



STATE

SUPPLY

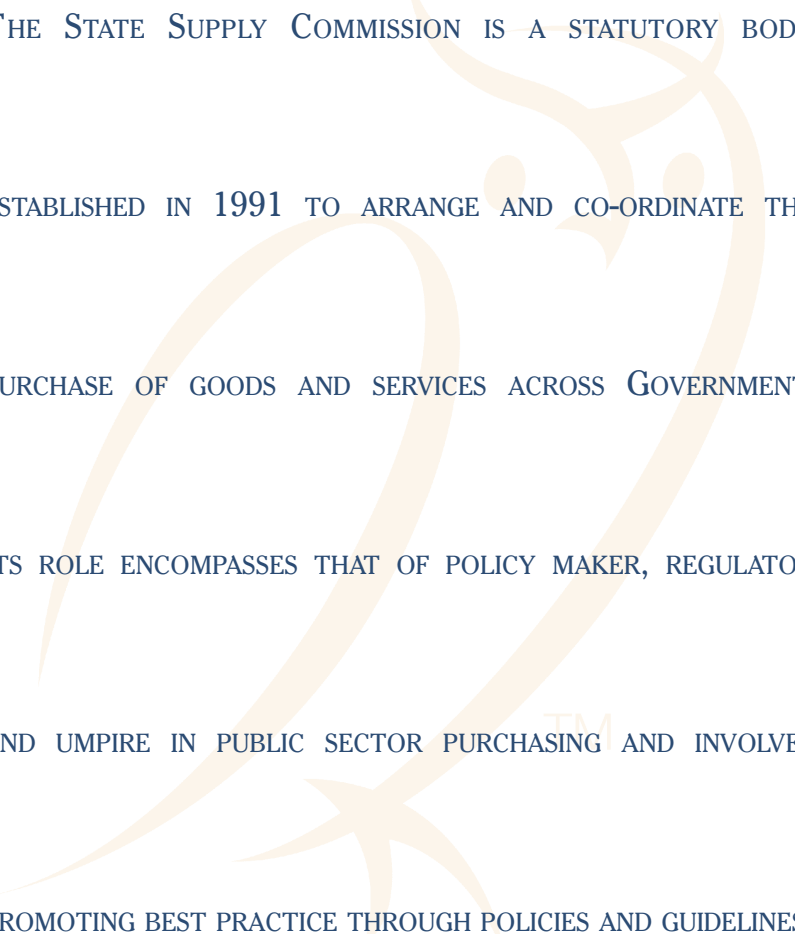
COMMISSION

ANNUAL REPORT

1999



November 1999



THE STATE SUPPLY COMMISSION IS A STATUTORY BODY
ESTABLISHED IN 1991 TO ARRANGE AND CO-ORDINATE THE
PURCHASE OF GOODS AND SERVICES ACROSS GOVERNMENT.
ITS ROLE ENCOMPASSES THAT OF POLICY MAKER, REGULATOR
AND UMPIRE IN PUBLIC SECTOR PURCHASING AND INVOLVES
PROMOTING BEST PRACTICE THROUGH POLICIES AND GUIDELINES.

State Supply Commission
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Government of Western Australia

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State Supply Commission at a Glance

The State Supply Commission (the Commission) is a statutory body established in 1991 to co-ordinate and oversee the purchase of goods and services across Government. Its role encompasses that of policy maker, regulator and umpire in public sector purchasing, and involves promoting best practice through policies and guidelines.

The Commission is comprised of a Board that includes representatives from industry and from the public sector. The members are appointed by the Minister for Services.

OUR MISSION

To promote Buying Wisely policies in the public sector through the adoption of good practice.

GOALS

- To enhance the efficiency and effectiveness of the public sector supply function.
- To maximise the benefits to the State through the use of Government purchasing.

FUNCTIONS

- POLICY – develop, implement and review supply and disposal policies.
- CO-ORDINATION – arrange and coordinate the efficient supply of goods and services.
- SALE OF GOVERNMENT BUSINESSES – effect sales as required.
- MONITORING – monitor supply and disposal activities and conduct compliance audits.
- ADVICE – provide advice to Government, agencies and industry on supply and disposal policies.

POWERS AND DUTIES

- Sell Government businesses.
- Devolve, amend or revoke purchasing delegation to agencies.
- Call and award tenders, enter into contracts or arrangements.
- Direct agencies to furnish appropriate documents and information concerning supply and disposal activities.
- Establish committees.
- Act as an agent for a public authority.
- Borrow funds.
- Do all things necessary to perform functions.



Letter to the Minister

HON MIKE BOARD JP MLA
MINISTER FOR SERVICES

Dear Minister

In accordance with Section 66 of the Financial Administration and Audit Act 1985, the Annual Report of the State Supply Commission, for the financial year ending 30th June 1999, is hereby submitted for your information and presentation to Parliament.

DAVID MESSER
Chairman
27 August 1999

KEITH LINGARD
Member
27 August 1999

Chairman's Overview

During 1998/99 the State Supply Commission substantially completed transition to a high-level policy unit, as determined by the Commission's Strategic Plan and foreshadowed in last year's Annual Report. This was achieved through delegation of contracting functions to the Department of Contract and Management Services and accreditation of individual agencies to allow for their operational purchasing requirements.

The Commission's Strategic Plan recognised the need to observe and continue to exercise existing responsibilities under the *State Supply Commission Act*, and this task has been undertaken most professionally by a steadily decreasing number of Commission staff throughout the year. I would like to express my appreciation for the hard work and dedication of these officers during a most difficult time of transition.

Apart from managing the transition, there have been a number of significant achievements, perhaps the most important being publication of the new supply policy manual titled *Policies and Guidelines for Buying Wisely* in May 1999. This publication is the culmination of the work undertaken by Commission staff, bringing together in one document a comprehensive and practical blueprint for procurement across Government. The Commission also continued to play an extremely important role in complaint and dispute resolution, undertaking 34 investigations into the buying practices of agencies which are subject to the *State Supply Commission Act*. Many agencies continue to rely upon advice and assistance from Commission officers concerning good procurement practice, and there have been many positive comments, both about the advice offered and the assistance provided by the new manual.

The Review of the Commission and the Act was completed in June, and the Minister for Services, the Hon. Mike Board, officially handed the Review Report, completed by the Crown Solicitor, to the Commission on 13 June 1999. A Ministerial Consultative Committee has been established to consider and report to the Minister. The Commission will consider the review and provide input to the Committee where appropriate.

Very early in the review process, the Crown Solicitor indicated a preference to educate individuals, rather than accredit agencies. Coincidentally, the accreditation process was placed on hold, both because of concerns as to the effectiveness of the process and pending the outcome of the Review. A priority task for Commission staff, in consultation with all other interested parties, is the development of a means by which the continuing devolution of accountability and responsibility for procurement can be put into effect without compromising the aims of the review, or best practice in procurement by all agencies. This may be achieved through aligning future accreditation levels with the personal competencies of individuals.

I would like to formally acknowledge the tremendous assistance provided to the Commission by all Members, and to pay particular tribute to Michelle Dolin, whose term expired in November 1998, and to Garry Duffield the former Chief Executive Officer, who left the Commission in July 1998. This has been a challenging year for all concerned, and I am most grateful for their support.



