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Report of the
**Auditor General
of Canada**
to the House of Commons

SPRING

Chapter 2
Modernizing Human Resource Management



Office of the Auditor General of Canada

The Spring 2010 Report of the Auditor General of Canada comprises a Message from the Auditor General of Canada, Main Points—Chapters 1 to 5, and six chapters. The main table of contents for the Report is found at the end of this publication.

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Chapter

2

Modernizing Human Resource
Management

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Modernizing Human Resource Management

Main Points

What we examined

The *Public Service Modernization Act* (PSMA), introduced in 2003, represents the most significant reform of human resource management since the 1960s. A complex undertaking, the legislation brings into play a multitude of stakeholders, from central human resource agencies to deputy heads, line managers, and human resource professionals. The Act, which amends four pieces of legislation, is designed to transform the way the federal government hires, manages, and supports its employees. It calls for more flexible approaches to hiring, clearer roles and accountability for human resource management, harmonious labour-management relations, and better integration of training and development for public service employees.

In 2005, we reported that the government had established a strong foundation for managing the implementation of the PSMA. In this audit, we examined whether the central human resource agencies have implemented the new legislative requirements flowing from the PSMA, met the legislative reporting requirements, and reported on the progress of the Act's implementation. We examined whether these agencies as well as deputy heads have exercised the new or revised roles and responsibilities in accordance with the legislation. We also looked at preparations for the upcoming legislative review called for in the Act.

We did not audit the impacts of the legislation on the human resource management regime. We also did not examine changes being made as part of other initiatives that affect human resource management.

Audit work for this chapter was substantially completed in September 2009.

Why it's important

With over 200,000 employees in departments and agencies providing advice to government and services to Canadians, the human resource investment in the public service represents a significant portion of the government's annual expenditures. The legislation was implemented to respond to long-standing concerns that the human resource management regime was cumbersome, complex, inflexible, and

outdated and that roles and responsibilities were fragmented. Sound management of human resources is critical to an effective public service and better service to Canadians.

What we found

- The key requirements of the legislation have been implemented. Changes have been made to allow for more flexibility in how the public service is staffed and how recourse is managed. Mechanisms have been put in place to foster harmonious labour relations and to resolve disputes more informally. Primary responsibility for human resource management has been transferred to deputy heads, who now exercise those direct responsibilities as well as those delegated to them for human resource management and staffing.
- Organizational changes have been made as part of the implementation of the legislation. As a result, new organizations were created and others saw their mandate and role enhanced. In an attempt to resolve remaining concerns about governance, in 2009 the government created the Office of the Chief Human Resources Officer within the Treasury Board of Canada Secretariat.
- There have been difficulties encountered in implementing some aspects of the legislation, including the application of some of the new tools and mechanisms.
- The various entities required to report to Parliament on human resource management have generally met the requirements. Reports provide information about the implementation process and some activities. However, despite a commitment in 2005 by the Treasury Board of Canada Secretariat and the former Public Service Human Resources Management Agency of Canada to report on interim achievements, reports provide only some of that information.
- The legislation calls for a legislative review of the *Public Service Employment Act* and the *Public Service Labour Relations Act*. The minister responsible for the review has been designated, and a review team has been put in place. Preparation for the review is progressing. However, insufficient information on whether the results expected from the legislation have been achieved could limit the review team's ability to provide meaningful information to support the review and to inform Parliament.

The entities have responded. The Treasury Board of Canada Secretariat and the PSMA Legislative Review Team agree with our recommendations. Their detailed responses follow each recommendation throughout the chapter.

Introduction

A new legislative framework

2.1 The *Public Service Modernization Act* (PSMA) was introduced in 2003 and came fully into force in 2005. The implementation of this new legislation is a complex undertaking involving many stakeholders, including several central human resource agencies, as well as deputy heads, line managers, and human resource professionals (Exhibit 2.1).

2.2 In light of the significant role of the public service and its employees in supporting the government's programs and services, the government considered it important that new legislation be implemented to remove what it saw as cumbersome, inflexible, complex, and outdated elements of the former human resource management regime. The government also viewed the legislation as an important tool in helping to ensure a more responsive public service in addressing the changing needs of Canadians and delivering better service to them. The PSMA was the response to the need for a modern institutional framework for managing human resources.

