerations apply to meeting the current needs of the vacancy and the longer term needs of the department?
- Update the SoD, based on determination of resource requirements.
- Determine resource requirements for the recruitment and selection process:

- How will the panel be comprised and what tools will be utilised?
- Prepare the interview questions or tests.
- Determine the budget for the role, including the recruitment and selection process.
- Obtain Vacancy Control redeployment clearance.
- Advertise/go to market — advertisement could be drafted as soon as SoD is finalised.
- Selecting the interview panel (to be done during the advertisement period or earlier in the process).

Phase 2:

- Review documents supplied by applicants.
- Select the short list of candidates.
- Conduct interviews.

Phase 3:

- Selecting the candidate.
- Carry out reference checks and work history validation for the preferred candidate.
- Prepare and negotiating salary and conditions and commencement date.
- Obtain final approval to hire.

To achieve a phased approach and optimise time lines, there needs to be a coordinated process approach from both the agency concerned and Vacancy Control.

Recommendation 1

We recommend that agencies work closely with Vacancy Control to process map the recruitment process to identify the most efficient flow in the process (with an emphasis on concurrent tasks) and to implement this process.

(B) Standardising tools and processes

In large private corporations, there is generally a standardisation of the HR tools associated with the recruitment and selection process to allow for leverage of efficiency across the entire company.

While the recruitment process used by the agencies was compliant, we noted that the administrative methods and materials used throughout the actual process varied considerably from agency to agency. Given the size of the State Service and the volume of recruitment undertaken, there seems to be a good case for a standardisation of materials to be adopted. Our review found that different agencies used vastly different materials and, as a consequence, much time was spent in each agency developing resources to support the recruitment and selection process.

Recommendation 2

We recommend that there be consistency in the recruitment and selection processes and procedures across agencies.

1.3.4 Requirement for consistency

The ‘Right Job, Right Person’ framework was developed in order to provide a singular approach to enhance efficiency gains in State Service recruitment. However, our review noted that the ‘Right Job, Right Person’ framework had not been adopted consistently across the agencies.

While this framework remains optional, the opportunities it presents will not be realised. The State Service needs to consider whether the framework of ‘Right Job, Right Person’ will support the efficiency gains that need to be realised or whether another specific process needs to be put in place. In any event, efficiency will never be realised in a framework that remains optional — buy in, commitment to implement, and measurement of such implementation will be key to any success in this area.

Recommendation 3

We recommend that there be a focussed effort within each agency to operationalise the ‘Right Job, Right Person’ framework and to educate line managers on both these requirements and the resultant benefits.

1.4 *Has the “Right Person, Right Job” Framework enhanced public confidence in the recruitment process?*

A specific goal of introducing the ‘Right Person, Right Job’ framework was heightened public confidence in government recruitment and selection processes. It was also designed to serve as a contemporary tool for recruitment managers to attract and retain talent within the State sector.

The current recruitment process allows for internal applicants to seek post selection feedback. Additionally, current State Service workers have appeal rights, should they believe that the process was compromised and did not reflect a merit-based selection.

In summary, whilst our review did not identify situations where favouritism existed, there was evidence to suggest that the process lacked a strong conflict of interest culture that would identify actual, perceived or potential conflicts. The specifics of the conflict of interest process are further explored in Chapter 2.

Our sample indicated that 95 per cent of selection panels were composed of individuals working in the respective hiring team. Where an internal applicant was applying, risks were present that the internal applicant’s non-selection could be attributed to a ‘Jobs for the Boys’ culture. This perception could arise due to the close proximity of the selection panel member(s) to subordinates applying for positions.

Although an appeal process exists for current State Service employees, external applicants have no appeal rights; this Report is not suggesting that an appeals process be put in place for external applicants. Nevertheless, a recent publication of the Tasmanian Integrity Commission suggests that 68 per cent of Tasmanians are unlikely to complain about ‘corruption or unethical behaviour’ due to the perceived ‘consequences of complaining’³. This suggestion in itself, highlights the importance to the State Service of maximising every opportunity to build both internal and public trust and confidence in the recruitment and selection process.

The following case study is based on a file selected for review and highlights the points being made in this section.

³http://www.integrity.tas.gov.au/__data/assets/pdf_file/0004/274567/MR_Community_Perceptions_Survey.pdf

Case Study: Composition of Selection Panel

Role type: Technical Position.

Selection panel make up: Section Head, senior technical team member and a generalist team member.

Number of applicants received: 33 – all internal State Service applicants: a combination of internal team applicants and external team applicants.

Successful applicant: Internal team applicant.

Selection summary:

Two internal team members were rated extremely well across all areas of the application process. The selection report did not contain information that distinguished why the successful applicant was appointed to the position. The selection report contained information that all the panel members had worked with each individual and the report outlined the positive characteristics of each candidate.

Potential issues and risk:

As the selection report did not outline a distinguishing factor for the appointment, there was no evidence as to why the successful applicant was the most appropriate applicant.

Additionally, given that the selection panel members had worked with each of the final two applicants, it could be inferred that the panel made the selection based on relationship traits as opposed to a merit-based selection. Whilst the review process exists to allow State Service staff to appeal, evidence obtained from the Integrity Commission has revealed that staff are unlikely to use such a mechanism due to an element of distrust within the State Service.

Furthermore, because the vacancy was a technical position and the panel was comprised solely of technical specialists, it is highly likely that they will have a preference to recruit individuals with similar skills and behaviours to themselves. There was no evidence to support any type of cultural assessment taking place.

Learnings:

By having just one independent member, it is possible to reduce the risk of favouritism. The independent member may reside within the agency but outside the hiring team. In this instance, the independent member could have fulfilled the role of balancing the selection process in the area of cultural and behavioural fit; career aspirations and overall alignment to the workforce planning strategy.

Recommendation 4

We recommend that selection panels be diverse and represent both a diversity of thought and representation. As a minimum, it is recommended panels are made up of:

- a subject matter expert
- the direct supervisor
- an independent member who is, preferably, external to the hiring team.

1.5 Conclusion

Our review and associated testing found that agencies were applying merit-based recruitment techniques consistent with the Act and ED 1. Similarly, the ‘Right Job, Right Person’ framework was being followed, whether or not that framework had been officially rolled out in the particular agency under review.

However, in the quest to be compliant, agencies on the whole were not maximising opportunities for efficiency gains. This stemmed from recruitment tasks being undertaken in a sequential, linear approach, rather than considering what tasks could be performed concurrently.

Also, while the ‘Right Job, Right Person’ framework was being followed, we noted instances of inconsistency between agencies and the need for training on the framework to ensure inconsistencies are avoided and benefits of the framework better understood.

There is still some progress to be made in removing the perception of favouritism and enhancing public confidence in State Service recruitment process. This could be advanced by standardising composition of selection panels so as to incorporate an external member. Chapter 2 of this Report details further recommendations with regard to the actual processes undertaken by and surrounding the selection panel.

2 - Does compliance result in efficient recruitment process?

2 Does compliance result in efficient recruitment process?

2.1 *Background*

As part of the review, we considered agencies' policies and procedures that are used to facilitate compliance with the Act and ED 1.

To assess recruitment processes and efficiencies we considered:

- new appointments
- employment progression to fixed term and permanent roles
- the selection process
- training of selection panels.

Our findings are broken into the following areas:

- casual workers (section 2.2)
- progression of workers and employees (section 2.3)
- use of labour hire firms (section 2.4)
- selection process - interview panels (section 2.5)
- selection process – involvement of HR personnel (section 2.6)

2.2 *Casual Workers*

2.2.1 *Background*

We considered the following points relating to recruitment and engagement process for casual workers:

- point of origin
- selection and engagement process
- mode of employment
- casual workers — inclusion in head count reporting
- service level agreement between the State Service and labour hire companies.

2.2.2 Point of Origin and Basis of Selection

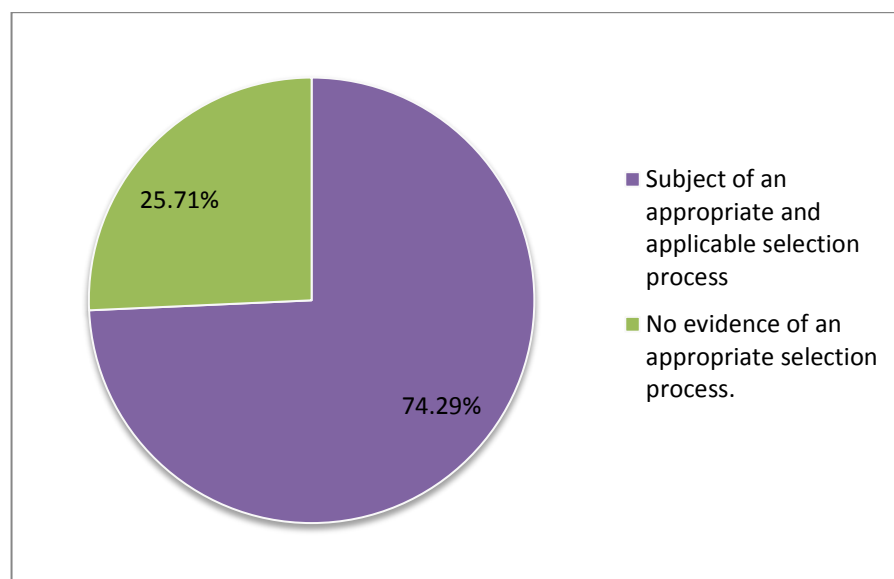
The review indicated that across all selected agencies, 71.43 per cent of successful casual candidates came from outside the State Service, generally, via the State Service job board at the website jobs.tas.gov.au.

On the odd occasion, we found that a recruitment firm had submitted candidates for a casual vacancy. In those instances, we were able to substantiate that the candidates had been subject to a skills-based assessment from the firm, and a summary of each candidate had been provided to the agency. This summary included reference checks and verification of qualifications. An agency selection panel would review the summary and if a candidate were considered appropriate the agency would interview and engage the candidate if applicable.

