



# Executive Summary

Report 2 – March 2007

This first Public Sector Performance Report for 2007 addresses legislative compliance and financial management and control issues.

## Arrangements for Managing the Performance of Chief Executive Officers

### Background

Performance management arrangements are the formal systems used for assessing and managing individual staff performance. They may also provide the basis for determining performance bonuses. Such arrangements are particularly important if the employee is the Chief Executive Officer (CEO).

Two types of arrangements apply, depending upon the type of agency:

- *Agencies covered by the Public Sector Management Act 1994 (PSMA Sector)* – includes most agencies funded out of the State budget. Their employer is the Minister for Public Sector Management though assessments of CEO performance are carried out by the responsible Ministers. The Department of the Premier and Cabinet (DPC) coordinates and monitors the arrangements.
- *Agencies not covered by the PSMA (Non-PSMA Sector)* – Self-funded, commercialised Government Trading Enterprises (GTEs) and those independent of the government are free to determine and manage their own arrangements though key aspects may need to be approved by their Minister. Most of these agencies are governed by a Board which is also the CEO's employer.

The examination assessed arrangements at 10 PSMA and 10 Non-PSMA agencies.

### What the examination found...

The arrangements in place for managing CEO performance incorporate many good practice elements. However, some parts of the arrangements are poor and compromise overall effectiveness.

For agencies covered by the *Public Sector Management Act 1994* (PSMA Sector) we found:

- Except in a few cases, the template performance agreements for use by Ministers and their CEOs do not require measurable performance criteria, thereby making performance difficult to assess.
- For the past three years, CEOs and Ministers have not received the template agreements until four to five months after the commencement of the year, thus diminishing their usefulness.
- Performance management arrangements are not applied to Acting CEOs. Twenty-three per cent of all PSMA sector CEO positions were acting at the time of audit.
- DPC's oversight of the PSMA arrangement is limited and will not identify inappropriate practices such as a lack of targets or quantitative data to support assessments.

For agencies not covered by the PSMA (Non-PSMA Sector) we found:

- Performance assessments were not in writing in 50 per cent of the sampled agencies. Undocumented assessments limit independent review and reduce the transparency of the process.
- Five of the 10 arrangements provided for performance bonuses. The average payment in 2005-06 was about \$34 000. We found that the required processes were followed and the amounts paid were in accordance with assessments.



## AUDITOR GENERAL FOR WESTERN AUSTRALIA

# Prompt Payment by Government

### Background

Western Australian Government agencies spend large amounts of money and therefore play an important role in the State economy. This expenditure contributes to the viability of businesses and helps create new jobs and opportunities for Western Australians. Government agencies have a responsibility to behave as good corporate citizens and pay in a timely manner. To this end there is a specific Treasurer's Instruction (TI 323) which deals with timely payment of accounts by government agencies.

### What the examination found...

- Fourteen per cent of invoices we sampled failed to meet TI 323 by taking more than 30 days to pay. While we would expect a small number of exceptions, this figure is unreasonably high.
- Seventy-six per cent of late payments were caused by delays before invoices reached the financial sections within agencies.
- Only three of 21 agencies sampled were consistently recording the date invoices were received and so were able to accurately monitor their compliance with TI 323.

# Management of Consumer Protection Investigations

### Background

In 2005-06, the Department of Consumer and Employment Protection (DOCEP) completed over 3 000 investigations into possible breaches of the 60 pieces of consumer protection legislation that it administers. DOCEP also receives complaints from the public about unfair or unreasonable trading practices

that do not involve potential breaches of legislation or codes of practice. DOCEP deals with these matters by conciliation with the relevant trader. Over 5 000 conciliations were conducted in 2005-06. The process of conciliation is not the subject of this report.

This examination reports on DOCEP's arrangements for managing its consumer protection investigations.

### What the examination found...

- DOCEP has a comprehensive system for conducting consumer protection investigations. The system also meets the Western Australia (WA) Ombudsman's requirements for fair and proper administrative investigations. Some opportunities for improvement were identified but these did not amount to fundamental flaws:
- DOCEP often did not keep complainants informed about investigations. This diminished transparency and was contrary to principles of natural justice.
  - DOCEP does not periodically conduct independent reviews of consumer protection investigations and so cannot be assured of their quality.
  - DOCEP's single timeliness target of completing 80 per cent of all types of investigations within six months is of questionable value. While this target is met by consumer protection investigations overall, there is considerable variation between industry groups with the average length of investigations ranging from one to 11 months.