2.3 The PSMA is intended to transform the way the federal government hires, manages, and supports its employees and to address many long-standing issues related to staffing and labour relations. It also aims to clarify roles and accountability of deputy heads and of central human resource agencies with responsibilities under the Act. The PSMA includes four pieces of legislation, as follows:

- **Public Service Labour Relations Act (PSLRA).** The new PSLRA is intended to foster constructive and harmonious labour-management relations to improve the quality of the workplace. It also gives the Public Service Labour Relations Board increased responsibility for resolving labour relations disputes, carrying out compensation analysis and research, and providing mediation services.
- **Public Service Employment Act (PSEA).** The amended PSEA is intended to modernize the staffing system by providing for more flexible hiring approaches. These new approaches should help to improve the public service's ability to attract and hire the right people when and where they are needed to deliver programs and services. The Act defines merit, enhances flexibility, and provides new requirements related to the political activities of public servants. The PSEA encourages resolution of staffing complaints at the departmental level and includes new arrangements to

resolve them. The Act also creates the new Public Service Staffing Tribunal as a body responsible for handling staffing complaints related to lay-offs, revocation of appointments, allegations of abuse of authority, and the implementation of corrective action ordered by the Tribunal.

- **Canada School of Public Service Act.** This act provides a mandate to the Canada School of Public Service to provide a unified and integrated approach supporting a culture of continuous learning and innovation in the public service. The Canada School of Public Service amalgamated the former Canadian Centre for Management Development, Language Training Canada, and Training and Development Canada.
- **Financial Administration Act (FAA).** A revision to the FAA makes deputy heads directly responsible for certain aspects of human resource management, while maintaining the Treasury Board as the employer, and requires the President of the Treasury Board to report to Parliament on human resource management.

2.4 The new legislation requires organizations under its jurisdiction to implement some specific measures, such as the new approach to merit-based appointments and mechanisms to manage workplace conflicts informally, including labour management consultation committees. It also makes measures and tools available to departments and agencies that would allow for more flexibility in managing their human resources.

2.5 The *Public Service Labour Relations Act* and the *Public Service Employment Act* require the designated minister to ensure that the administration and operation of both acts are reviewed five years after the acts come into force.

2.6 The four pieces of legislation contained in the PSMA affect numerous departments and agencies in the federal public service. Full implementation of this legislation is necessary so that the government can meet its objectives of achieving faster hiring, harmonious labour relations, and a culture of continuous learning and innovation in the public service.

Findings in 2005

2.7 In 2005, we audited the management of implementation of the PSMA and other non-legislative human resource modernization initiatives. We reported that the government had established a good

foundation for managing the implementation process. We also reported that while, for the most part, roles and responsibilities for human resource management had been clarified in the legislation, we remained concerned about the division of roles and responsibilities between the Treasury Board as the employer and the human resource management agency created in 2003. We also reported that the government needed to clearly define the outcomes it expected from this reform, and monitor and report on progress, particularly in view of the legislated five-year review.

2.8 In addition, we reported that other non-legislative changes had been identified to support the new human resource management regime. The government expected that, collectively, the legislative changes and other reforms would simplify and further improve human resource management. Although the legislation was a catalyst for change, several other factors, initiatives, and driving forces affect the new regime. These include classification reform, improvements in human resource planning, and the review of human resource policies and other legislation.

Focus of the audit

2.9 The overall objective of our audit was to determine whether central human resource agencies and selected departments and agencies have implemented the new requirements of the *Public Service Modernization Act*, including reporting on and assessing progress, and exercised their respective responsibilities (as referred to in Exhibit 2.1). We looked at whether the structures and processes required by the legislation have been put in place. However, we did not audit whether the legislation has achieved the results intended, but rather if the required reports contained such information. We also examined whether the objective and requirements for the legislative review have been established.

2.10 We did not examine other non-legislative initiatives, such as classification reform, improvements in human resource planning, and the Treasury Board of Canada Secretariat's review of human resource policies and other legislation.

2.11 The audit covered a five-year period from the 2005–06 to 2009–10 fiscal years. This period allowed us to examine the implementation process since the full enactment of the PSMA in 2005.

2.12 We carried out our audit in the organizations that have specific responsibilities under the PSMA, and in six selected departments and agencies. We also had meetings and discussions with other

stakeholders in the federal public administration, such as bargaining agents and various human resource networks.

2.13 More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Exhibit 2.1 Key areas related to the *Public Service Modernization Act*



Note: In this document, we use “central human resource agencies” as a generic term for ease of reading. We recognize that the entities noted above have different mandates and status as well as many more roles and responsibilities that were outside the scope of the audit.

Source: Adapted from the 2005 February Status Report of the Auditor General, Chapter 3, and the *Public Service Modernization Act*.

Observations and Recommendations

Implementing the legislative changes

The legislation has been implemented as required

2.14 The *Public Service Modernization Act* (PSMA) sets out a number of legislative changes that were expected to clarify responsibilities for human resource management, enhance collaboration between labour and management, streamline staffing processes, and improve training and development for government employees. All of these are essential for the government to be able to manage its human resources effectively.