DAVID MESSER
Chairman



Chief Executive's Review

1998/99 was a demanding period for officers of the State Supply Commission. The restructuring of operations has resulted in the Commission taking a strategic approach to its responsibilities.

I am pleased to report that in this transitional period the Commission has not only increased its overall customer service satisfaction level to 77%, but more importantly, has engaged CEOs in the purchasing and contracting function. CEO satisfaction has increased from 70% to 78%, which is most rewarding, given their greater influence over agency purchasing outcomes.

The 1998/99 period also saw the policy review culmination and completion of the Commission's Policy and Guidelines Manual. This was a significant project and I am grateful for the support, collaboration and advice received from agencies and industry. Customer feedback has been most positive and Western Australia now has a modern policy framework, appropriate for the new complexities of contracting.

Responses from Agencies which participated in the Commission's accreditation process were encouraging and characterised by a high level of benefit to agency practice and culture, where a 70% to 75% positive change was reported.

I would like to extend my sincere thanks to officers of the Commission for their professionalism and dedication in maintaining high levels of service and support to our customers. The Commission has successfully downsized from 30 to 11 staff and with the restructuring, I have taken the opportunity to change the skill mix to meet our changing role.

My thanks are also extended to Minister for Services, the Hon. Mike Board, and his office for the support received in transitioning the Commission in this period.

CHARLES VINCI
Acting Chief Executive Officer
State Supply Commission

Chief Executive's Review

Operational Highlights — 1998-99

- The Commission is now a high level policy unit – budget savings of \$2.565 million and an FTE reduction of 19
- Launch of the new *Policies and Guidelines for Buying Wisely* manual in May 1999
- Customer Satisfaction Index increased to 77%
- Signing of an Agreement with Local Government to co-operate and share contracting expertise and materials
- Publication of *Who Buys What – 1997/98 Government Purchasing Statistics*

Operational Highlights

Organisational Profile

Legislation

The State Supply Commission is a statutory body established on 20 September 1991 in accordance with Section 4 of the *State Supply Commission Act 1991*. The Act provides a legislative framework for public sector supply management.

Responsible Minister

The Hon. Mike Board JP MLA is responsible for the State Supply Commission.

Legislative Compliance

In the performance of its functions the Commission has complied with the *Financial Administration and Audit Act 1985* and has also exercised controls to provide reasonable assurance for compliance with other relevant written law. The Commission is not aware of any circumstance that would render this statement inaccurate.

Organisational Structure



* EXECUTIVE COMMITTEE

The Executive Committee meets as required to consider matters, which are then submitted to the State Supply Commission for endorsement.

* SUPPLY TRAINING COMMITTEE

The Supply Training Committee meets as required to develop the Intelligent Buyers' program.

Organisational Profile continued

Delegation to CAMS

The State Supply Commission has formally delegated, through a Notice of Delegation, powers to the Executive Director, Department of Contract and Management Services. These powers have been delegated by virtue of Section 16B(1)(a) of the *State Supply Commission Act 1991* and are summarised as follows:

POWERS DELEGATED	
Section 6(1)	<ol style="list-style-type: none"> 1. To provide contract advice and assistance to public authorities. 2. To manage contracts. 3. To approve price and other variations in respect of contracts.
Section 6(2)(a)	To enter into contracts, other arrangements, organise auctions and call for and award tenders.
Section 6(2)(c)	Act as an agent for a public authority.
Section 23	To arrange for the supply of goods and services to approved persons and bodies.
Section 24	To arrange for and co-ordinate the disposal of goods.
Section 29(2)	To recover damages and specify requirements for monies paid or liable to be paid for losses.
Supply Policy 1.11	To approve procurement plans.

The exercise of these delegated powers is to be in compliance with the Act, Regulations and the Supply Policies under the Act.



Review of the State Supply Commission Act 1991

Statutory Review

A review into the operation and effectiveness of the *State Supply Commission Act 1991* was undertaken in accordance with Section 36. That section required a review to be conducted as soon as practicable after the expiration of five years from the commencement of the Act.

To meet this commitment, the Minister for Services engaged the Crown Solicitor in October 1996, to conduct the review within the following Terms of Reference:

Terms of Reference

To assess:

- The effectiveness of the operations of the Commission;
- The need for the continuation of the functions of the Commission; and
- Any other matters that appear to the Minister to be relevant to the operation and effectiveness of the Act.

The following Terms of Reference were added:

- The respective roles of, and interaction between the Commission and the Department of Contract and Management Services (CAMS) and the complementary legislation contained in the *Land Acquisition and Public Works Act 1902*.
- Policy and regulation requirements for all buying, including construction, with the aim of determining the most appropriate mechanism.
- The application of the Act to Government Trading Enterprises.
- The operations of the proposed Contracts Referee.

The review was completed in May 1999 and the Crown Solicitor's Review report was tabled in Parliament by the Minister on 30 June 1999. In doing so, the Minister advised the Parliament that a Ministerial Consultative Committee would be established to consult on the review findings and recommendations.

The Minister officially handed over a copy of the review report to the Commission on 13 June 1999. The Commission will make a submission to the Ministerial Consultative Committee and provide feedback on the recommendations made by the Crown Solicitor.

Review of the SSC Act 1991

Management Structure

MEMBERSHIP

Membership of the State Supply Commission is based on appointment by the Minister responsible for the legislation.

CHAIRMAN



David Messer

Mr Messer is the WA Manager of AUSLANG. On 6 April 1998 he was appointed as Chairman of the State Supply Commission and his membership has been extended until 24 September 1999.

MEMBERS



Charles Vinci

Ex-officio Member – Acting Chief Executive Officer

Mr Vinci was appointed as ex-officio member in accordance with clause 8(b) of the *State Supply Commission Act 1991*, by virtue of his appointment as Acting Chief Executive Officer of the State Supply Commission.



David John Gilmer Gray

Mr Gray is the Managing Director of David Gray & Co Pty Ltd. He has been re-appointed for a further term until 27 March 2000.



Ian Clarence Hill

Mr Hill is the Chief Executive of the WA Department Of Training. His term of appointment has been extended until 24 September 1999.



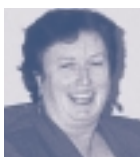
Keith Graeme Lingard

Mr Lingard is the Partner Audit and Operational Services at Stanton Partners. His term of appointment has been extended until 24 September 1999.



Paul Roland Schapper

Dr Schapper is the Executive Director of the Department of Contract and Management Services. His term of appointment has been extended until 24 September 1999.



Anne Isabel Durack

Ms Durack is a Solicitor at Law Mutual (WA) and her term has been extended until 24 September 1999.

Management Structure



Management Structure continued

**Richard James Muirhead**

Mr Muirhead is the Chief Executive Officer of the Department of Commerce and Trade.

His term of appointment has been extended until 24 September 1999.

**James Snooks**

Mr Snooks was the Business and Development Manager at Thiess Contractors Pty Ltd. His term of appointment has been extended until 24 September 1999.