2.2.3 Selection and Engagement Process

Figure 1 summarises the percentage of casual employees who were found to be subject to an appropriate evaluation process, based on the results of our testing.

Figure 1- Casual workers subject to an appropriate selection process



Source: Data compiled by Crowe Horwath

Figure 1 indicates that in 25.71 per cent of cases tested there was no evidence on file to indicate that an initial assessment of suitability had been undertaken. In the absence of such documents we were unable to establish compliance within this group.

Casual employees subject to a selection process, generally had applications and interviews conducted by a panel of 2-3 members. Those panels tended to be comprised of non-independent members and rarely included HR personnel.

Recommendation 5

We recommend that each time a casual worker is to be engaged the process should be subject to a role-appropriate selection and appointment process, and include a clear document trail.

2.2.4 Mode of Employment

Casual workers were largely employed on a fixed term basis and over a 24-month period. Of these workers, 15.71 per cent left the State Service at the end of their initial engagement.

We noted that it was usual for nursing staff from THO-N who had gained casual employment prior to being successful in their application to the Transition to Practice Nursing Program (a fixed term 1 year appointment) to return to the casual nursing pool at the end of that year if they did not gain a permanent or fixed-term position.

2.2.5 Casual workers - inclusion in head count reporting

We found that, on the whole, casual workers were included in State Service head count reports.

However, there was a lack of control in the casual engagement process that opened the possibility for casual workers to be excluded from the head count reports. The root cause for this lack of control lay in the casual and temporary engagement process.

At the time of the review, it was possible, and indeed was evidenced in our review, that a proportion of casual and temporary workers were engaged through a labour hire company rather than through the jobs.tas.gov.au portal. In these instances, the engagement was undertaken as a procurement process rather than through HR. When the engagement process was undertaken through as procurement, the record of the casual worker existed as a financial record of costs, rather than an actual recording of personnel. That anomaly had implications not only for head count and personnel management, but also from an occupational health and safety (OH&S), compliance and disaster management perspective.

We noted that casual workers sourced directly by the applicable agency, and without the use of a labour hire firm, were reflected in the head count reports.

Informal discussions with line managers throughout the review indicated using labour hire in this manner could be achieved quite easily if they classified their project as an embedded short-term consultancy project. These discussions also indicated that the practice was well accepted and often used.

While casual workers were not employees in the strict sense, there was still an obligation on the relevant agency to understand what personnel are on site at any given time, and in what capacity. Throughout the course of the review, we were not able to discover an immediately accessible single source of reporting that showed all personnel engaged or on site, for any particular agency. This raises several concerns:

- From an OH&S perspective it is essential to know definitively who is engaged in what role and where they are located. This is particularly important in the spheres of equal employment opportunity (EEO) and anti-bullying. An organisation is held to be vicariously liable for the actions of its employees and workers in the course of their employment and performance of their duties. It is vitally important from a risk management perspective that all employees and workers receive training, or at the least management direction, regarding EEO and anti-bullying so that the State Service is adequately protected in these areas.

Without full knowledge of what workers are onsite, effective risk management becomes a very inaccurate exercise and undermines the overall compliance regime. The risk imposed from the lack of adequate worker or employee reporting is also relevant from a disaster management or business continuity standpoint.

- It is also of paramount importance that all workers/employees undertake some form of induction in the workplace. Our inquiry was unable to confirm that this occurred for casual workers. Without a proper and measureable induction process for these workers, agencies can never be fully confident in their management of workplace risks. Induction also plays an important role in the cultural management of the workplace. It is imperative that workers/employees fully understand, and are well versed in, the correct behaviours and protocols in the workplace, as well as the cultural expectation about the way work is performed.

Overall, we found that the lack of control in the process for hiring casual or temporary workers had the potential to expose the State Service to a high degree of risk in several areas.

Recommendation 6

We recommend that SSMO review the hiring process for labour hire workers and set clear parameters around this process.

Recommendation 7*

We recommend that, for appointments of casual workers:

- **the practice of recruitment via procurement has additional controls added to ensure a level of HR oversight**
- **all personnel be appropriately identified on head count reports so that a level of induction (suitable to the tenure of the appointment) can be completed. This may require employment category distinctions to be updated**

all labour hire personnel complete a 'working for the State Service as a labour hire employee' training module. (This could be lighter than the full HR induction for and would cover OHS, Equal Opportunity and Anti-Discrimination and other important policies such as email and social media

- **at a minimum, induction needs to encompass equal employment opportunity and workplace health and safety principles.**

**** nb: This recommendation specifically excludes doctors and agency nurses.***

Recommendation 8

We recommend that current systems capabilities be investigated or a system be put in place whereby SSMO can reliably produce, at any time, head count reports showing both employees and labour hire workers.

Recommendation 9

We recommend the use of recruitment and labour firms for temporary staffing should be subject to HR approval and oversight and not be solely a decision for finance departments to sign off on.

2.2.6 Service level agreement between State Service and labour hire companies

Our review testing noted that the State Service did not have service level agreements in place with labour hire firms. Some labour hire firms offered recruitment consultancy and it was found that some agencies had service level agreements in place for these services. However, there was no consistency amongst these agreements and their existence seemed sporadic.

It is common practice in the private sector for large companies or large departments to leverage their size in negotiating and entering into service level agreements with labour hire companies and recruitment providers. Notwithstanding the differences between the various agencies, it seems logical that the State Service could consider this approach and put in place some labour hire or recruitment agreements.

These agreements could cover areas such as cost; turnaround times; candidate guarantees; and reference and background checking. This practice would provide stronger compliance as well as commonality in the recruitment process for workers sourced through these channels. It would also allow for better ability to forecast the costs associated with labour engagement through these avenues.

Recommendation 10*

We recommend that the State Service negotiate consistent service level agreements with labour hire companies and recruitment consultants.

** nb: This recommendation specifically excludes doctors and agency nurses*

2.3 *Progression of workers and employees*

2.3.1 *Background*

Using data covering a 24 month period, the review examined the situation where casual workers or fixed term employees progressed or converted to permanent status.

Specific elements that we considered were:

- casual workers' progression from casual to fixed term contract or permanency
- fixed term employees' progression to permanent appointment
- fixed term contract rollovers
- workforce planning.

2.3.2 *Casual workers - progression from casual to fixed term contract*

In the 24-month period of our review, only four per cent of the population tested had progressed from casual status to fixed term or permanent roles.

Discussions held during our review indicated that career progression in general had slowed due to an ongoing environment of declining State revenues. Our results reflect this uncertainty through the low percentage progression rate.

2.3.3 *Fixed term employees – progression from fixed term to permanent appointments*

Our data found that 30 per cent of candidates appointed to fixed term contract were existing State Service employees. Of that group, 20 per cent further progressed onto permanent State Service roles. When this same progression is considered for external candidates, of those appointed, just four per cent ultimately progressed to a permanent role. We observed that health organisations filled more permanent roles with external hires in comparison to other agencies that tended to promote to these roles from within.

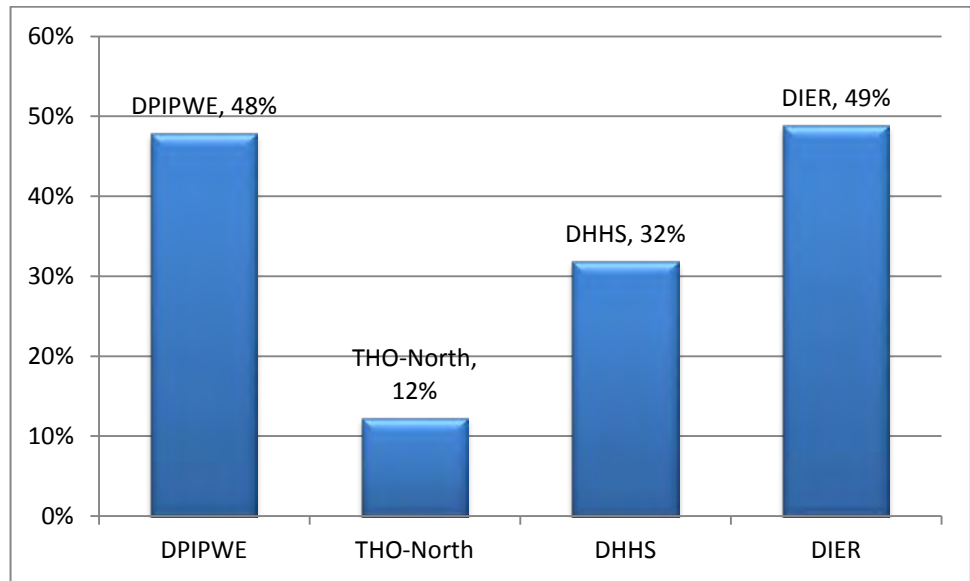
Our results indicated that fixed-term employees progressing to permanent status were generally supported by an appropriate merit-based selection process.

2.3.4 Fixed term contract rollovers

Our results indicated that fixed-term contracts were being administered within the guidelines. Our testing revealed that in about 70 per cent of cases, fixed-term contracts expired on maturity without a rollover, which indicated that these contracts generally do not result in continued and sustained employment, consistent with the guidelines in ED 1.

Figure 2 below summarises the percentage of fixed term contracts that were rolled over by agency.