2.15 We expected key legislative changes to have been implemented. Some of these changes are mandatory while others are optional and thus provide additional flexibility in managing human resources. We also expected that central human resource agencies and deputy heads would have exercised their responsibilities as defined in the legislation. Accordingly, we examined whether the new requirements have been implemented and looked at the changes to roles and responsibilities. We did not audit the effectiveness of any of these changes, but we did examine compliance with requirements to report to Parliament and the information that was reported.

2.16 New changes and approaches. We found that the legislative changes we looked at have been implemented. New options provided for in the legislation in the areas of labour relations and staffing are available to all organizations subject to the *Public Service Employment Act* and the *Public Service Labour Relations Act* (PSLRA).

2.17 For example, in the area of labour relations, we found that the consultative committees that deal with resolving workplace issues have been established as required. In addition, we found that departments have established the required mechanisms to resolve conflicts informally.

2.18 Several entities have used **co-development** of internal policies and initiatives and one department has engaged in **two-tier bargaining**. In accordance with the legislation, negotiations of the new permanent essential services agreements have begun, and in some cases, agreements have been reached to ensure that essential services are maintained in the event of a strike.

2.19 In the area of staffing, we found that the new approach to **merit-based appointments** has been applied to streamline the process and make it more flexible. This new approach represents a significant

Co-development—Consultation on workplace issues and identification of workplace problems and development and analysis of solutions with a view to adopting mutually agreed-to solutions.

Two-tier bargaining—Bargaining that sets the broad parameters for terms and conditions of employment in a bargaining unit, while permitting precise details to be negotiated in departments, if the employer, bargaining agent, and deputy head jointly agree.

Merit-based appointment—Selection of the applicant who meets all essential qualifications, any additional qualifications, as well as any operational requirements of the organization and is thus considered the “right fit” for the position.

change in culture. The decision to select a candidate has moved from choosing the highest-ranking candidate to choosing one who meets the essential qualifications, taking into account any additional qualifications, operational requirements, and organizational needs.

2.20 We also found that departments and agencies are using the new staffing options, such as additional qualifications for candidates and selection and appointment approaches related to pre-qualified pools of candidates, to meet their organizational needs. They have also put in place the new mechanism, called informal discussions, which encourages discussion and resolution, throughout the appointment process, of concerns of employees who have been eliminated from the process.

2.21 In the area of training and development, a more integrated training approach has been implemented. Common training and development has been consolidated into one single organization, the Canada School of Public Service, and is now offered to all public servants.

2.22 In some areas, such as appointment processes and learning, central guidance, policies, and regulations have been developed to assist deputy heads in exercising their delegated responsibilities. We also found that some entities have implemented guidance and direction tailored to meet their unique organizational needs.

2.23 Roles and responsibilities of central human resource agencies. In 2005, we reported that, for the most part, the roles and responsibilities for human resource management had been clarified in the legislation. We found that central human resource agencies have exercised their new and revised responsibilities as listed in Exhibit 2.1.

2.24 The Treasury Board of Canada Secretariat has developed guidance and regulations to assist deputy heads in carrying out their human resource management responsibilities and to ensure consistency across the public service.

2.25 The Public Service Commission, through its enhanced oversight role and authority, has implemented a new oversight framework to monitor staffing in departments and agencies. It has also conducted audits, studies, and investigations of internal and external appointments, allegations of fraud in the appointment process, and improper political activities on the part of public servants. This oversight role is important for ensuring that the public service of Canada remains non-partisan and that appointments are merit-based.

2.26 Formerly known as the Public Service Staff Relations Board, the Public Service Labour Relations Board (PSLRB) has adapted its procedures and practices to meet its new legislative responsibilities and has been called upon to resolve a number of bargaining disputes and workplace issues. While the Board provides formal adjudication services, the majority of complaints are now being resolved through mediation. The Board has also established a compensation analysis and research function as required by the PSLRA.

2.27 The Public Service Staffing Tribunal was created to provide a more effective recourse mechanism for internal staffing complaints in the public service. The Tribunal has adjudicated various complaints related to lay-offs, revocation of appointments, and allegations of abuse of authority, and it has ordered corrective actions in some cases. The Tribunal has placed additional emphasis on resolving staffing complaints as informally as possible by settling a majority of cases without a hearing.

2.28 The Canada School of Public Service was established to improve common training and development opportunities for public servants. It has done this by developing integrated training and development programs. It also helps deputy heads identify training and development needs in their organizations and provides services to meet these needs.

2.29 Roles and responsibilities of deputy heads. We found that deputy heads have also exercised their new and revised responsibilities. In line with the principles and requirements outlined in the various components of the *Public Service Modernization Act*, deputy heads were given primary responsibilities for human resource management to provide them with more flexibility to meet operational needs (Exhibit 2.1).