SUBSTITUTE MEMBER

**Ian Boyd Gibb Maitland**

Mr Maitland is a Consulting Engineer in private practice. His term of appointment has been extended until 24 September 1999.

1998/99 Attendance Report – Regular and Special Meetings

In 1998/99, the State Supply Commission met on seven occasions (six regular and one special meeting) to consider Board matters. The following table shows attendance by Members for meetings sixty-eight to seventy-four.

Board Member	Total number of Board Meetings	Number of Meetings attended
Dolin, Michelle†	2	2
Durack, Anne	7	5
Gray, David	7	6
Hill, Ian	7	5
Lingard, Keith	7	5
Maitland, Ian	7	4
Messer, David	7	7
Muirhead, Richard	7	2
Schapper, Paul	7	5
Snooks, Jim	7	6
Vinci, Charles	7	7

†Michele Dolin resigned as a Member of the Board prior to Meeting 70 being held.

1998/99 Review of Operations

During 1998/99, the State Supply Commission achieved several significant milestones in its continuing commitment to developing a modern purchasing and contracting environment within the Western Australian public sector.

The Commission's main objectives are to:

- provide public authorities with a sound supply policy foundation relevant to today's complex purchasing environment;
- ensure that public authorities receive appropriate autonomy to effectively implement and manage their own purchasing and contracting activities; and
- provide industry with an independent mediator to resolve government contracting process grievances.

Empowering public authorities to control their own purchasing and contracting activities through increased purchasing autonomy is in keeping with the principles adopted in *Buying Wisely*, published in September 1996.

Review of Policies and Guidelines

New Supply Policy Manual

During the financial year the State Supply Commission completed a comprehensive review of its Supply Policy Manual culminating in the publication of a new manual titled *Policies and Guidelines for Buying Wisely*.

The new *Policies and Guidelines for Buying Wisely* manual contains supply policies, a new contract process guideline developed in conjunction with the review of the policies and a section containing other supporting guidelines.

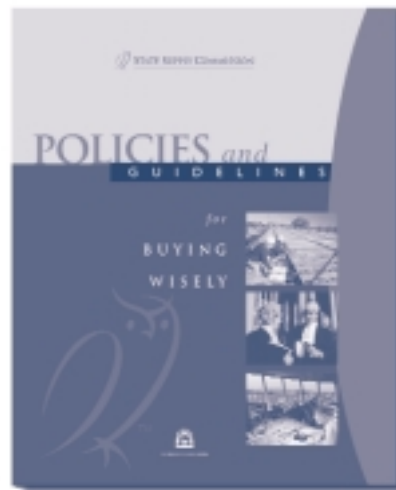
Development of the new manual involved officers of the Commission undertaking extensive research and consultation with key stakeholders.

Why the change?

Government purchasing and contracting has undergone significant change since the development and publication of the Commission's previous supply policy manual in 1991. The old manual no longer reflected the Government's modern purchasing and contracting requirements.

Government purchasing and contracting has matured from the purchasing of goods and the acquisition of simple services to establishing complex and strategic contracts to deliver total outcomes. Total outcome based contracts that include the provision of goods and services are now key management options for the delivery of services and achieving value for money.

To meet the challenge, the State Supply Commission's new supply policy manual provides public authorities with guidance on key aspects of government purchasing and contracting. The changes provide an enabling policy and guidelines framework relevant to complex purchasing, managing risk, supplier relationships and achieving value for money.



1998/99 Review of Operations



1998/99 Review of Operations (continued)

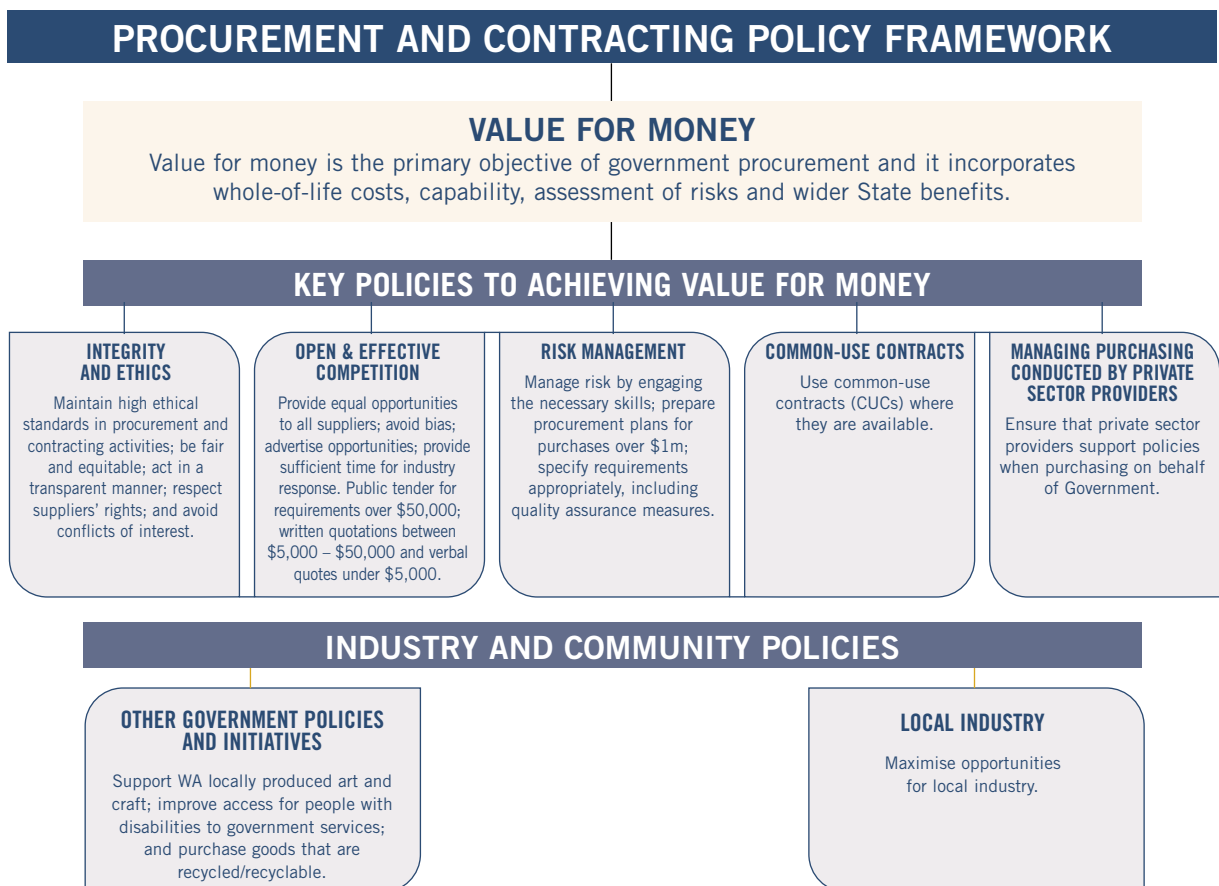
It recognises that purchasing activities vary between public authorities and that accountable officers need to decide how to best manage their purchasing and contracting activities within the context of their business needs, government objectives and their customers' needs.