Figure 2 - Percentage of fixed term contract rollovers

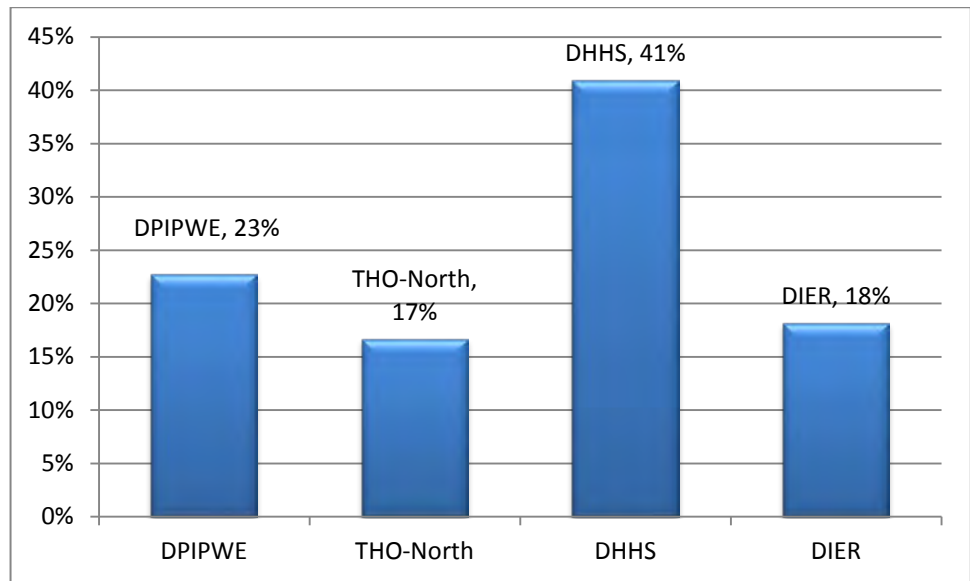


Source: Data compiled by Crowe Horwath

Figure 2 identifies that, on average, around 30 per cent of fixed-term contracts were rolled over at least once. DIER and DPIPWE showed a higher rate of fixed-term contract rollover. However, in discussion with these agencies, it was evident that the possibility of some rollovers was known ahead of time. It cannot be inferred from Figure 2 that DIER and DPIPWE have a higher rate of fixed-term contract rollover because of a lack of management of the process. After this initial rollover, a contract would cease and the incumbent would be required to apply for a new position or leave the State Service.

Instances identified where a fixed-term contract was rolled over more than once are illustrated in Figure 3.

Figure 3 - Percentage of fixed term contracts rolled over more than once



Source: Data compiled by Crowe Horwath

Contracts rolled into a second term or more equated to 25 per cent of the initial contracts, which again (as demonstrated by Figure 3) varied by agency. Typically, evidence suggested that contract rollovers were linked to continued or increased work flow demands. However, in approximately 30 per cent of cases we found that there had been no tangible change to the work flow associated with the role, indicating that the fixed-term status of the role may require review to ascertain whether the role was indeed fixed-term in nature or permanent. From Figure 3 it was evident that DHHS had the highest percentage rollover in the second term but we were unable to find evidence to support why this higher rollover in the second term was necessary.

It is questionable as to whether fixed-term roles that continuously roll over are indeed truly fixed term or permanent in their composition. This may lead to an employee expectation of permanency in employment, and an industrial interpretation of permanency in the position. This has the potential to create confusion and industrial risk. This, of course, excludes fixed-term roles that are constructed as such because of the finite nature of the project or body of work.

Recommendation 11

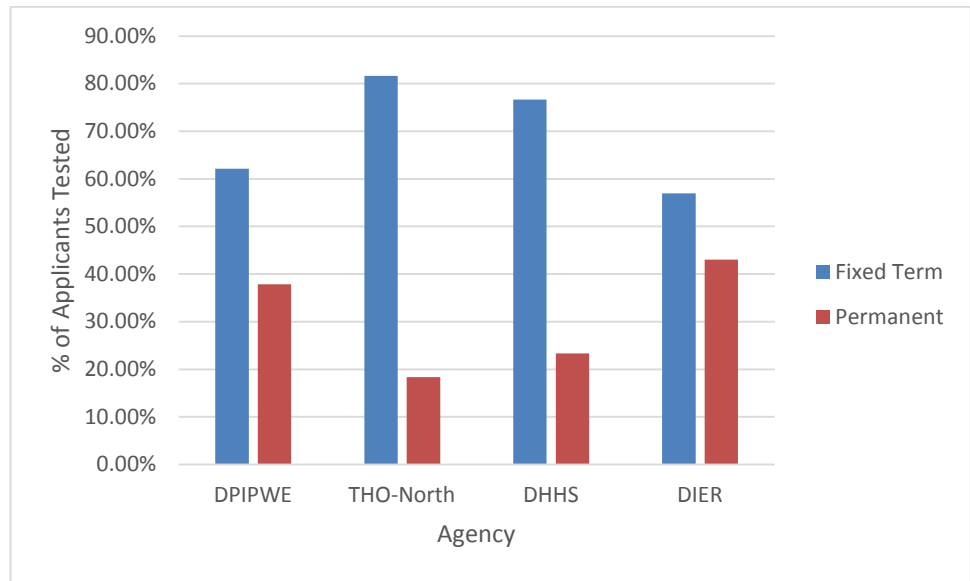
We recommend that agencies substantiate and document why a position should be a fixed-term contract rather than a permanent employee.

2.3.5 Progression versus workforce planning

In conversations with agencies, it was apparent that there was no underlying philosophy of workforce planning that was consistently used. This may have been a result of agencies having a strong focus on a 12-month financial budgetary cycle.

We did note that across the four agencies that we reviewed, in all instances, the incidence of appointment was higher for fixed term employees when compared to permanent employees. Details are summarised in Figure 4.

Figure 4 - Number of fixed term v permanent appointments



Source: Data compiled by Crowe Horwath

In the absence of any long-term workforce planning strategy, it was impossible to determine whether the percentage breakdowns represented in Figure 4 reflected the required weighting between fixed-term and permanent appointments to support the longer term employment needs of the agency. If this workforce planning strategy were devised and implemented, data could be analysed so as to determine if the actual appointments were supportive and in the defined bounds of that strategy.

The lack of workforce planning was of some concern from a personnel and cost perspective. A well thought out, and consistently applied, workforce planning strategy can assist with the cost of forecasting and management.

It also helps through succession planning to provide career pathways for high potential employees and ensure that the skills required by the agency both now and in the short- to medium-term are being developed in the workforce.

In a tight fiscal environment it is easy to overlook succession planning as a key component of job construction. However, a lesser focus in this area could ultimately result in reduction of State Service talent, through both career dissatisfaction and the continued ageing demographic of State Service employees.

Recommendation 12

We recommend that an overarching workforce planning framework be developed and applied consistently so that vacancy type can be correctly categorised for recruitment.

2.4 *Use of labour hire firms*

2.4.1 *Background*

Since the 2010 *Recruitment in the State Service* report, some concerns have been raised that the use and recruitment of labour hire employees has been conducted in a manner which was not accordance with established practices for the Tasmanian State Service.

We considered agency processes for monitoring and overseeing the use of labour hire firms for employing temporary and casual staff by assessing:

- How often are staff employed via labour hire firms?
- Whether or not State Service branding objectives were being achieved?

2.4.2 *How often are staff employed via labour hire firms?*

In the context of this review, labour hire deals with the employment of temporary staff and trainees who may have been sourced from labour hire or recruitment firms.

Agencies tended to use labour hire firms for temporary administrative staff, trainees, temporary house-keeping staff and locum health care professionals.

It was observed during our review that the use of labour hire within agencies was largely driven through the procurement process. So long as the purchase was within procurement delegation limits, the engagement was possible, and HR were unlikely to be involved in the selection and hiring process.

Observations made during the review demonstrated that labour hire firms had generally performed a selection process around staff they were putting forward, and extracts of this process were provided to the agencies for the selection of the most appropriate staff.

Overall, our review observed that agencies did not monitor the use of labour hire firms and were unable to easily provide the following:

- the types of roles that are allocated to labour hire firms for recruitment
- the cost benefit analysis associated with using labour hire firms
- whether the State Service is working from a level platform with regard to fees associated with labour hire firms
- the tenure periods of employees procured through labour hire firms
- the average training investment spent on labour hire workers throughout their tenure
- the number of trainees that subsequently became State Service employees.

Additionally as a result of the process being largely a procurement decision we are unable to categorically determine if labour hire was being used appropriately. We also noted that labour hire and consultancy have the potential to overlap and as a result labour hire may well have been attributed to consultancy cost centres.

Recommendation 13

We recommend that controls be put in place to ensure that labour hire firms cannot be used solely through the procurement process, thus avoiding HR line of sight.

Recommendation 14

We recommend that SSMO implement an integrated system that can capture data pertaining to labour hire workers so that meaningful cost benefit, trend and workforce benefit analysis can be performed. Any system implemented would need to recognise, where valid, unique workforce circumstances.

2.4.3 Were State Service branding objectives being achieved?

While a consideration to a lesser degree, the use of labour hire firms and recruitment consultancies, although carrying an element of convenience, does over time have the potential to

weaken the employment brand of the State Service. Given the size of the State Service it would seem worthwhile to consider complete insourcing of the recruitment function. If complete insourcing cannot be achieved, consistent branding should be used across all advertising through external providers so that the State Service can continue to manage the branding messages in line with organisational objectives.

Recommendation 15

We recommend that all agencies use the State Service branding that has been established when utilising hiring options external to the State Service.

2.5 *Selection process – interview panels*

To determine whether selection panels were applying the principles and spirit of the ‘Right Person, Right Job’ framework, we considered:

- conflict of interest
- composition of selection panels
- training of selection panel members
- selection tools used in candidate assessments.

2.5.1 *Conflict of interest (COI)*

The review did not identify any situations where specific examples of favouritism existed as had been suggested by some of the preliminary anecdotal data that was reviewed. However, it is clearly evident that the recruitment process on the whole lacked a strong focus on management of COI. We found in 100% of our sample that selection processes did not have a means to declare explicit or implied - whether those conflicts occurred within or external to the State Service. Our review found that the only reference to disclosure of a COI was in the code of conduct applicable to the agency.

A rigorous COI process is an integral part of managing a culture that would identify actual, perceived or potential conflicts.

This is not to say that there is currently no focus on COI. During interview each of the agencies confirmed that they do view COI as an important consideration when convening selection panels. However, in all instances, the COI process relied on self-disclosure by the panellists or the candidates. There was no consistency in the way that this self-disclosure could be made; no formal opportunity was presented whereby a positive

disclosure could be made or conversely an attestation that no COI existed. A formal COI process is an integral part of any recruitment and selection regime.