2.30 We also found that in addition to having direct responsibilities for determining training needs, granting awards, and setting standards of discipline, deputy heads had been delegated additional responsibilities from the Treasury Board of Canada Secretariat, such as the authority to engage in two-tier bargaining and co-development and the responsibility to establish consultative committees and systems to resolve conflicts informally. They also received expanded delegated authorities from the Public Service Commission, such as for staffing all executive positions. In addition, they may sub-delegate their staffing authority to department managers to the lowest level they deem appropriate.

Some difficulties in the legislation's application have been encountered

2.31 Although the new legislation has been implemented, we found some difficulties with its application.

2.32 For example, the Compensation Analysis and Research function of the Public Service Labour Relations Board was established and two reports on compensation studies were produced. The Board, however, raised concerns about the lack of stable annual funding for the first few years of operations. In particular, it noted how the lack of funding has hampered its internal capacity and its ability to conduct compensation surveys and data collection. The lack of stable funding has also contributed to the loss of collaborative opportunities.

2.33 We also found that the Advisory Board on Compensation Analysis and Research, which was established to provide advice to the Chairperson of the PSLRB, only operated from January 2006 to December 2007. While the legislation allows for positions to be remunerated through an order-in-council, the government has not yet acted on this provision. At this time, positions remain unfilled.

2.34 Some bargaining agents told us that they were unable to participate as much as they anticipated in labour management consultative committees due to the lack of representatives to sit on all of the departmental committees that have been created. Further, they stated that the intent of the committees is not always clearly understood. These factors limit the participation of bargaining agents and risk reducing the effectiveness of labour management consultations.

2.35 We also found that a two-tier bargaining pilot was carried out successfully in one organization, but logistical challenges make the concept difficult to apply in most parts of the public service. Bargaining agents told us that two-tier bargaining can be effective for negotiating issues related to groups of employees with similar working conditions; however, most occupational groups in the public service are dispersed across departments and agencies with differing working conditions.

2.36 In addition, the new approach to merit-based appointments is used in staffing processes, but some managers we met with had difficulty understanding how to apply it because of the significant change in selecting candidates. They informed us that cultural change, following the introduction of the PSMA, has been slow.

2.37 The new staffing options, such as pre-qualified pools and advertised and non-advertised processes, are also being used but to a varying degree across organizations we audited. Some managers

informed us that use of the options has been limited due to the additional workload required and a lack of consistent human resource services support. In some cases, managers told us that there is a reluctance to use some of the options. In particular, the Public Service Commission has reported on how some departments have used non-advertised appointment processes. The Commission prefers processes to be advertised as they are a better reflection of the values of access and transparency. As such, the Commission expects to see advertised processes as the standard practice.

2.38 Some managers raised concerns that the staffing process had not yet been streamlined. Many felt that the time taken to staff positions had not improved. The Public Service Commission began reporting on this issue in 2006. In its 2008–09 Annual Report, the Commission found that it took an average of 23.5 weeks to staff a position compared with 22.8 weeks before the PSMA was implemented.

The government has made organizational changes in an effort to address concerns about roles and responsibilities

2.39 In 2003, the government created the Public Service Human Resources Management Agency of Canada (PSHRMAC) to oversee the implementation of the PSMA. This Agency was also charged with sharing the Treasury Board of Canada Secretariat's responsibilities for human resource management functions.

2.40 In our 2005 report, we noted a concern about this division of responsibilities and recommended that the Secretariat and the PSHRMAC clarify how they would integrate and coordinate their activities.

2.41 Since then, several stakeholders, including the President of the Treasury Board, the Clerk of the Privy Council, and the Prime Minister's Advisory Committee on the Public Service, have continued to express concerns about governance of human resource management. These concerns include the fragmented roles and responsibilities and the duplication of effort. During our audit, some deputy heads and other stakeholders also indicated that these concerns continue.

2.42 In an effort to address these concerns, to streamline the management of human resources, and to further reinforce the primary role of deputy heads in managing human resources, the government created the Office of the Chief Human Resources Officer (OCHRO) within the Treasury Board of Canada Secretariat in early 2009. The Office assumed the human resource responsibilities of the Secretariat and of the disbanded agency (PSHRMAC).

2.43 Given these significant changes, we expected that the roles and responsibilities of OCHRO would have been defined and communicated.

2.44 The mandate of OCHRO was broadly outlined as representing the government as the “employer” in human resource issues and providing strategic leadership on human resource management (HRM). As such, the Office is expected to develop performance measurement tools with clear indicators and to analyze basic HRM data. Our discussions with OCHRO indicate that it continues to refine its role and responsibilities and that it has undertaken to meet with deputy heads and other stakeholders to obtain feedback and discuss HRM issues.