The new supply policy framework is structured around eight core policies which are fundamental to achieving value for money (see Appendix 2).

New Contract Process Guidelines

The new *Contract Process Guidelines* developed in conjunction with the review of the policy set, provides a comprehensive framework for public sector contracting. It leads government buyers through the key decision points in contract planning, contract formation and contract management. The framework is designed to be adapted to suit requirements and the level of effort should be commensurate with the complexity and risk associated with each contract.

Other guidelines, which address specific contracting issues, are also contained in the new manual. The new manual provides a comprehensive supply policy and guideline framework relevant to today's complex purchasing environment.



1998/99 Review of Operations (continued)

Customer feedback on new policy manual

Each manual contained a *Customer Evaluation Sheet* seeking feedback on the manual.

Examples of the comments follow.

"... an excellent example of updating a previously excellent manual - well done - easy to read, follow and understand."

"An excellent document, easy to read and understand. Guidelines and additional information clarifies the whole process for all levels."

"Excellent to have one comprehensive document compiling the various issues in one place."

"Well set out. Good relevant information."

"The documentation style, format and content is of a high order..."

Policy Development

The Commission periodically reviews supply policies and contracting guidelines. During 1998/99 the Commission commenced reviews of the *Regional Buying Compact*, Managing Purchasing Conducted by Private Sector Providers and the Supporting Local Industry Policy. In addition the Commission is developing a new guideline on Contracting for Works.

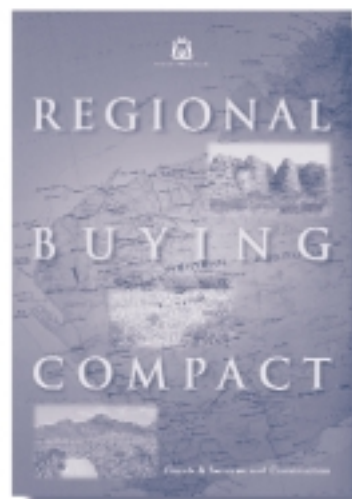
Regional Buying Compact

The Regional Buying Compact promotes regional and economic development in Western Australia and was introduced in December 1997. The Compact replaced the Government's then Regional Purchasing Policy.

The review follows twelve months of operation of the compact, and was undertaken by the Commission to examine the extent of implementation of initiatives; the impact of the Compact on government purchasing activities in regional areas and from regional businesses; the factors affecting implementation; and to recommend any changes to the Compact.

The results of the review indicate reasonably widespread knowledge of the *Regional Buying Compact* as a government policy. Knowledge amongst regional officers with purchasing responsibilities was varied. For regional businesses, knowledge of the Compact was generally limited to availability of price preferences over non-regional businesses in bidding for government supply contracts. The price preference initiative of the Compact has resulted in a transfer of government expenditure from Perth metropolitan to regional businesses in the order of \$20 million per annum.

Actions proposed to increase the level of commitment to the initiatives of the Compact are currently under consideration.





1998/99 Review of Operations (continued)

Supporting Local Industry Policy

The State Government is a major purchaser of goods and services within Western Australia.

There are currently a number of policies and initiatives in place to promote a 'buy local' approach to Government purchasing. These include the Regional Buying Compact, Buy Local policy, the Australian and New Zealand Government Procurement Agreement, Countertrade, Anti-Dumping and Reverse Engineering. The Commission is proposing to integrate these policies and initiatives in the one document.

Managing Purchasing Conducted by Private Sector Providers Policy

The current policy recognises that there may be risks to government when purchasing and supply related services are transferred to the private sector.

Proposed key changes relate to public authorities being less prescriptive in the management of private sector provider's purchasing processes. To achieve this, private sector providers will be required to report on deliverables and outcomes as negotiated and agreed with the public authority while continuing to support and apply the principles of the government's supply policies.

Contracting for Works

In December 1998 the Commission commenced development of a policy statement and guidelines to cover "works" contracting. Works contracts comprise construction, manufacture or extension of buildings and civil engineering works.

The intended outcome is to achieve uniformity and consistency in works tendering and contracting throughout government.

The policy development process has identified significant works contracting issues. These have been gathered from both public authorities and industry. Proposed industry forums will include input from large national construction companies, small and medium construction companies, building companies and engineering and architectural consultants.

Buyer Alerts

Buyer Alerts are a communication tool used to inform public authorities of purchasing issues that may impact on their purchasing and contracting operations.

Two key *Buyer Alerts* prepared in 1998/99 include:

GST – Implications for Supply Contracts

The Commission received many inquiries from public authorities relating to the impending goods and services tax (GST) and how it would affect government contracts. In response to these requests, the Commission developed an information document to provide advice and guidance to public authorities on the implications of the GST for government supply contracts. This document was published as a *Buyer Alert* in May 1999.

The information package provides detailed assessment of the transitional provisions for contracts currently in place and spanning 1 July 2000, as well as advice on the development and awarding of new contracts which will also span 1 July 2000.



1998/99 Review of Operations (continued)

The Commission intends to continue to update information on the GST and inform agencies of all new relevant information.

The Commission has received many enquiries relating to the GST in contracting and has been able to advise agencies on the best course of action to take.

Probity Auditing

Leading edge probity audit guidelines were developed in an easy-to-read 'Buyer Alert' format.

Probity auditing of the tendering and contracting process is about ensuring fairness and integrity in government purchasing. Probity auditing also offers an independent, proactive approach assisting agencies to comply with established policies, guidelines and processes. It does not check the effectiveness of the resulting contract or validate the evaluation panel's conclusions but plays a key role in ensuring fairness to all tender participants.

The Commission also proposes to form a senior officers' network of probity auditors who can assist other public authorities and to establish standards for the public sector.

Sale of Government Businesses

During 1998/99 the State Supply Commission was involved in the proposed sale of two government businesses; BOCS Ticketing a business operation of the Perth Theatre Trust and Supply West a business operation of the Department of Contract and Management Services (CAMS).

BOCS Ticketing

Cabinet approved the sale the BOCS ticketing business. Since April 1999, the Commission has participated on a Perth Theatre Trust Competitive Tendering and Contracting (CTC) Steering Committee, put in place to administer the sale of BOCS Ticketing.

The State Supply Commission will be the Principal to the sale and will be involved in the sale process. The sale is scheduled to be completed in late 1999.

Supply West

Supply West provides a one stop shop supply service to customers located throughout Western Australia. The Commission is the principal to the sale and has participated on the Steering Committee for the Sale of Supply West since the decision to sell was made.

The Steering Committee has overseen the development of the required documentation for the sale and the subsequent tendering process.

The preferred tenderer for Supply West was approved by the Commission in May 1999.

Year 2000 Date Issue (Y2K)

The Commission has been actively engaged in a strategic program that will ensure the integrity and continuity of business operations on and after 1 January 2000.

A number of major tasks have been completed, which includes the development of a management strategy, inventory audit and risk and impact analysis.

All internal systems identified as having inherent Y2K problems have either been upgraded or replaced. The Commission will continue to carry out testing to ensure that the Y2K issue has little or no impact on business processes. All external agencies, partners and organisations where interdependencies have been identified have been contacted to determine their levels of readiness.