The lack of any established COI policy and process does in itself heighten amongst staff the perception or suspicion that conflicts or bias may be present in the recruitment process. This perception then has the potential to become heightened in unsuccessful candidates, thus leading to potentially erroneous conclusions being drawn and ultimately an erosion of, and negative impact on, the whole agency culture. A rigorous COI process that is embedded in the panel selection process would do much to help negate any perceived or actual bias associated with the process.

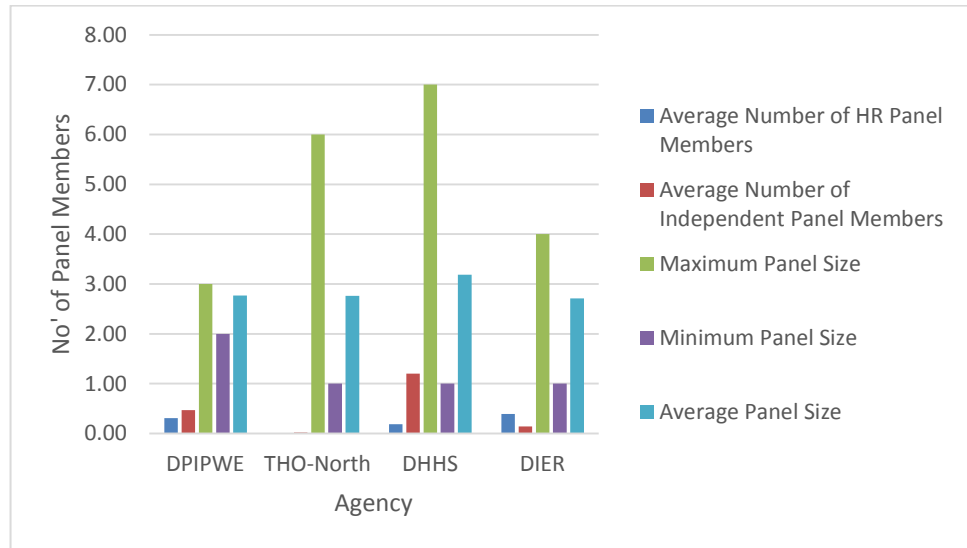
Recommendation 16

We recommend that the ‘Right Job, Right Person’ framework explicitly require all panel members to declare and attest to their conflict of interest status.

2.5.2 Composition of Selection Panels

From our sample we were able to summarise the composition of selection panels. Details are provided in Figure 5.

Figure 5 - Panel composition



Source: Data compiled by Crowe Horwath

Our sample indicated that 95 per cent of selection panels were composed of at least two individuals working in the team with the vacancy. In instances where an internal applicant (meaning a current team member) applies for a position, the close proximity of the selection panel member(s) to other team

members or subordinates could lead to a perception that a COI exists.

Whilst ED 1 does not prescribe a selection panel's composition, its desired intent is to have a departmental member on the panel. This of course adds much value to the selection process; however an established COI process would assist with the transparency of this process.

Our sample revealed that the average panel size across agencies is around three, which appears to be best practice across the State Service.

2.5.3 Training of selection panel members

Our review revealed that of all the agencies reviewed, no agency had in place any type of training register. This meant that in determining whether or not a particular panel member has ever received formal interview training was an inexact methodology, relying on the recall of other staff members. This was not a satisfactory situation.

The current legislative environment contains many prohibitions that extend to the sphere of recruitment and selection. Without any formal training staff may, during the interview process, inadvertently breach discrimination or general protections laws. Additionally, a lack of formal training may also lead to ineffective or inappropriate selection decisions. Formal training of staff involved with selection panels is a key factor in mitigating the risk associated with recruitment.

As a result of the lack of any process for recording the staff who had undertaken formal interview training, it was impossible to determine the percentage of staff who now sit on selection panels who have undertaken this training.

Our observations indicate that training needs to be provided on a regular basis – every 24 months is suggested. Additionally, agencies must establish a database or tracking system to determine the type of training that has been provided and to whom. It would be highly advantageous if this tracking tool were developed centrally and adopted by each agency so as to increase consistency in application of process.

Recommendation 17

We recommend that a Training Records System is developed and utilised to ensure that training has been completed and is up to date, whether that be training required as a result of the position held or additional training.

Recommendation 18

We recommend that individuals who are part of the recruitment process are subject to training on recruitment practices, anti-discrimination and equal opportunity and behavioural analysis. It is our belief that Departments have the necessary skills and personnel to conduct this training.

Recommendation 19

We recommend that one or more members of each selection panel have been appropriately trained.

2.5.4 Selection tools used in candidate assessments

Our testing did not reveal any instances where a selection panel used any additional tools other than questions pertaining to the selection criteria and the process of reference checking. Tools such as psychometric evaluations, written scenario evaluations and capability and capacity forecasts were absent from our sample. Additionally, in the review of our sample, the questions asked of candidates during the selection interview were not always behaviourally based. This means that while relevant interview questions were certainly being asked, the questions were not always asked in a way that extracted outcome based answers. Consequently the opportunity to extract and evaluate data points pertaining to evidence of prior behaviours and competency utilisation was being missed.

Psychometric evaluations can allow those involved in the selection process to align the applicant to the culture or the desired cultural needs of the hiring team.

Written scenarios can be used to assess an individual's application of skills in a practical setting. These scenarios can be generated by the hiring team based on actual examples of work related activities.

Capability and capacity assessments allow consideration of the ability of an individual to grow into the role and build team capabilities and capacity.

Recommendation 20

We recommend that HR provide appropriate guidance to selection panels as to the use of additional recruitment tools that could be used in the selection process. Alternatively, HR could facilitate education for hiring managers on the additional recruitment tools available.

2.6 *Selection process – involvement of HR Personnel*

The relative success of any selection process, private or public sector, can be attributed to the level of support and education provided by the HR team.

As part of our review we considered:

- training of HR personnel (section 2.6.1)
- involvement of HR personnel in the recruitment and selection process (section 2.6.2)
- tenure of candidates in the appointed role (section 3.3)
- frequency of SoDs being reviewed (section 3.4)
- data capture and accuracy (section 3.5).

2.6.1 *Training of HR Personnel*

There were no records of the specific recruitment and selection or interview training that may have been undertaken by HR personnel. Similarly, there was no recording of existing HR training or specific skills or experience held by HR personnel.

However, despite there not being any formal records, DIER was able to evidence through conversation the enormous amount of HR guidance and on the job training provided through its HR Director and team. This does encompass some formal training sessions, but these have been less frequent in recent times due to time and cost constraints.

Recommendation 21

We recommend that all relevant HR personnel must have formal recruitment training or recorded skills assessments.

2.6.2 Involvement of HR Personnel

Our conversations with the agencies indicated that the degree of involvement by the HR function in the recruitment and selection process varied greatly. Consistently the variance was a function of the size of the HR department and the ratio to employee numbers. While some agencies had staff members dedicated to the function of recruitment and selection, this was not consistent across all agencies. It is our view that HR should have some line of sight to every instance of recruitment that is occurring in the State Service.

What was consistent was the stretch that the HR departments felt with regards to the execution of all their duties – both strategic and operational. In conversations with the HR Directors of each agency, it was consistently stated that they felt they could add much more value and provide much more rigour and support around the recruitment and selection process, but for the lack of resourcing and suitable HR systems.

Our review found that in each of the agencies, an excellent depth of HR expertise existed, but this was infrequently being utilised to full capability as a high proportion of time was spent on HR operational tasks. More consistency in HR processes across agencies and more synergy in the HR operating platforms would do much to free up the time of HR staff members, so that true value add HR could be applied more consistently – including in recruitment and selection.

In our view, it would be advantageous to the efficiencies of the entire State Service if there were consistency in the HR processes and procedures across agencies where practicable.

Recommendation 22

We recommend that:

- **a review of HR process both intra and inter agency be conducted with a view to maximising efficiency in recruitment process and replicating where possible**
- **the ratio of HR personnel to agency employees be considered to ensure coverage is sufficient to meet the demands of operational and strategic requirements**
- **consistent HR practices be adopted across the State Service.**

2.7 Conclusions

The review found no instances of favouritism or actual conflict in recruitment decision making processes. However, while there was evidence of compliance, many areas for process and efficiency improvement were identified including:

Conflict of interest process

There was no consistency in the way that this self-disclosure could be made; no formal opportunity was presented whereby a positive disclosure could be made or conversely an attestation that no COI existed. A formal COI process is an integral part of any recruitment and selection regime.

The lack of any established COI policy and process does in itself heighten amongst staff the perception or suspicion that conflicts or bias may be present in the recruitment process. This perception then has the potential to become heightened in unsuccessful candidates, thus leading to potentially erroneous conclusions being drawn and ultimately an erosion of, and negative impact on, the whole agency culture. A rigorous COI process that is embedded in the panel selection process would do much to help negate any perceived or actual bias associated with the process.

Training of selection panel members

No mechanism was in place to record which staff members had undertaken training in the area of recruitment and selection – and specifically interview training. Given the movement in the general protection provisions, equal opportunity and anti-discrimination legislation over the past four years, it is strongly recommended that such training be undertaken, and a register of that training maintained. This would be both an enhancement to the skill of the selection panels and also a key risk mitigant for the State Service.

This observation and recommendation also extends to HR staff members, who fulfil the dual role of actual participation in selection panels; and providing coaching and guidance to other panel participants.

Hiring of Casual Workers

It was found that the lack of control in the process for hiring casual or temporary workers had the potential to expose the State Service to a high degree of risk.

Process pertaining to hiring of labour hire workers

Labour hire in the context of this review referred to the use of temporary staff that had been sourced through labour hire/recruitment firms. While the interview and selection process for casual workers was found to be compliant, the use of labour hire was largely driven from a procurement process. This meant that as long as the purchase was within procurement delegation limits, HR was unlikely to have any line of sight to additional personnel brought in through that mechanism. This weakness in process is further compounded by the worker being recorded from a cost perspective but not in personnel reports. This presents a health and safety risk, quite aside from other compliance concerns, including equal opportunity and anti-discrimination.