2.45 Deputy heads we met with told us that they support these changes but noted the need to reinforce them. They would like to see stability in the roles, responsibilities, and organizational structure of human resource management.

2.46 Overall, we are satisfied that the legislative requirements have been implemented and that new roles and responsibilities have been exercised. However, the challenges noted relative to application of the requirements and the additional changes to roles and responsibilities indicate that human resource management is still in transition and that further action is needed to address these challenges.

Assessing and reporting on progress of the reforms

Reports have limited information on achievements

2.47 In 2005, we noted the importance of reporting on the progress made in meeting the expectations of the legislation and made a recommendation to that effect. Reporting is necessary not only to comply with the legislative requirements but also to provide information to ensure monitoring and oversight of the transformation process. Reporting on achievements should enable Parliament to assess and influence the nature and pace of change, and ensure that change is in line with the objectives of the legislation. In our view, reporting on progress is also needed to support the legislative review process as discussed in the next section (page 15).

2.48 We expected that the Public Service Commission and the President of the Treasury Board would have reported on progress of the implementation and interim achievements of the legislation, as they committed to do in response to our 2005 recommendation.

2.49 Our examination of the reports indicates that initial reporting was focused mainly on the activities carried out to implement the legislative requirements. Following initial reporting, we found only

certain reporting on whether the changes to the human resource management regime were achieving the expected results.

2.50 Building on its oversight role and various measurement tools (for example, studies and surveys), the Public Service Commission has assessed the performance of delegated departments and agencies to report to Parliament on the integrity of the staffing regime and on progress made on implementing the *Public Service Employment Act* (PSEA).

2.51 The Public Service Commission has also reported on some of the outcomes that resulted from the change in the staffing regime under the *Public Service Employment Act*. For instance, in its 2008–09 Annual Report, the Commission indicated that while the new merit-based approach to staffing was generally respected, some trends that have been identified since 2005 are of concern. In other reports, it also raised concerns about the impact of the PSEA on the staffing regime, such as the time taken to staff positions, and about challenges in implementing the changes in the legislation. In addition, the Commission recognized that there are weaknesses in the quality and integrity of the data it collects from departments and agencies.

2.52 While the legislation does not require reporting on the achievements of the objectives of the legislation, in 2005 the Treasury Board of Canada Secretariat and the former Public Service Human Resources Management Agency of Canada committed to developing indicators, measures, and data sources to enable them to determine progress.

2.53 The reports prepared by the Secretariat lack sufficiently complete information on the interim achievements of the legislation and do not provide Parliament with important information to allow it to play its oversight role. For example, the indicators and information used have limitations, which make it difficult to identify and report on whether the results meet the objectives of the legislation.

2.54 Furthermore, the Secretariat has changed its measurement indicators from year to year to respond to the changing context. As a result, the links with the expectations of the PSMA and the changes resulting from the Act were difficult to make. More specifically, we did not find any indicators that assess the overall state of labour-management relations, the effectiveness of the new recourse mechanisms in dealing with labour relations issues, and the links between human resource planning and staffing. The Secretariat is therefore limited in its capacity to identify trends and evaluate the impact of the changes.

2.55 The lack of appropriate indicators and their limitations could hinder the Secretariat's ability to provide meaningful information and data on progress for the five-year legislative review.

Organizations have reported annually to Parliament

2.56 Legislation requires annual reporting to Parliament on human resource management matters. We expected that the President of the Treasury Board of Canada, as well as the Public Service Commission, the Public Service Labour Relations Board, and the Public Service Staffing Tribunal would have tabled a report annually to Parliament.

2.57 Our examination of the various reports of these central human resource agencies shows that the agencies have complied with the requirements of the legislation and submitted annual reports to Parliament regarding their activities.

2.58 The President of the Treasury Board's annual reports describe accountabilities for human resource management and the progress in implementing the changes resulting from the *Public Service Modernization Act* (PSMA). They also include information on a broader range of human resource responsibilities, such as employment equity, learning and training, and values and ethics, as well as analysis of the current human resource environment.

2.59 However, the Treasury Board of Canada Secretariat has been slow in releasing the annual reports. The *Financial Administration Act* and the *Public Service Employment Act* require an annual report to be tabled by the President as "soon as possible after the end of each fiscal year." We found that the annual reports for the 2005–06 and 2006–07 fiscal years were tabled two years following the end of the respective fiscal year they covered. The 2007–08 annual report is expected to be tabled in 2010.

2.60 Recommendation. To improve its reporting to Parliament and support the legislative review, the Treasury Board of Canada Secretariat should ensure that it provides more timely information to Parliament and that it reports on whether the changes to human resource management have achieved the results intended by the legislation.