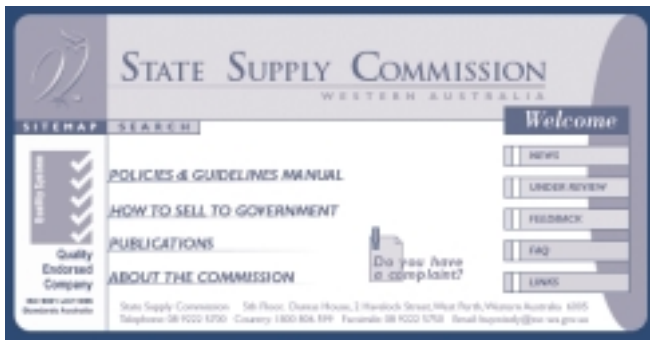


1998/99 Review of Operations (continued)

The Commission is conscious of the severity of the Y2K problem within government purchasing and has undertaken an awareness program through the release of a *Buyer Alert*, No. 11/97 along with further information on the Commission's web site, www.ssc.wa.gov.au to help public authorities address this issue.

Internet Access for Information

The Commission's web site was comprehensively upgraded in May 1999 to reflect the new supply policy and guidelines framework and to provide more information and easier access for public authorities, suppliers and the general public.



Current estimates indicate that the number of people accessing the Commission's web site has increased by 61% since May 1999 when the site was updated to incorporate the new *Policies and Guidelines for Buying Wisely* manual. Between 800 and 850 hits are registered on the Commission's web site every month.

Co-operating with Local Government

On 26 November 1998, the Commission and the Department of Contract and Management Services (CAMS) signed an *Expression of Intent* (EOI) to co-operate and share expertise in contracting with the Western Australian Municipal Association (WAMA). This Agreement facilitates greater sharing on contracting policy and practice between State and Local Government.

The objectives of the agreement are to:

- Raise the standards of buying practice through the sharing of expertise;
- Develop a set of rules that are consistent across State and Local Government and which minimise the cost of buying processes for all stakeholders, including industry;
- Increase the efficiency of Government buying and its benefit to the community.

To achieve these objectives, the parties have agreed – within the EOI – to work together.

Australian Procurement and Construction Council (Inc)

The State Supply Commission is a member of the Australian Procurement and Construction Council (APCC), which is the national forum for inter-jurisdictional co-operation on procurement and construction policy matters.

The APCC has a national focus on policies and practices that influence the delivery of services by all Australian Governments and their impact on industry. By adopting a national approach, industry is able to better service and understand the requirements of Government.

Small Business Procurement Advisory Committee

The State Supply Commission is a member of the Ministerial Committee, established by the Minister for Services, which provides advice on policies that impact on small businesses. The Committee provides the small business sector with an opportunity to put their concerns and views to government.

Output Based Reporting

The State Supply Commission was provided with an amount of \$2.946 million to meet recurrent and capital services during the year. The Commission consumed, on a net cost of services basis, a total of \$2.788 million. The Commission also received services free of charge to the extent of \$0.025 million.

In 1998/99, the State Supply Commission revised its outputs because of restructuring and rationalisation of activities. The Commission now has these outputs as follows:

- Output 1 – Procurement, disposal and best practice guidelines policy advice, development and evaluation;
- Output 2 – Accreditation model management, buying practice assessments, investigation and complaint management and advice;
- Output 3 – Services to the Contracts Referee.

PERFORMANCE MEASURES FOR OUTPUT ONE

Output:

Procurement, disposal and best practice guidelines policy advice, development and evaluation.

Description:

The development and advancement of policies and practices to enhance public sector procurement outcomes.

Efficiency:

A comparison of the 1998/99 estimated and actual performance measures is provided in the table below:

Performance Measures	1998-99 estimate	1998-99 actual
Quantity: Development of policies guidelines and advice to public authorities	158 agencies	119 agencies *
Quality: Satisfaction by industry and agencies with policies and guidelines	70%	77%
Timeliness: Providing policies, guidelines and advice provided within agreed time frames.	90%	90%
Cost: Average cost per public authority to provide policies guidelines and advice	\$6,500	\$9,900

* The number of agencies was quantified to 119 due to the amalgamation of several government agencies.



Output Based Reporting (continued)

Effectiveness

Measure: The extent to which public authorities are satisfied that policies, practices and guidelines enhance public sector supply activities. The target for this year was to obtain an improvement in overall satisfaction compared to last year's result.

The survey was undertaken by an independent consultant to determine the level of customer satisfaction through a number of questions to measure this performance indicator as well as broader service level commitments made in the Commission's Customer Services Charter.

In total, 160 respondents from the Commission's primary market were interviewed to determine performance against this measure. The research also indicates that 145 respondents (91%) have had contact with the Commission in the past twelve months.

This incorporated the following groups:

Chief Executive Officers	77
Principal Purchasing Officers	83

Respondents were asked to assess the extent to which they were satisfied that "the policies and guidelines established by the State Supply Commission have contributed to the efficiency and effectiveness of public sector activities".

The table below reports the percentages of the CEO and Purchasing Officers samples that were satisfied or dissatisfied that "the Commission" has had this effect. As may be seen, the great majority of respondents (78% of CEOs, and 69% of P.Os, making 74% of the total survey sample) were satisfied. It is important to recognise that the "dissatisfied" percentage is NOT the reciprocal of the proportion that was satisfied. Only 6% of CEOs and 7% of P.Os expressed any measure of dissatisfaction, respectively 10% and 13% were neutral, and 6% and 11% were unwilling to form a view (opting for the "don't know" response).

The simplest single measure of satisfaction is the satisfaction index score, which is calculated on the spread of all assessments from respondents who were able to make an assessment.

NB. DATA TAKEN ONLY FROM THOSE WHO HAD CONTACT WITH THE COMMISSION IN 1998/99	WEIGHTS USED TO CALCULATE INDEX SCORE	CEO SAMPLE N=70 (%)	PURCHASING OFFICER SAMPLE N=75(%)	TOTAL OF BOTH SAMPLES N=145(%)
Very satisfied	7	11	8	10
Satisfied	6	46	36	41
Tend to be satisfied	5	21	25	23
Net Satisfied		78	69	74
Neutral	4	10	13	12
Tend to be dissatisfied	3	0	7	3
Dissatisfied	2	6	0	3
Very dissatisfied	1	0	0	0
Net Dissatisfied		6	7	6
Don't Know		6	11	8
Total		100	100	100
SATISFACTION INDEX SCORE		78	75	77

Output Based Reporting (continued)

TREND ANALYSIS

The findings on this question for the past three years may be seen in the following table. There has been a sustained improvement in satisfaction and that the State Supply Commission has met this objective over the last three years. The Satisfaction Index score has increased each year from an initial score of 72% in 1996/97, to 76% in 1997/98, and 77% in the current survey.