Overall, agencies didn't monitor the use of labour hire firms and were unable to easily provide data regarding labour hire workers on site.

Service Level Agreements –Labour Hire & Casual Works

The State Service did not have service level agreements in place with labour hire firms.

3 - Workforce planning and related considerations

3 Workforce planning and related considerations

3.1 *Background*

During the course of the review, the need for workforce planning and related matters were identified as requiring attention. These matters are dealt with in this Chapter.

3.2 *Has ‘Right Job – Right Person’ assisted with effective workforce planning?*

Slightly before the rollout of the ‘Right Job, Right Person’ selection framework, the SSMO prepared a whole-of-service Workforce Profile to increase awareness about critical workforce matters including ageing, diversity and to inform decision-making at agency and at a whole-of-service level⁴.

There has been a concerted effort by SSMO to ensure that the State Service can attract, retain and build a skilled workforce. As part of our review, we considered workforce planning principles in the recruitment process. To assess this, we looked at the following over an 18-month period:

- casual employees promoted to fixed-term contracts being subject to a formal recruitment process
- where applicable, the progression of fixed-term workers to permanent appointments
- appropriate roles were being allocated to labour hire workers.

Unfortunately, our review and analysis indicated that there was a lack of data to enable an assessment of the ‘Right Job, Right Person’ framework’s effectiveness in regards to workforce planning. This inability to assess stemmed from a lack of integrated systems to enable data capture. At the time of the review, there was no reliable system to capture the following data:

- changes in employment condition (e.g. casual to fixed-term to permanent)

⁴State Service Management Office - http://www.dpac.tas.gov.au/divisions/ssmo/employment_policy/workforce_planning

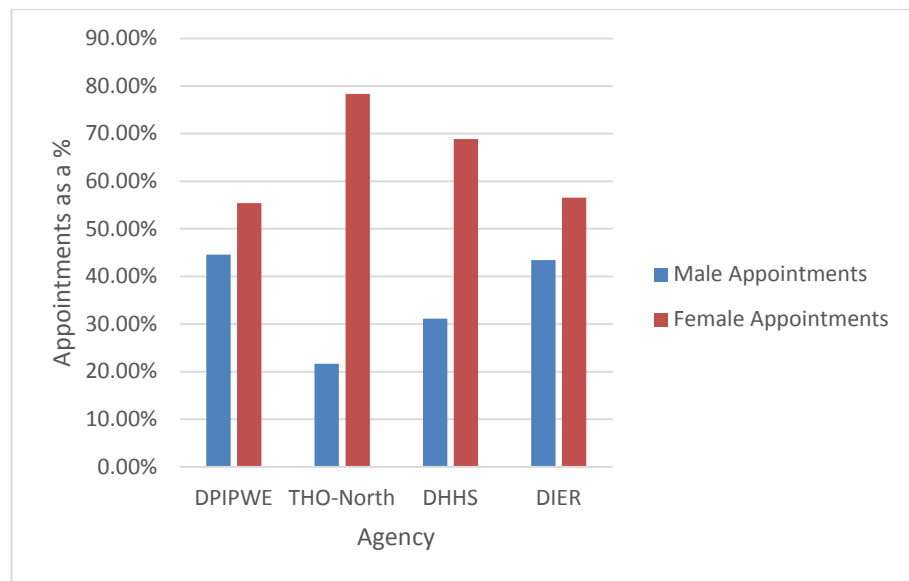
- point of origin for recruitment
- contractor/consultant acquired via recruitment firms compared to hiring a fixed-term employee
- frequency and use of recruitment contractors/consultants.

An integrated system, set up with monitoring tools, would allow meaningful analysis and help the State Service develop an understanding of:

- success in its ability to retain, develop and attract talent
- progression opportunities and take up rate of those opportunities
- employees' point of origin and the potential cost benefit of such arrangements
- oversight of the use of contractor/consultant to ensure that this has not become a source of employment substitution
- performing cost benefit analysis of contracting versus hiring an employee.

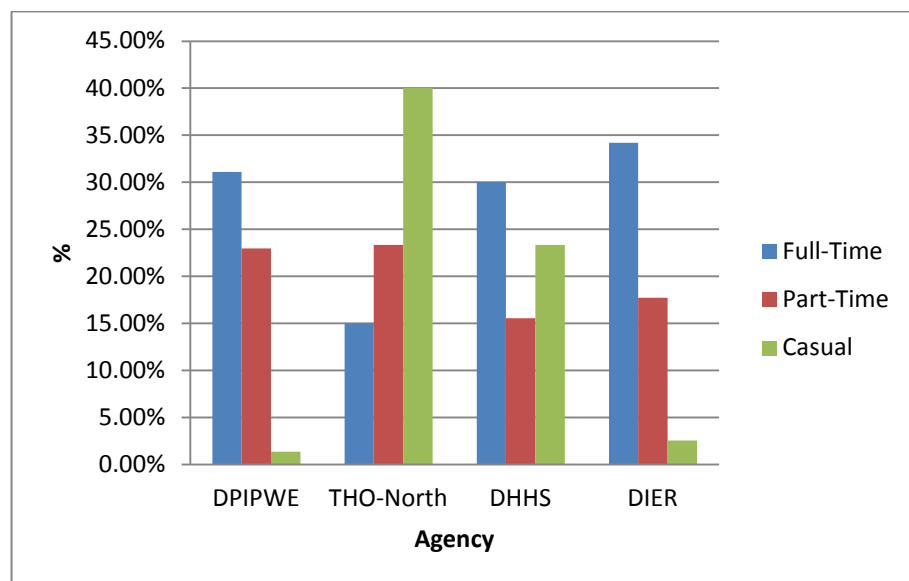
Whilst not an emphasis of this review, we noted that another area of focus for SSMO's workforce planning strategy is gender equality and flexibility. Despite a lack of data, Figures 6 to 8 provide some information to support the SSMO 'Whole-of-service Workforce Profile'.

Figure 6 - Percentage of male v female in data tested



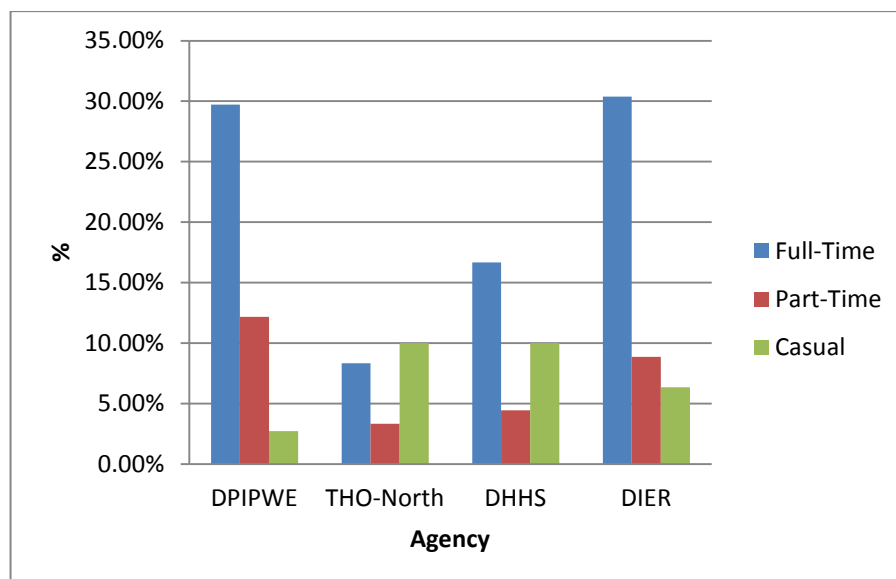
Source: Data compiled by Crowe Horwath

Figure 7 - Female appointments broken down by Casual, Part-Time, Full-Time



Source: Data compiled by Crowe Horwath

Figure 8 - Male appointments broken down by Casual, Part-Time, Full-Time



Source: Data compiled by Crowe Horwath

Our data, as illustrated in Figures 6 to 8, demonstrated that females had a greater rate of appointment to State Service employment in comparison to males.

The result also demonstrated that females tended to be appointed more frequently to part-time and casual roles, whereas males were appointed more frequently to full-time roles. We included the data to illustrate the richness of insight that could be achieved if adequate data collection systems existed.

Recommendation 23

We recommend that the SSMO implement an integrated system able to capture relevant HR data for trend analysis and monitoring across all like agencies and the State Service as a whole.

3.3 *Tenure in role*

Tenure was considered for new recruitment as it can be a lead indicator for deficiencies in the selection process.

Over the 24 month period of our review, our sample showed less than eight per cent of employees who had been appointed to a role for which they had applied subsequently ceased State Service employment. There was not enough readily available data to track intra departmental moves and reasons for such.

Additionally, because of the lack of training records for personnel involved in recruitment and selection panels, it was impossible to determine whether or not there was any link between tenure in the appointed role and panels that were comprised of staff members with formal interview training as opposed to those that are not.

Recommendation 24

We recommend that a HR Information System or other alternate solution be implemented so that the entire lifecycle of an employee can be viewed accurately and easily.

3.4 *Statement of Duties (SoDs)*

In general, SoDs were on file and in most instances the date of authorisation was contained on the SoD itself. During agency interviews, it was stated that all SoDs are reviewed as part of the recruitment process. However, there was no factual evidence available that SoDs were reviewed prior to the recruitment process.

While the feedback from the Agency interviews indicated that SoD reviews were taking place, it would be best practice to have this review recorded. This record of review would be helpful from a workforce planning perspective – to assist with the efficiency in understanding whether particular SoDs were reviewed prior to major decision milestones.