The Treasury Board of Canada Secretariat's response. Agreed. The Treasury Board of Canada Secretariat will improve its reporting to Parliament and support the Legislative Review by providing more timely information. This will be accomplished by providing information to the Review Team to support the Legislative Review in 2010–11, with respect to the *Public Service Labour Relations Act* and

the *Public Service Employment Act*, and by reporting to Parliament through Official Languages, Employment Equity, and Human Resources Modernization reports. Changes to human resource management will be measured by the Secretariat through the final Strategic Investment Framework evaluation report in 2010 and as part of the Management Accountability Framework process.

Preparing for the legislative review

Preparation for the legislative review has begun

2.61 The *Public Service Labour Relations Act* (PSLRA) and the *Public Service Employment Act* (PSEA) require that the designated minister ensure that the administration and operation of these acts are reviewed five years after the acts come into force. Accordingly, the PSLRA review must be initiated in April 2010 and the PSEA review in December 2010. These reviews provide an important opportunity for Parliament to assess the impact of the new legislation and, if necessary, to make amendments or improvements to the legislation.

2.62 The legislative review is a key component of the human resource management accountability and monitoring process. It is intended to determine, within a reasonable period of time, whether the changes are working well, and to provide the opportunity to identify any necessary adjustments. It should allow Parliament to assess the impact of the legislation and to propose any changes or improvements.

2.63 As we stated in our 2005 report, the need for sustained momentum on reforms depends in part on measuring progress against expectations. We expected the central human resource agencies with responsibilities under both acts would have begun to prepare for the review and that these preparations would include being able to report on whether the changes are meeting the expectations of the legislation.

2.64 The government has designated responsibility for the review of both the PSLRA and the PSEA to the President of the Treasury Board. In July 2009, the government appointed a senior advisor to lead the review. Headed by the senior advisor, the PSMA Legislative Review Team was established to coordinate and integrate the activities of the Treasury Board of Canada Secretariat and central human resource agencies.

2.65 Since neither the PSLRA nor the PSEA provide any direction for the conduct of the review, and there was no guidance on how such a review was to be conducted, we expected that a plan would have been developed, including the objective, requirements, scope, approach, and roles and responsibilities. The responsibility for

developing such a plan was assigned to the PSMA Legislative Review Team when it was established.

2.66 At the time of our audit, the Review Team was developing a set of working principles, defining the governance structure, identifying and analyzing risks, and developing an approach and methodology to conduct the review. It was also identifying the deliverables and developing a strategy for the participation of all the organizations that have a role to play in human resource management.

2.67 In addition, the Review Team was establishing the issues that the review would address. These issues include determining whether the legislation is meeting its intent and its current and evolving needs, and determining what elements are working and what adjustments are needed. The Review Team's objective is to complete and report on the review by late 2010 or early 2011.

2.68 The Public Service Commission has developed and implemented a strategy to assess the *Public Service Employment Act*. It plans to use the results of this assessment as the foundation of its contribution to the legislative review of the PSEA. In this strategy, the Commission has defined its roles and responsibilities, and has outlined its objectives, proposed approach, and guiding principles. This strategy includes an evaluation plan to assess progress made on the staffing regime and builds on the Commission's existing measurement system. As part of the review strategy, the Commission is completing a review of its appointment policy framework and the model in place for delivering its staffing services to departments and agencies. The strategy will also focus on assessing how the changes implemented have contributed to achieving the expected results of the legislation.

The Review Team may lack sufficient information for results to be assessed and reported

2.69 Although a structure is being developed to manage the review, and objectives are being defined, we are concerned that the review process might not be able to provide Parliament with all the information required to determine whether the changes since 2005 are achieving the expected results of the legislation.

2.70 The review of the legislative changes needs to determine whether they are achieving the intended results. So far, little information is available, for instance, on the impact of the changes on collaborative labour relations and on a more flexible and streamlined staffing system.

2.71 Information for the review of the PSLRA and for the PSEA will come from a variety of sources, including information to be provided by the Treasury Board of Canada Secretariat. As noted in paragraphs 2.53 to 2.55, we are concerned about the lack of indicators and their limitations. Consequently, the Review Team may not have enough information to assess the changes resulting from implementation of the legislation and report on whether they have met the expectations of the PSEA and PSLRA.

2.72 Recommendation. The PSMA Legislative Review Team should ensure that information provided to support the legislative review will allow the report by the President of the Treasury Board to provide meaningful information to Parliament on the extent to which the expectations of the *Public Service Labour Relations Act* and the *Public Service Employment Act* have been met and to propose any changes, including improvements.

The PSMA Legislative Review Team's response. Agreed.