NB. THE DATA HAS BEEN WEIGHTED BACK TO THE NUMBER OF PEOPLE WHO HAVE HAD CONTACT WITH THE COMMISSION	WEIGHTS FOR INDEX SCORE	1996/97 %	1997/98 %	1998/99 %
Very satisfied	7	14.2	8.6	10
Satisfied	6	26.7	43.0	41
Tend to be satisfied	5	26.0	23.5	23
Net Satisfied		66.9	75.1	74
Neutral	4	16.9	16.3	12
Tend to be dissatisfied	3	4.9	6.0	3
Dissatisfied	2	5.4	1.0	3
Very dissatisfied	1	2.0	0.5	0
Net Dissatisfied		12.3	7.5	6
Don't Know	0	3.8	1.0	8
Total		99.9	99.9	100
SATISFACTION INDEX SCORE*		72	76	77

* The satisfaction index score is an expression of the mean score of the sample expressed on a 100 point scale. It is calculated by the establishment of a mean score based on the weights shown in the table above.

The 1998/99 results indicate that the work undertaken by the Commission and the effort put in by all staff have continued to achieve high standards of customer satisfaction towards the Commission's contribution to the effectiveness and efficiency of the public sector supply function.

PERFORMANCE MEASURES FOR OUTPUT TWO**Output:**

Accreditation model management, buying practice assessments, investigation and complaint management and advice.

Description:

The implementation of agency accreditation enables the Commission to fulfil its regulatory function to monitor the efficiency and effectiveness of procurement processes in the public sector. In addition, this process enables the Commission to provide policy advice to Government and agencies to promote and achieve improvements in public sector performance and accountability.



Output Based Reporting (continued)

Efficiency:

A comparison of the 1998/99 estimated and actual performance measures is provided in the table below:

Performance Measures	1998-99 estimate	1998-99 actual
Units:		
Implement and maintain the accreditation process to agencies under the jurisdiction of the State Supply Commission Act 1991	158 agencies	119 agencies*
Quality:		
To measure improvements in agency standards of purchasing practice	To be established	77%
Timeliness:		
To complete the first cycle of 158 agency assessments	June 99	100%†
Cost:		
Average cost per agency	\$6,000	\$ 9,900

* The number of agencies was quantified to 119 due to the amalgamation of several government agencies.

† First cycle of 48 agencies undertaken as part of a 3 year plan.

Accreditation Process

To enable public authorities to arrange and co-ordinate their own supply of goods and services, the Commission grants partial exemption from the operation of section 19(1) of the *State Supply Commission Act 1991*. An exemption for a public authority is granted in accordance with the terms and conditions of its *Buying Wisely Accreditation Compact*.

The increasing levels of exemption to public authorities and the increasing devolution of buying operations within agencies means that a greater number of staff are involved in buying activities.

Executives and managerial staff involved in purchasing or supply now embrace contracting as a means of achieving the business outcomes of the organisation.

The Commission recognises that public authorities need to develop their own approaches to professional development in buying within the context of accepted good professional development practice.

The Accreditation assessment recognises the recruitment and training of purchasing staff and contract management staff.

Monitoring Requirements

The Commission has a legislative responsibility under section 5 of the 'Act' to monitor the efficiency of the process under which goods and services are supplied and goods are disposed of.

Under section 25 of the 'Act' the Commission is responsible for collecting information regarding changes to the supply and efficiency of goods and services over time, and compliance by public authorities with supply policies.

Output Based Reporting (continued)

These responsibilities are met by the Accreditation audits of agency systems and skills; spot audits focussed on specific policies; and through continual disclosure by agencies seeking Commission approval to waive or vary the *Buying Wisely* policies.

Policy approvals and waivers

The Commission also approves under delegation such matters as the waiving of public tenders, exemption from common-use contracts and purchases above the agency's level of delegated authority.

Effectiveness

Measure: The proportion of public sector agencies that have adequately implemented the accreditation process. This will be assessed through monitoring standards of performance, spot reviews and strategic trends in agency procurement.

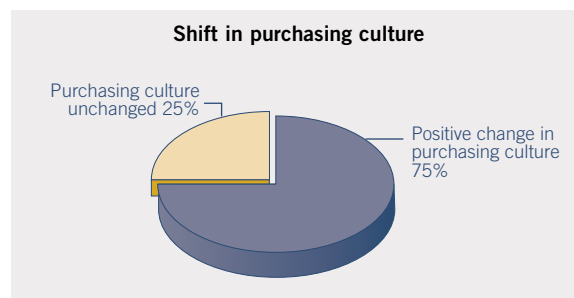
Audits

This year witnessed the first 12 months of agency experience operating under the inaugural Accreditation assessment process.

In accordance with the Commission's program requirements, 48 agencies which are currently operating under the Accreditation arrangement (see Appendix 1) for devolved purchasing were reviewed to assess the overall efficacy of the process.

The surveyed agencies reported upon:

- Changes in capability through improvement in systems, procedures and skills;
- Achievement of undertakings [to action plans];
- Extent of improvement in procurement practices;
- Change to the purchasing culture;
- Extent to which the Accreditation process met their needs; and
- Satisfaction with the existing level of purchasing authority.



Feedback from the agency monitoring was positive with strong support for continuation of the devolution process. There is positive evidence that agencies have improved their purchasing processes and practices (70% improved) and that the culture in purchasing has also improved through the implementation of the Accreditation process. In addition 30% of public authorities surveyed requested to be considered to have their exemption level increased.

The Commission reviewed the calling of public tenders by public authorities in 1998/99.

Public authorities which participated within the Accreditation monitoring exercise were also asked to detail instances of the waiving of public tenders for purchases in excess of \$50,000.

The review found no evidence of the award of contracts in excess of \$50,000 whereby agencies had failed to justify to the Commission and/or the responsible CEO (fully devolved agencies) the reasons for not publicly tendering.



Output Based Reporting (continued)

PERFORMANCE MEASURES FOR OUTPUT THREE

Output:

Services to the Contracts Referee.

Description:

The implementation of an independent, complaint grievance facility to address anti-competitive behaviour and procedural bias by agencies will enhance accountability and public confidence in public sector procurement.

Efficiency:

When measured against the estimated outputs for 1998/99 the actual complaint statistics provide an overview on the effectiveness of the Commission in dealing with supplier complaints as an independent complaint grievance facility. A comparison of the estimated performance measures for supplier complaints and the actual outputs for 1998/99 is provided in the table below:

Performance Measures	1998/99 estimate	1998/99 actual
Quantity: The number of complaints acted upon	100%	100% *
Quality: The number of recommendations accepted and implemented	85%	92%
Timeliness: The number of grievances finalised within 45 days	85%	42%
Cost: Cost per complaint	\$ 4,100	\$ 7,500

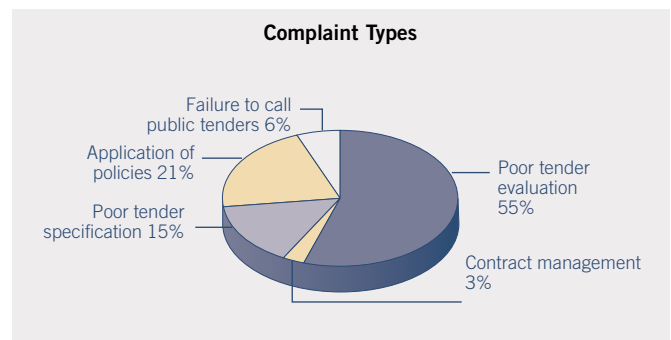
* In 1998/99, 34 complaints were handled by the State Supply Commission. As at 30 June 1999, seven complaints were still outstanding.

