Audited Key Performance Indicators
The Western Australian University Experience

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Introduction

Western Australian State Government departments and statutory authorities, the latter
including the four publicly funded universities, have been reporting key performance indicators
(KPIs) in each annual report to Parliament since 1988 – as required by the Finance Admin-
istration and Audit Act 1985 (FAAA). The four universities are:

- Curtin University of Technology
- Edith Cowan University (ECU)
- Murdoch University
- The University of Western Australia (UWA)

A fifth university in Western Australia, The
University of Notre Dame Australia, is a private university which does not receive direct
government funding and is not required under its Act to report key performance indicators.

The State’s Treasury Instruction 904 identifies three distinct types of performance indicators:

(i) workload indicators, which are output oriented and measure the amount of work done;

(ii) efficiency indicators, which compare resources input against resulting outputs; and

(iii) effectiveness indicators, which measure the extent to which programs achieve objectives.

The Treasury Instruction notes that:

While the volume of tasks performed during a financial year can in itself be a valid and useful
measure of performance, indicators which relate results to resources used and to the achieve-
ment of objectives are more relevant for decision making purposes and for accountabil-
ity. Emphasis should, therefore, be given to the development and reporting of efficiency and
effectiveness indicators.

The Treasury Instruction further explains that the performance indicators ‘must possess certain
characteristics which will allow users to depend on them with confidence’ if they are to
effectively fulfil their purpose. These character-
istics are identified as:

(i) relevance;

(ii) verifiability;

(iii) freedom from bias; and

(iv) quantifiability.

1 These four characteristics are also noted, for example, in Cave et al. (1997) who drew on the work
of Sizer (1979).
In the eight years that performance indicators have been reported, Western Australian universities (and indeed almost all state government agencies) have struggled to define appropriate indicators that measure outcomes articulated in their vision, mission and goals statements. A distinction drawn by the Auditor General in the interpretation of the Treasurer's Instruction is that the performance indicators should concentrate on the measurement of outcomes rather than processes or outputs. They are referred to as 'key' indicators, or KPIs, because they should be few in number and be high level, measuring outcomes specified in the primary goals of the organisation. In this context, the term KPIs takes on a somewhat narrower definition than the more general use of the term to describe a broad range of workload, output, outcome, efficiency and effectiveness indicators that are used to measure organisational performance.

From 1988, the Western Australian public sector agencies, including the Treasury, the Public Sector Management Office and the Office of the Auditor General have developed the relationship between the desired outcomes of government's programs and program outputs, resources input and performance indicators. This approach has focussed on the:

- identification and specification of desired outcomes;
- outputs necessary to achieve these desired outcomes;
- linkage between desired outcomes and outputs to be produced;
- identification, specification, measurement and costing of outputs; and
- recognition of the full resources input to produce these outputs

Throughout the eight year period of reporting, Curtin University has maintained a close working relationship with officers of the Auditor General in the development of its KPIs. To varying degrees, ECU, Murdoch and UWA have also consulted the staff of the Auditor General in the development of their KPIs. In the early years of the development of the KPIs regular meetings were held involving the four universities, the former Western Australian Office of Higher Education (now the Western Australian Department of Education Services) and the Auditor General, to resolve issues that arose in the development and reporting of the KPIs which were initially common to all universities.

Recognising that a period of development was required, the Auditor General has, until 1995, issued an audit 'assessment' (essentially acknowledging the relevance of the KPIs reported), rather than the more rigorous audit 'opinion' of Western Australian State Government departments and statutory authorities (including universities) that their KPIs were based on proper records and fairly represented the performance of the organisation. In 1995 Curtin University of Technology was considered to have sufficiently advanced its development of indicators to be given an 'opinion'. The other three universities were notified that 'opinions' would be issued on their 1996 annual report to Parliament.

Measures of outcome or effectiveness

In very simple terms, a university's primary reason for its existence is to advance knowledge. Universities by and large define their mission as being for this purpose and further elaborate their mission in terms of teaching and learning, research, and service to the community.

The challenge faced by the Western Australian universities is to describe their mission in practical terms where the primary objectives can be measured according to outcomes rather than processes. For example, achieving excellence in teaching is a common feature of many universities' primary objectives. According to the Auditor General's guidelines, excellence in teaching is a measure of process and not outcome. Theoretically, KPIs of teaching performance would not be acceptable for reporting to Parliament. In reality, such indicators are reported by all four

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2 A number of useful publications have been developed by the Office of the Auditor General, the Financial Reform Branch of the Treasury, and the Public Sector Management Office.