The Review Team accepts the advice set out in the recommendation and, as the legislation requires, will examine the acts and their administration and operation. The Review Team will use a variety of sources and types of information, but notes that it is premature to comment on the conclusions of its work, which will be completed at least a year hence. The Review Team acknowledges that it would be logical and appropriate for the report, which is to be tabled by the President of the Treasury Board in Parliament, to comment on whether expectations for the legislation have been met.

Conclusion

2.73 The implementation of the *Public Service Modernization Act* (PSMA) is a complex undertaking bringing into play four different acts and a number of stakeholders. We are satisfied that the central human resource agencies and selected entities have implemented the new requirements of the PSMA and that the new and revised structures and processes have also been put in place.

2.74 Central human resource agencies have exercised their responsibilities as outlined in the legislation. Human resource management responsibilities have been transferred from central agencies and human resource professionals to deputy heads and line managers respectively, in accordance with the legislation. In an effort to address remaining concerns about clarity of roles and responsibilities, the government changed the existing governance structure for human

resources by creating a new agency responsible for all human resource management matters in the public service.

2.75 There have been difficulties encountered in applying some aspects of the legislation, including the application of some of the new tools, which has resulted in some elements of the legislation not yet functioning to the degree envisioned.

2.76 Central human resource agencies have met the legislative requirements to report to Parliament. While the agencies have reported on progress of the implementation process, the reports we examined contained only certain information on the impact and the expected achievements of the legislation. We also found some limitations that could hinder reporting on whether the results meet the objectives of the legislation. In our view, information on outcomes is critical to monitor progress and support the upcoming legislative review.

2.77 The preparation for the legislative review is under way. The President of the Treasury Board has been designated responsible for the review, and the PSMA Legislative Review Team has been established to lead and coordinate the review. While some work has begun to prepare for the review, the limitations of some of the information need to be addressed to ensure that all aspects of the legislation are taken into account and assessed in order to provide complete information for the review.

2.78 Our examination of implementation of the PSMA shows that progress has been made, but it is still a process in transition. Although the legislation has been implemented, the government needs to continue to manage the challenges, monitor progress, and ensure that the expected results are realized.

About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objectives

The objectives of the audit were to determine whether

- the lead agencies and selected departments have implemented the new requirements of the *Public Service Modernization Act* (PSMA), including reporting;
- the objective and requirements for the legislative review have been established; and
- new roles and responsibilities have been carried out.

Scope and approach

We examined whether the new requirements of the PSMA have been implemented. We looked at whether the role and responsibilities of the new Office of the Chief Human Resources Officer were being defined. We also looked at reporting on progress of modernization, and at preparation for the five-year legislative review of the staffing and labour relations components called for in the legislation.

Our work consisted of review of documentation and interviews in the six organizations with direct responsibilities under the PSMA: the Privy Council Office, the Treasury Board of Canada Secretariat (including the Office of the Chief Human Resources Officer), the Public Service Commission, the Canada School of Public Service, the Public Service Labour Relations Board, and the Public Service Staffing Tribunal. We also met with officials of six selected entities and held structured interviews with a sample of deputy heads.

We selected the following six entities for examination: the Canadian Human Rights Commission, Environment Canada, Human Resources and Skills Development Canada, Industry Canada, Justice Canada, and Veterans Affairs Canada. The selection of entities was based on various factors, such as size of the organization, staffing volumes, and audit coverage. We also broadened the audit coverage to include interviews and document review with other stakeholders in the federal public administration, such as bargaining agents, the Association of Professional Executives in the Public Service of Canada, the Human Resources Council, and regional federal councils. All entities covered by the audit attested to the accuracy of the information they provided.

We did not examine the impact of the various provisions of the new legislation, nor did we look at the non-legislative changes, such as human resource planning and classification reform. We also did not examine the collective bargaining process, the bargaining agent certification process, or the elements that existed before the PSMA.

Period covered by the audit

The audit covered the 2005–06 to 2009–10 fiscal years. This period was chosen to allow us to include all the work done by entities with responsibilities under the PSMA since the Act came fully into force in December 2005. The 2009–10 fiscal year was included as it allowed us to review reports on plans and priorities tabled in Parliament for that period. It also enabled us to take into account the work of the Office of the Chief Human Resources Officer, which was created in March 2009.

Audit work for this chapter was substantially completed on 30 September 2009.

Criteria

Listed below are the criteria that were used to conduct this audit and their sources.