Government Purchasing Charter Complaints

Under the Government Purchasing Charter, the Commission has responsibility for investigating complaints lodged by suppliers in relation to government purchasing and contracting.

Suppliers are required to attempt to resolve issues with the agency directly concerned before lodging a complaint with the Commission. If a mutually acceptable resolution to the grievance cannot be reached between the parties then the Commission will undertake a formal investigation.

During the year 34 investigations were conducted as a result of complaints raised by private sector companies. The average cost per complaint increased from an estimated figure of \$4,100 to an actual figure of \$7,500.



Output Based Reporting (continued)

The number of complaints investigated in 1998/99 was more than twice the amount handled in 1997/98. This increase is attributed to the increasing complexity of agency contracting requirements. With this increase, the time spent to resolve supplier complaints has also increased. Therefore the Commission was only able to finalise 42% of complaints within a 45 day period.

Effectiveness

Measure: The extent to which recommendations are accepted and implemented.

Of the 34 complaints investigated by the Commission, findings were made in favour of twelve of the complainants and consequently, recommendations were made to the agencies concerned.

The Commission received written notification from some agencies as to whether they had implemented the recommendations. Other agencies who had not responded in writing were contacted by phone to ascertain the extent to which recommendations had been put in place. In these conversations, the agency indicated the course of action undertaken. File notes were recorded.

Eleven out of twelve agencies (92%) confirmed that they had implemented recommendations made by the Commission.



Statement on Performance Indicators

We hereby certify that the performance indicators are based on proper records and fairly represent the performance of the State Supply Commission for the financial year ended 30 June 1999.

DAVID MESSER
Chairman

27 August 1999

KEITH LINGARD
Member

27 August 1999

MARTIN BRAGANZA
Manager Financial
and Support Services
Principal Accounting Officer
27 August 1999

Opinion of the Auditor General



Auditor General

To the Parliament of Western Australia

STATE SUPPLY COMMISSION

PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 1999

Scope

I have audited the key effectiveness and efficiency performance indicators of the State Supply Commission for the year ended June 30, 1999 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the State Supply Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 1999.

D D R PEARSON
AUDITOR GENERAL
October 13, 1999

Opinion of the Auditor General



Performance Indicators

Government reporting requirements have shifted from program based performance indicators to output/outcome based measures. As a result, this year's annual report has reflected these changes.

Outcome:

Promotion of best procurement practice in Public Sector Agencies.

Effectiveness Indicator

For its 1998/99 customer satisfaction survey, the Commission asked CEOs and Principal Purchasing Officers of public sector agencies questions related to their satisfaction with the Commission's ability to promote best practice and the effectiveness of the Commission's performance towards this outcome.

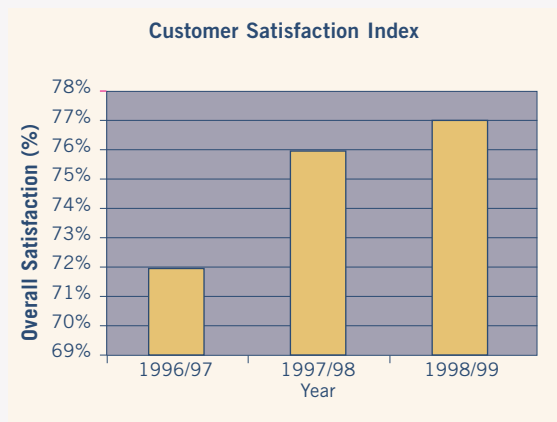
In total, 160 respondents from the Commission's primary market were interviewed by an independent market research analyst for the 1998/99 customer satisfaction survey.

The respondents consisted of 77 Chief Executive Officers and 83 Purchasing Officers from a potential 110 agencies. The response rate of 70% from CEOs and 75% from Purchasing Officers is considered to be towards the upper extremes of what is possible with such a target survey.

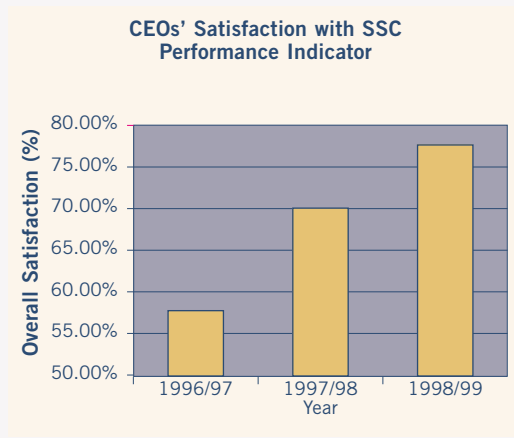
This year's survey has been slightly changed from previous years in order to better obtain data for the Commission's planning and reporting purposes.

Respondents were initially asked to assess the extent to which they were satisfied that "the policies and guidelines established by the Commission have contributed to the efficiency and effectiveness of public sector activities".

The results highlight a sustained improvement in the level of customer satisfaction.



The Satisfaction Index score has increased each year from an initial score of 72% in 1996/97, to 76% in the 1997/98 and 77% in 1998/99.



The survey has also indicated that 80% of CEOs surveyed felt that the Commission had contributed to the effectiveness of their agency's purchasing.

Agency CEOs support, in terms of their satisfaction with the Commission's contribution towards the efficient and effective delivery of public sector activities, has significantly increased from 57.2% in 1996/97 to 78% in 1998/99.

Performance Indicators

Performance Indicators (continued)

Efficiency Indicators

The following table details the average cost for each output in promoting best procurement practice to public sector agencies.

Output 1 – Procurement, disposal and best practice guidelines policy advice, development and evaluation;	
Cost:	
Average cost per public authority to provide policies guidelines and advice	\$ 9,900
Output 2 – Accreditation model management, buying practice assessments, investigation and complaint management and advice	
Cost:	
Average cost per agency	\$ 9,900
Output 3 – Services to the Contracts Referee	
Cost:	
Cost per complaint	\$ 7,500

Due to the restructuring of the Commission to a high level policy unit, only three out of the original eight Outputs were retained. Estimated figures and comparative notes for the three outputs have not been reported upon as they are no longer relevant.



Other Reporting Requirements

Statement of Compliance with Public Sector Standards

In accordance with Section 31(1) of the *Public Sector Management Act 1994*, the State Supply Commission has complied with and adopted guidelines and processes supporting the public sector standards in human resource management.

The State Supply Commission's Human Resource Plan was implemented in June 1998 to formally handle the changes affecting the Commission's staff as a result of the repositioning of the Commission to a high level policy unit.

A code of conduct was adopted in May 1998 and has been issued to all staff upon commencement of work at the State Supply Commission.

There have been no breaches of standards in 1998/99.