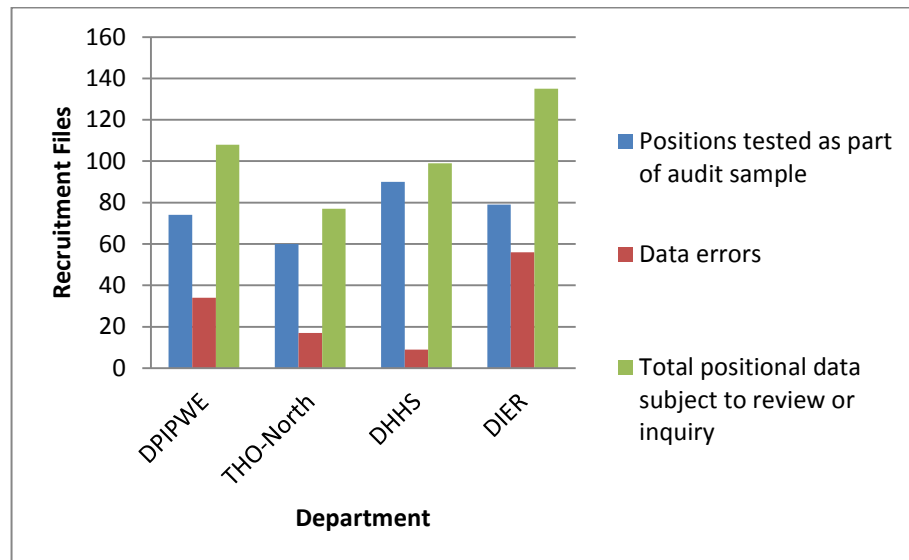
Recommendation 25

We recommend that Statements of Duties (SoDs) be updated, and a record thereof be maintained, in accordance with the adopted workforce planning principles and forecasts.

3.5 Head count reports – data accuracy

Our review included an assessment of the accuracy of head count reports. Figure 9 outlines the outcomes of this work.

Figure 9 - Data accuracy by agency



Source: Data compiled by Crowe Horwath

During our field work, 27.68 per cent of the head count sample data was found to contain errors or deficiencies. These deficiencies included:

- data cut-off issues
- data not being able to be run across the period
- selection panel documentation being made system redundant or archived after two years resulting in a lack of evidence
- position classifications had been processed that resulted in the employment position appearing as a new recruitment
- a change in portfolios resulting in recruitment history being lost
- a lack of alternate data such as:
 - progression statistics
 - changes in employment conditions (Casual>Part Time>Fixed Term>Permanent)
 - point of origin for recruitment statistics
 - contractor/consultant acquired via recruitment firms compared to hiring a fixed term employee statistics

- frequency and use of recruitment contractors/consultants
- trainees progressing to state service employment statistics.

3.6 *Head Count Reporting and Workforce Analysis*

We note that each agency is required to maintain employment records under Regulation 8 of the State Service Regulations 2011. SSMO co-ordinates the collection of relevant summary data for these employment records through the Workforce Analysis Collection Application ('the WACA'). The WACA is a web-based workforce information system that was initially developed in 2004 through a consortium of state and territory governments, including Tasmania.

WACA data can be used for a variety of planning and reporting purposes, and also for the benchmarking of State Service demographics against the demographics of other state and territory public sector workforces.

Our review disclosed that this WACA data is also used by SSMO to consider areas such as Entry Level Employment, Women in Senior Roles, HR Capability, Graduate employment and Leadership.

Data collected by SSMO spans some 37 categories including, but not limited to, employment category; status; gender; type (permanent/fixed term/casual); salary; age; length of service; and termination information.

WACA data is very detailed and represents a snapshot of the State Service workforce every quarter. However, while comparison quarter by quarter is easily achievable, the data does not build on itself each quarter, so cannot be used for analysis of the entire employee lifecycle or as a historical data record of the employment history of a particular State Service employee.

Recommendation 26

It is recommended that SSMO consider ways in which the quarterly data collection can become dynamic so that full working histories of employees are created. This may be an intra-agency, rather than an inter-agency undertaking - with the electronic work history being transferred when an employee changes agency.

3.7 Workforce Planning

In 2009, the Workforce Planning Network⁵ (the Network) was convened and it examined a number of workforce planning models and activities with an objective to increase workforce planning skills and knowledge across the State Service.

The Network was established to build capability within agencies by advancing awareness and understanding of workforce planning principles and increasing the skills of participating human resource practitioners in this critical area of employment management. Network activities have included development workshops and case study scenarios.

In 2012 a further review of workforce planning was conducted by the then Public Sector Management Office⁶ and it was noted that while there was an increased awareness in different pockets across the Service about workforce data, communicating and using the data and workforce planning, this was not, and still is not, consistent across the entire State Service.

During our review we discussed workforce planning with members of the State Service HR teams as well as line and hiring managers. What was immediately apparent was that there was no consistent understanding of the definition of workforce planning. Further to this, our discussions with HR staff members disclosed that there was not a consistent understanding of SSMO's objectives in this area and furthermore, that workforce planning was not always considered as a dynamic continuum, rather, as an exercise that was completed and then shelved.

Recommendation 27

We recommend that SSMO reinvigorate the Workforce Planning Network so that a consistent platform of understanding can be established across agencies as to what workforce planning is; how a workforce plan can assist the State Service; and the benefits to individual agencies.

⁵ The Workforce Planning Network was comprised of representatives from all agencies/authorities, with a significant amount of representatives being Human Resource personnel, including senior HR personnel. Participation was on a voluntary basis.

⁶ The State Service Management Office was prior to February 2013 the Public Sector Management Office.

3.8 Conclusion

It was not possible to obtain any head count or personnel report that contained parameters pertaining to the entire State Service employment history of the employee. For an organisation as large as the State Service, it would be advantageous if reports of this type were readily available; they would provide excellent support to any workforce planning initiatives.

Independent reviewer's conclusion

Independent reviewer's conclusion

This independent conclusion is addressed to the President of the Legislative Council and to the Speaker of the House of Assembly. It relates to my performance review regarding recruitment practices in the State Service.

Review objectives

The objectives were to review the adequacy of recruitment practices with respect to:

- whether the selected general government sector entities are complying with the recruitment requirements established by the State Service Management Office (Employment Directions) and, therefore, with the principles established in the *State Service Act 2000*
- the level of compliance with applicable legislation, policy and procedures to result in an outcome that is efficient and effective for the State Service, supports the Service's human resource objectives and results in efficient recruitments.

Head count reporting and workforce analysis was also considered.

Review Scope

The review scope encompassed recruitment practices for:

- casual workers
- fixed-term contracts
- labour hire workers
- merit-based selection processes.

The review focus areas were applied to the following agencies:

- Tasmanian Health Organisation — North
- Department of Infrastructure, Energy and Resources
- Department of Primary Industries, Parks, Water and Environment
- Department of Health and Human Services.

Responsibility of those charged with governance in the entities selected for review

The Secretaries of the three departments selected for review and the Governing Council and Chief Executive Officer of Tasmanian Health Organisation North are responsible for ensuring application of compliant and efficient recruitment practices.

Auditor-General's responsibility

In the context of this performance review, my responsibility was to carry out review procedures to enable me to express a conclusion based on my review.

I conducted my review in accordance with Australian Auditing Standard ASAE 3500 *Performance engagements* in order to state whether, on the basis of the procedures described in this Report, anything has come to my attention that causes me to believe that recruitment practices are not being implemented in a compliant, effective or efficient manner in accordance with frameworks established under the *State Service Act 2000* and by the State Service Management Office.

My review consisted of making enquiries, primarily of persons responsible for recruitment practices and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ASAE 3500 and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

I believe that the evidence I have obtained was sufficient and appropriate to provide a basis for my conclusion.

Independence

In conducting my review, I have complied with the independence requirements of auditing standards and other relevant professional standards.

Auditor-General's conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the four entities subjected to review did not, in all material respects, comply with established recruitment practices efficiently and effectively during the period covered by my review. However, my review identified a number of areas where improvements are needed resulting in my making 27 recommendations which I believe agencies and the State Service Management Office need to address.

H M Blake
Auditor-General
21 August 2014

Recent reports

Recent reports

Tabled	No.	Title
Dec	No. 7 of 2012–13	Compliance with the <i>Tasmanian Adult Literacy Plan 2010–15</i>
Mar	No. 8 of 2012–13	National Partnership Agreement on Homelessness
Mar	No. 9 of 2012–13	Royal Derwent Hospital: site sale
May	No. 10 of 2012–13	Hospital bed management and primary preventive health
May	No. 11 of 2012–13	Volume 5 — Other State entities 30 June 2012 and 31 December 2012
Aug	No. 1 of 2013–14	Fraud control in local government
Nov	No. 2 of 2013–14	Volume 1 — Executive and Legislature, Government Departments, Tasmanian Health Organisations, other General Government Sector State entities, Other State entities and Superannuation Funds
Nov	No.3 of 2013–14	Volume 2 — Government Businesses, Other Public Non-Financial Corporations and Water Corporations
Dec	No.4 of 2013–14	Volume 3 — Local Government Authorities
Dec	No.5 of 2013–14	Infrastructure Financial Accounting in Local Government
Jan	No. 6 of 2013–14	Redevelopment of the Royal Hobart Hospital: governance and project management
Feb	No. 7 of 2013–14	Police responses to serious crime
Feb	No. 8 of 2013–14	Analysis of the Treasurer's Annual Financial Report 2012-13
May	No. 9 of 2013–14	Volume 5 — State entities 30 June and 31 December 2013, matters relating to 2012–13 audits and key performance indicators
May	No 10 of 2013-14	Government radio communications
May	No 11 of 2013-14	Compliance with the Alcohol, Tobacco and Other Drugs Plan 2008-13
June	No 12 of 2013-14	Quality of Metro Services
June	No 13 of 2013-14	Teaching quality in public high schools

Current Projects

Current projects

Performance and compliance audits that the Auditor-General is currently conducting:

Title	Audit objective is to ...	Annual Plan of Work 2013-14
Security of Information and Communications Technology (ICT) infrastructure	... assess the effectiveness of security measures for ICT infrastructure and its functionality.	Page 11, Topic No. 3
Motor vehicle fleet usage and management	... determine whether use by selected government departments of vehicles is effective, efficient and economic. The audit will also consider allocation and use of motor vehicles complies with government guidelines and whether fleets are properly managed.	Page 13, Topic No. 2
Follow up audit	... ascertain the extent to which recommendations from reports tabled from October 2009 to September 2011.	Page 12 Topic No. 4
Budgeting of capital works	... look at the effectiveness of Treasury's capital works budgeting processes.	Page 11 Topic No. 1
Absenteeism and management of workers compensation arrangements	... reviews how well departments are managing absenteeism and their workers compensation responsibilities	Page 16 Topic No. 3