Criteria	Sources
We expected the lead agencies and selected departments to have implemented the new requirements of the <i>Public Service Modernization Act</i> (PSMA).	<ul style="list-style-type: none"> • Relevant sections of the PSMA
We expected the lead agencies to have issued reports as required by the PSMA.	<ul style="list-style-type: none"> • Reporting requirements under the following pieces of legislation: <i>Public Service Employment Act</i> (PSEA), sections 23, 28, 110, 127; <i>Public Service Labour Relations Act</i> (PSLRA), section 251; <i>Canada School of Public Service Act</i> (CSPSA), section 19; and <i>Financial Administration Act</i> (FAA), section 12.4 • 2005 February Status Report of the Auditor General—Chapter 3, Modernization of Human Resources Management: Managing the reforms, follow-up of recommendation 3.79
We expected the lead agencies to have performance measurement systems in place to report progress made on the modernization of human resource management.	<ul style="list-style-type: none"> • 2005 February Status Report of the Auditor General—Chapter 3, Modernization of Human Resources Management: Managing the Reforms, follow-up of recommendation 3.79 • Performance Reporting Good Practices Handbook, Treasury Board of Canada Secretariat, 2008 • Preamble of the PSEA and the PSLRA
<p>We expected the objective and requirements for the legislative review to have been established.</p> <p>We expected the lead agencies to be preparing for the legislative review.</p>	<ul style="list-style-type: none"> • PSEA, section 136 • PSLRA, section 252 • Quail Task Force on Modernizing Human Resources Management in the Public Service, PSEA clause-by-clause briefing (Tab 8), February 2003 • Policy on Evaluation, Treasury Board, 2009 • Working paper on main legislative changes for PSEA and PSLRA, Office of the Auditor General • Speech from the Treasury Board President on the PSMA, second reading, February 2003 • PSLRA, clause-by-clause briefing, February 2003 • Preamble of the PSEA and the PSLRA • 2005 February Status Report of the Auditor General, Chapter 3, Modernization of Human Resources Management: Managing the Reforms, follow-up of recommendation 3.79

Criteria	Sources
We expected the revised roles and responsibilities for human resource management resulting from the PSMA to have been implemented.	<ul style="list-style-type: none"> • PSMA and related acts (PSEA, PSLRA, FAA, CSPSA) • 2005 February Status Report of the Auditor General, Chapter 3, Modernization of Human Resources Management: Managing the Reforms, follow-up of recommendation 3.73 • 13th Annual Report to the Prime Minister on the Public Service of Canada • Human Resources Management in the Public Service of Canada: Annual Report to Parliament, 2005–2006, Canada Public Service Agency and Treasury Board of Canada Secretariat • Deputy heads' responsibilities as per the Clerk's priorities
We expected the roles and responsibilities of the Office of the Chief Human Resources Officer and the new responsibilities given to deputy heads to be defined and communicated.	<ul style="list-style-type: none"> • Backgrounder (Press Release): Human Resources Governance, Treasury Board of Canada Secretariat, 2 December 2009 • Accountability Audit Guide, pages 9 and 15, Office of the Auditor General

Management reviewed and accepted the suitability of the criteria used in the audit.

Audit team

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Appendix List of recommendations

The following is a list of recommendations found in Chapter 2. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Assessing and reporting on progress of the reforms	
<p>2.60 To improve its reporting to Parliament and support the legislative review, the Treasury Board of Canada Secretariat should ensure that it provides more timely information to Parliament and that it reports on whether the changes to human resource management have achieved the results intended by the legislation. (2.56–2.59)</p>	<p>Agreed. The Treasury Board of Canada Secretariat will improve its reporting to Parliament and support the Legislative Review by providing more timely information. This will be accomplished by providing information to the Review Team to support the Legislative Review in 2010–11, with respect to the <i>Public Service Labour Relations Act</i> and the <i>Public Service Employment Act</i>, and by reporting to Parliament through Official Languages, Employment Equity, and Human Resources Modernization reports. Changes to human resource management will be measured by the Secretariat through the final Strategic Investment Framework evaluation report in 2010 and as part of the Management Accountability Framework process.</p>
Preparing for the legislative review	
<p>2.72 The PSMA Legislative Review Team should ensure that information provided to support the legislative review will allow the report by the President of the Treasury Board to provide meaningful information to Parliament on the extent to which the expectations of the <i>Public Service Labour Relations Act</i> and the <i>Public Service Employment Act</i> have been met and to propose any changes, including improvements. (2.69–2.71)</p>	<p>Agreed. The Review Team accepts the advice set out in the recommendation and, as the legislation requires, will examine the acts and their administration and operation. The Review Team will use a variety of sources and types of information, but notes that it is premature to comment on the conclusions of its work, which will be completed at least a year hence. The Review Team acknowledges that it would be logical and appropriate for the report, which is to be tabled by the President of the Treasury Board in Parliament, to comment on whether expectations for the legislation have been met.</p>

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