

# Governance of Public Sector Boards

Report 9: June 2014

## Background and Objective

To assist boards with their governance structures, the Public Sector Commission's (PSC) *Good Governance: A guide for Western Australian boards and committees* establishes a framework for good governance around 11 principles. We audited six public sector boards to see if they were providing effective governance and operating in accordance with these 11 principles. We also conducted a survey of 135 public sector boards to obtain a broader understanding of public sector practices.

## Conclusion

The six boards generally maintained policies, procedures, systems and practices that ensured effective oversight of their agency's activity and which were consistent with the PSC's good practice principles. But, improvements are required in the key areas of management of conflicts of interest, and their induction and performance assessment of board members. Our survey, which had 363 responses, leads us to believe that these results broadly apply across the public sector.

## Key Findings

Areas for improvement we identified:

- succession planning – no board had a documented succession plan. The chairs of three boards considered that succession planning was constrained and their effectiveness was limited by their enabling legislation which imposed outdated requirements on the make-up of board membership
- member induction – three of the six boards had informal induction processes and it was unclear if the members of these boards were adequately informed of their role and responsibilities



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### Key Findings (cont)

- conflicts of interest – the management of conflicts of interest varied and only one board entered declared conflicts in a central register
- risk monitoring – two boards did not identify or monitor governance or strategic risks and develop strategies to mitigate them from interrupting the continuity of the business
- code of conduct – only one board required its members to sign their commitment to the code of conduct and kept it as a record. Only one board provided training in the code during induction of new board members
- evaluations – no board evaluated both the governance practices and performance of the board and its individual members, and so did not know how effective and efficient their board and individual members were in performing their functions
- professional development – only one board linked ongoing development of its board members to weaknesses identified in evaluations of the board. Without this linkage, development of individual board members may not address their shortcomings
- recordkeeping – two boards did not have records of Ministerial decisions and Cabinet endorsement of board and committee members and their remuneration rates. This is required by legislation and other material developed to guide the payment of fees and reimbursements.



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