Appendix 1 Detailed review criteria

Appendix 1 - Detailed Review criteria

Detailed Review criteria

The criteria developed to support the review's objective were:

- a) Casual Workers - Point of Origin:
 - i. Have casual workers been sourced through approved channels?
 - ii. Have appointed casual workers been selected based on applicable skills and experience?
- b) Casual Workers - Selection and Engagement Process:
 - i. Have casual workers been subject of an appropriate and applicable selection process?
 - ii. Are all casual workers reported as required and included in formal personnel quotients?
 - iii. Is a formal and signed agreement in place between the State Service and the Labour Hire Company?
 - iv. If so, does the Labour Hire Company comply with the requirements of the agreement? (Specific focus on background checking elements.)
- c) Casual Workers - Progression from Casual to Fixed Term Contract:
 - i. If casual worker has progressed to fixed term employee, has an appropriate and applicable selection process been applied?
- d) Casual Workers - Fixed Term Employees:
 - i. Are Fixed Term employees selected for permanent positions based on merit principles?
 - ii. * What is the average tenure of fixed term employees who ultimately assume permanent roles?*

* Data analysis carved out training positions i.e. positions whereby appointment is confirmed once training and qualification requirements are met.
- e) Fixed Term Contract Rollover:
 - i. How many times have Fixed Term contracts been rolled over?
 - ii. Has a Fixed Term position ultimately become a permanent position?
 - iii. Have workforce efficiencies been lost in permanent status not being confirmed early in the decision?
 - iv.
- f) Use of Labour Hire Firms:
 - i. How frequently are Labour Hire firms being used as a % of total recruitment?

- ii. When are labour hire firms utilised in the recruitment process?
 - iii. What roles are being allocated to the Labour Hire firms for recruitment?
 - iv. Are training or graduate roles being allocated to Labour Hire firms?
 - v. What is the cost associated with using Labour Hire Firms?
 - vi. What benefits arise from using labour hire firms?
 - vii. What is the tenure of employees procured through Labour Hire firms?
 - viii. What is the 'time to hire' period of labour hire recruitment as compared to internal recruitment processes?
 - ix. What is the reason for leaving/termination applicable to labour hire workers? What is the average training \$ spent on labour hire workers throughout their tenure?
- g) Selection Process – Interview Panels:
- i. How many staff assuming selection panel duties have formal interview training?
 - ii. How many selection panels used additional tools to complete the candidate assessment?
 - iii. What is the process for determining the selection panel?
 - iv. How is it determined that the selection panel is comprised compliantly?
 - v. How is it determined that the selection panel is comprised of suitably trained personnel?
- h) Selection Process – HR Personnel:
- i. Have HR personnel undertaken adequate training and have experience in interview and selection techniques?
- i) Selection Process – Link to Tenure:
- i. What are the predominant reasons for leaving within the prior 24 month period?
 - ii. Are there any trends in the reason for leaving during the prior 24 month period? Is there a link between positions that turnover frequently and the skills/experience composition of recruitment panels?
- j) Selection Process – Position Descriptions:
- i. Are position descriptions reviewed and updated prior to each instance of recruitment for the role?
 - ii. What is the process for reviewing and updating a position description?

Appendix 2 Limitations

Appendix 2 – Limitations

Limitations

This report is prepared on the basis of the limitations set out below:

- Our procedures were limited to a 24 month timeframe.
- There was no available Agency or SSMO statistical data around progression, tenure and recruitment.
- Head count data was provided directly from the Agencies, validation of this information is limited to our sample selected.
- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, Parliament should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

Appendix 3 SSMO Response

Appendix 3 – SSMO Response

The Director, State Service Management Office provided the following response to this Report:

“Report – Recruitment Practices in the State Service

Thank you for providing me with a copy of the above report.

I am pleased to note that the report found no evidence of favouritism or apparent conflict of interest in recruitment decisions assessed and I further note a range of recommendations concerning opportunities for efficiency improvement.

Please find attached responses to the report’s recommendations

Yours sincerely

Frank Ogle

Director, State Service Management Office”

The table below and on the following pages are the responses to which the Director refers. My follow-up response is provided below the table.

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 1</p> <p>We recommend that agencies work closely with Vacancy Control to process map the recruitment process to identify the most efficient flow in the process (with an emphasis on concurrent tasks) and to implement this process.</p>	<p>Recruitment is not a centralised process albeit that Vacancy Control ‘centralises’ the decision point for clearing vacancies for advertising rather than filling them by the transfer of potentially surplus employees.</p> <p>The State Service Act is intended to be ‘enabling’ legislation and therefore there has never been a prescribed selection process with which agencies must comply. The Employer has instead issued a good practice guide in the form of ‘Right Job, Right Person’ to assist agencies with managing and making good recruitment decisions.</p> <p>It should also be understood that recruitment within agencies are largely devolved to the line with overall guidance and support provided by HR units. The general policy of allowing management prerogative in hiring matters should remain. However the recommendation to be considered in reviewing Employment Directions and the current project work on selection and merit in the State Service. It is being addressed in a Good Practice Guideline on selection and merit.</p> <p>Centralised processes are not in place in other jurisdictions and recommendations go beyond the recruitment phase.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 2</p> <p>We recommend that there be consistency in the recruitment and selection processes and procedures across agencies.</p>	<p>While this recommendation may be aspirationally appropriate, the diversity and complexity of service requirements of agencies make this ‘one size fits all’ approach unlikely to deliver the efficiency expected. For example, teachers are generally recruited at the start of the school year ‘en masse’ to match known enrolments, whereas nurse staffing requires flexibility to meet unknown and unpredictable season variations (eg flu season).</p> <p>There is value in enhancing the ‘Right Job, Right Person’ framework to emphasis efficient recruitment albeit that processes will by necessity, differ to reflect the varied recruitment needs for different agencies/occupational groups. This recommendation is to be considered in light of the comments for Recommendation 1. It is being addressed in a Good Practice Guideline on selection and merit.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 3</p> <p>We recommend that there be a focussed effort within each agency to operationalise the ‘Right Job, Right Person’ framework and to educate line managers on both these requirements and the resultant benefits.</p>	<p>There is value in enhancing the ‘Right Job, Right Person’ framework to emphasis efficient recruitment albeit that processes will by necessity differ to reflect the varied recruitment needs for different agencies/occupational groups.</p> <p>HR units within agency are currently tasked with supporting the ‘Right Job, Right Person’ framework in those agencies that utilise it. However, it should be noted that the Employer believes that agencies should continue to be able to adopt their own good practice models for selection rather than have one model (eg ‘RJ, RP’) mandated. It is being addressed in a Good Practice Guideline on selection and merit.</p> <p>In addition, SSMO has a number of Capability Programs available for line managers currently available through The Training Consortium (TTC) which can be supplemented with an additional module dealing with recruitment with a particular focus on merit selection.</p>
<p>Recommendation 4</p> <p>We recommend that selection panels be diverse and represent both a diversity of thought and representation. As a minimum, it is recommended panels are made up of:</p> <ul style="list-style-type: none"> • a subject matter expert • the direct supervisor • an independent member who is, preferably, external to the hiring team. 	<p>Agree that the principles are pivotal to good selection decisions, however, the focus must always be on the application of merit rather than on mandated processes/roles.</p> <p>There may be an opportunity to better incorporate some of these principles into the ‘RJ, RP’ framework or another medium and this is being addressed in a Good Practice Guideline on selection and merit.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 5</p> <p>We recommend that each time a casual worker is to be engaged the process should be subject to a role-appropriate selection and appointment process, and include a clear document trail.</p>	<p>These requirements are already contained within <i>Practices, Procedure and Standards No 1 Fixed Term Employment Registers</i>.</p>
<p>Recommendation 6</p> <p>We recommend that SSMO review the hiring process for labour hire workers and set clear parameters around this process.</p>	<p>Agree that there may be some value in reviewing labour hire across the State Service, however, the threshold issue is whether labour hire falls with the employment policy responsibilities of the Employer or is rightfully established (as has been argued by some agencies including Treasury) under financial legislation as a purchased service.</p> <p>Support that a joint review be undertaken by officers representing the Employer and the Treasurer for the purpose of this recommendation.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 7*</p> <p>We recommend that, for appointments of casual workers:</p> <ul style="list-style-type: none"> • the practice of recruitment via procurement has additional controls added to ensure a level of HR oversight • all personnel be appropriately identified on head count reports so that a level of induction (suitable to the tenure of the appointment) can be completed. This may require employment category distinctions to be updated • all labour hire personnel complete a ‘working for the State Service as a labour hire employee’ training module. (This could be lighter than the full HR induction for and would cover OHS, Equal Opportunity and Anti-Discrimination and other important policies such as email and social media • at a minimum, induction needs to encompass equal employment opportunity and workplace health and safety principles. <p>* NB: This recommendation specifically excludes doctors and agency nurses.</p>	<p>Support that a joint review be undertaken by officers representing the Employer and the Treasurer for the purpose of this recommendation.</p> <p>Should such a review occur, these sub-recommendations may be useful in framing review outcomes.</p> <p>Recommendation dot point 3 – this is a contractual matter and would already be covered in each contract.</p>
<p>Recommendation 8</p> <p>We recommend that current systems capabilities be investigated or a system be put in place whereby SSMO can reliably produce, at any time, head count reports showing both employees and labour hire workers.</p>	<p>Current systems cannot provide real time data from a single point. To achieve this recommendation, would require significant financial resources, which are not supported by any cost benefit analysis.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 9</p> <p>We recommend the use of recruitment and labour firms for temporary staffing should be subject to HR approval and oversight and not be solely a decision for finance departments to sign off on.</p>	<p>Agree that there may be some value in reviewing labour hire across the State Service, however, the threshold issue is whether labour hire falls within the employment policy responsibilities of the Employer, or is rightfully established (as has been argued by some agencies, including Treasury) under financial legislation as a purchased service.</p>
<p>Recommendation 10*</p> <p>We recommend that the State Service negotiate consistent service level agreements with labour hire companies and recruitment consultants.</p> <p>* NB: This recommendation specifically excludes doctors and agency nurses</p>	<p>As above.</p>
<p>Recommendation 11</p> <p>We recommend that agencies substantiate and document why a position should be a fixed-term contract rather than a permanent employee.</p>	<p>Agree in principle, however, fixed-term is a legitimate employment arrangement and may involve budget uncertainty, seasonal service delivery demands, the associated need for quicker hire times, avoided redeployment/redundancy costs and requirements. This will be specifically referenced in the Good Practice Guidelines.</p>
<p>Recommendation 12</p> <p>We recommend that an overarching workforce planning framework be developed and applied consistently so that vacancy type can be correctly categorised for recruitment.</p>	<p>Workforce planning, in its broadest sense, is considered outside the scope of the audit, as previously advised.</p> <p>However, to this end, a range of research activities have occurred and a forum established to promote workforce planning within agencies. A range of WP frameworks are available to agencies for their use, however, it is unlikely that a single WP framework will be mandated, as agencies understand their service delivery needs best.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 13</p> <p>We recommend that controls be put in place to ensure that labour hire firms cannot be used solely through the procurement process, thus avoiding HR line of sight.</p>	<p>Agree that there may be some value in reviewing labour hire across the State Service, however, the threshold issue is whether labour hire falls with the employment policy responsibilities of the Employer, or is rightfully established (as has been argued by some agencies including Treasury) under financial legislation as a purchased service.</p> <p>SSMO supports a joint review being undertaken by officers representing the Employer and the Treasurer for the purpose of this recommendation.</p>
<p>Recommendation 14</p> <p>We recommend that SSMO implement an integrated system that can capture data pertaining to labour hire workers so that meaningful cost benefit, trend and workforce benefit analysis can be performed. Any system implemented would need to recognise, where valid, unique workforce circumstances.</p>	<p>The Workforce Analysis Collection Application (WACA) system is currently utilised for the purpose of whole of government HR data. WACA data is used in producing the Annual Workforce Profile and the demographic analysis provided in the State Service Annual Report.</p> <p>The WACA system and arrangements are considered both sufficient and cost effective, given available resources.</p>
<p>Recommendation 15</p> <p>We recommend that all agencies use the State Service branding that has been established when utilising hiring options external to the State Service.</p>	<p>Unsure as to why this recommendation has been made.</p>
<p>Recommendation 16</p> <p>We recommend that the ‘Right Job, Right Person’ framework explicitly require all panel members to declare and attest to their conflict of interest status.</p>	<p>This matter will be addressed in the current project activities on merit, selection and conflict of interests.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
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<p>Recommendation 17</p> <p>We recommend that a Training Records System is developed and utilised to ensure that training has been completed and is up to date, whether that be training required as a result of the position held or additional training.</p>	<p>Agencies can record this data presently within their own HRIS. The recommendation for the centralised development of a system is not considered necessary or cost effective – nor does it guarantee consistency of use by agencies.</p>
<p>Recommendation 18</p> <p>We recommend that individuals who are part of the recruitment process are subject to training on recruitment practices, anti-discrimination and equal opportunity and behavioural analysis. It is our belief that Departments have the necessary skills and personnel to conduct this training.</p>	<p>A number of capability programs are available for line managers currently available through The Training Consortium (TTC), which can be supplemented with additional modules dealing with recruitment, with a particular focus on merit selection and anti-discrimination.</p>
<p>Recommendation 19</p> <p>We recommend that one or more members of each selection panel have been appropriately trained.</p>	<p>Agree to one member (usually chair of selection panels) being trained and/or oversight by HR.</p>
<p>Recommendation 20</p> <p>We recommend that HR provide appropriate guidance to selection panels as to the use of additional recruitment tools that could be used in the selection process. Alternatively, HR could facilitate education for hiring managers on the additional recruitment tools available.</p>	<p>The ‘Right Job, Right Person’ framework provides guidance on alternative means for recruitment, and many agencies presently use a variety of tools for that purpose.</p>
<p>Recommendation 21</p> <p>We recommend that all relevant HR personnel must have formal recruitment training or recorded skills assessments.</p>	<p>HR personnel who support the recruitment function in agencies are already suitably trained. This will be specifically referenced in the Good Practice Guidelines.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
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<p>Recommendation 22</p> <p>We recommend that:</p> <ul style="list-style-type: none"> • a review of HR process both intra and inter agency be conducted with a view to maximising efficiency in recruitment process and replicating where possible • the ratio of HR personnel to agency employees be considered to ensure coverage is sufficient to meet the demands of operational and strategic requirements • consistent HR practices be adopted across the State Service. 	<p>This recommendation appears to be outside the scope of the audit in suggesting the establishment of new HR benchmarks that are currently already considered high in some agencies.</p> <p>There are presently activities occurring around the future amalgamation of payroll databases across agencies and improved Jobs Website functionality, which will deliver HR efficiencies in areas such as payroll and recruitment. (Further information is provided in the response to Recommendation 23).</p>
<p>Recommendation 23</p> <p>We recommend that the SSMO implement an integrated system able to capture relevant HR data for trend analysis and monitoring across all like agencies and the State Service as a whole.</p>	<p>As noted above, current work is being undertaken to enhance the capability of HR/payroll databases. This work was identified in a review of the Government’s HRMIS, undertaken by KPMG, which recommended that the State Service retain its current system provider (Fusion 5) and HR system (Empower), rather than proceed to the market for a replacement solution.</p> <p>KPMG also recommended that Government work with Fusion 5 to further develop the required system needs, as a more cost effective approach than replacing the existing system that most agencies currently use. Current work is focussed on a standard Performance Management module.</p>
<p>Recommendation 24</p> <p>We recommend that a HR Information System or other alternate solution be implemented so that the entire lifecycle of an employee can be viewed accurately and easily.</p>	<p>Unsure of the cost benefit of this.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
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<p>Recommendation 25</p> <p>We recommend that Statements of Duties (SoDs) be updated, and a record thereof be maintained, in accordance with the adopted workforce planning principles and forecasts.</p>	<p>It is noted that the audit did not find factual evidence regarding the review of SoDs. ‘Right Job, Right Person’ covers this in some detail, and reviewing SoDs on vacancy is a routine activity. SoDs are signed-off by a delegate, in line with information record-keeping processes, and allowing for the tracking of SoDs and their revisions.</p> <p>With regard to SoDs being updated in accordance with adopted workforce planning principles and forecasts, there is an Employment Direction covering SoDs and additional information, such as required capabilities, has already been included in a number of agencies’ SoDs. As noted in the report, there is a recommendation for workforce planning to be undertaken and forecasting information is not always warranted or required in a SoD.</p>
<p>Recommendation 26</p> <p>It is recommended that SSMO consider ways in which the quarterly data collection can become dynamic so that full working histories of employees are created. This may be an intra-agency, rather than an inter-agency undertaking – with the electronic work history being transferred when an employee changes agency.</p>	<p>This recommendation appears to mirror Recommendation 23. There are already a number of protocols for when an employee moves to another agency. SSMO is currently working on a ‘proof of concept’ project with TMD that involves better HRIS system compatibility. This, in addition to activities currently occurring around the future amalgamation of payroll databases across agencies and improved Jobs Website functionality, will deliver HR efficiencies in areas such as payroll and recruitment.</p>

AUDITOR-GENERAL REPORT – RECRUITMENT IN THE STATE SERVICE	
Recommendations	Response to recommendations – final report
<p>Recommendation 27</p> <p>We recommend that SSMO reinvigorate the Workforce Planning Network so that a consistent platform of understanding can be established across agencies as to what workforce planning is; how a workforce plan can assist the State Service; and the benefits to individual agencies.</p>	<p>SSMO is currently considering mechanisms by which agencies are provided with support to undertake active workforce planning. A review of contemporary models and agency maturing levels regarding workforce planning has been conducted. Developing an effective framework that provides agencies, HR personnel and line managers with adequate training, advice and support is underway. This extends to capability development.</p>

Response from the Auditor-General

I thank SSMO for their detailed comments and for their support during the course of this review. It is noted that there is a high level of support for the recommendations and a willingness to take action but that some recommendations are not supported. Despite this I remain of the views that:

- There is a need for a single and immediate source of information about FTE in our State Service. Without this, decision makers are disadvantaged and we will continue to find ourselves in a situation where there are inconsistencies between data sets.
- On occasion there is reference to a recommendation being ‘out of scope’. I do not concur. As a result of findings during the course of this review, I made a conscious decision to include workforce planning in the exercise resulting in recommendations about this.

AUDIT MANDATE AND STANDARDS APPLIED

Mandate

Section 17(1) of the *Audit Act 2008* states that:

‘An accountable authority other than the Auditor-General, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects.’

Under the provisions of section 18, the Auditor-General:

- (1) is to audit the financial statements and any other information submitted by a State entity or an audited subsidiary of a State entity under section 17(1).’

Under the provisions of section 19, the Auditor-General:

- (1) is to prepare and sign an opinion on an audit carried out under section 18(1) in accordance with requirements determined by the Australian Auditing and Assurance Standards
- (2) is to provide the opinion prepared and signed under subsection (1), and any formal communication of audit findings that is required to be prepared in accordance with the Australian Auditing and Assurance Standards, to the State entity’s appropriate Minister and provide a copy to the relevant accountable authority.’

Standards Applied

Section 31 specifies that:

‘The Auditor-General is to perform the audits required by this or any other Act in such a manner as the Auditor-General thinks fit having regard to –

- (a) the character and effectiveness of the internal control and internal audit of the relevant State entity or audited subsidiary of a State entity; and
- (b) the Australian Auditing and Assurance Standards.’

The auditing standards referred to are Australian Auditing Standards as issued by the Australian Auditing and Assurance Standards Board.



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