Staffing Profile (as at 30 June 1999)

Number of Staff employed	10
Number of staff on secondment from SSC to other agencies	1
Number of staff on secondment to SSC from other agencies	2
Number of staff who have a disability	0
Number of staff employed under Enterprise Agreement	0
Number of staff employed under Workplace Agreement	10

Salary Profile by Gender

Number of Permanent and Fixed Term Employees by Gender as at 30 June 1999 (excluding seconded officers).

SALARY RANGE \$	WOMEN	MEN	TOTAL
0 – 28,305	0	0	0
28,306 – 32,468	0	0	0
32,469 – 36,441	2	0	2
36,442 – 40,432	0	0	0
40,433 – 46,898	0	0	0
46,899 – 54,493	0	2	2
54,494 – 61,596	0	0	0
61,597 – 70,435	0	3	3
70,436 – 79,870	0	0	0
Greater than 79,870	0	3	3
TOTAL	2	8	10

Other Reporting Requirements

Other Reporting Requirements (continued)

Anti Corruption Commission Act 1988

In accordance with the *Anti-Corruption Commission Act 1988* Section 14, during the year 1998/99, no reports have been made under the above Act.

Declaration of Interests

To the best of our knowledge, none of our staff members have any interests (pecuniary or otherwise) which could possibly be construed as having any influence on the proper and objective performance by the State Supply Commission.

Disabilities Services Plan

The State Supply Commission's Disability Services Plan has been developed in accordance with the *Western Australian Disability Services Act 1993*. The Commission is committed to ensuring that people with disabilities, their families and carers are able to access the full range of Commission services and facilities.

The Commission is a tenant in Dumas House (a government-owned building which was built in the 1960s). Given its age, the building's specifications were not made with access for people with disabilities in mind. As a participant in the Dumas House Tenants Committee, the Commission continues to ensure access issues and facilities for the disabled are identified and rectified where possible.

Two-Year Plan for Women Outcomes

The Commission is committed to encouraging women business operators to interact with the Commission in policy reviews and in programs to communicate and share in policy development.

Equal Opportunity Act 1984

The State Supply Commission has fulfilled its reporting requirements under the *Equal Opportunity Act 1984* for the period 1 July 1998 to 30 June 1999. The Commission values the importance of capitalising on the skills of our employees and has ensured that issues such as equal employment opportunity and diversity management are addressed.

The Commission intends to implement the Equal Employment Opportunity Management Plan for the years 1999 to 2004 and has developed appropriate strategies.

Freedom of Information Statement as at 30 June 1999

The State Supply Commission's statistical return to the Office of the Information Commissioner showed two applications were received during the period 1 July 1998 to 30 June 1999.

Both requests were for non-personal information and were dealt in the following manner:

Access in Full	0
Access refused	2
Total	2

The average time taken to process each application – elapsed time from receipt of notice to decision – was 45 days.

If there is a requirement for documents not routinely available, the *Freedom of Information Act 1992* provides the right for the public to lodge an application for them. To apply for any documents under the Freedom of Information legislation, an application in writing to the FOI Co-ordinator, State Supply Commission, 5th Floor, 2 Havelock Street, West Perth, WA 6005 is required. The application must have a return address within Australia and identify the applicant.



Other Reporting Requirements (continued)

For assistance in making an application, contact the FOI Co-ordinator on 9222 5700. A standard application form and explanatory notes are available on request. Use of the form is optional and a letter is normally sufficient. The FOI Co-ordinator may contact the applicant to assist in clarifying the request. Applications are dealt with within 45 days.

A fee of \$30 must accompany each application for non-personal information and additional costs may apply. Where additional charges are to be levied, an estimate of the cost and basis of calculation will be given to the applicant.

Applications from individuals seeking personal information about themselves are free of charge and there are no other costs for access.

A written decision giving details and reasons for any refusal or editing will be provided. If an applicant is refused access to information and is dissatisfied with the agency's decision, the applicant is entitled to ask for an internal review by the agency. This application should be made in writing within 30 days of receiving notice of the decision and the applicant will be notified of the outcome of the review within 15 days.

If applicants are still dissatisfied with the outcome, they can apply to the Information Commissioner for an external review. Details of how to apply for an external review are forwarded to the applicant when they are advised of the internal review decision.

Electoral Act 1907 – SEC 175ZE – Statement for 1998/99

Section 175ZE of the *Electoral Act 1907* requires the State Supply Commission to include a statement in its Annual Report detailing expenditure incurred by or on behalf of the Agency during the current reporting period over the class of expenditure set out below.

During 1998/99, the Commission expended a total of \$185,479 with advertising and market research organisations, dispersed as given below.

Advertising agencies	\$159,464
Corporate Communications	e.g. design and production of publications and copy writing
Marketforce Limited	e.g. design and production of manuals, publications, advertising and Annual Report
Market Research Organisations	\$25,705
Research Solutions	e.g. Customer Satisfaction Survey
Right Marketing Australia	e.g. Annual Supply Report collation
Polling Organisations	NIL
Direct Mail Organisations	\$310
Fast Finishing	e.g. booklet binding
S & F Finishing Services	e.g. envelope filling

Information and Supply Trends

Who's Buying What?

Each year, the Commission collects strategic information on the scope and nature of purchasing by Government agencies. The aim is to develop an overall picture for government and industry on the nature and size of the changing government market, as well as provide some basic information about who's buying what.

The information is used to help interested stakeholders better understand the government market and to monitor trends and developments, including the purchasing activities of agencies.

In 1997/98, information was sought from 107 government departments and agencies (including trading authorities) and a new *Who Buys What* publication was published. For the first time, this new publication provided more extensive information on a wider range of purchases totalling \$4.04 billion, including capital works.

Further expenditure in the order of \$1.6 billion was also identified as *Grants, Subsidies, Transfer Payments, Finance and Capital Charges* etc., some of which are closely associated with services received (eg grants for community purposes, interest payments etc). This expenditure will be assessed more closely in future years to determine payments which may be better classified as government purchasing.

Who Buys What provides varying perspectives of overall government purchasing, including:

- The top 5 buying agencies for each commodity
- The top 10 commodities purchased (for both goods and services)
- The top 10 purchasing agencies
- The proportion of total goods to total services, as a percentage of overall purchases
- Comparisons with previous years

The publication is also made available through the Commission's website and is accompanied by an extensive database of purchasing information drawn from each agency's annual return – refer to www.ssc.wa.gov.au (under the *How to Sell to Government* section).

Since May 1999, some 200 on-line database enquiries have been made by a range of Internet users.



Information and Supply Trends (continued)

What are the statistics saying?

Figure 1 – Top 5 buyers for each commodity

This extract from the *Who Buys What* publication shows the top 5 buyers for each commodity – both goods and services. The full table is printed within the *Who Buys What* publication, while a complete list of who bought what commodity is available on the Commission’s website.

TOP 5 BUYERS FOR EACH COMMODITY 1997/98 (GOODS)

NATO GROUP	GOODS GROUP DESCRIPTION	TOTAL \$ VALUE FOR ALL AGENCIES	INDIVIDUAL AGENCY SPEND (\$)	
56	Construction and Building Materials	48,267,157	Main Roads of WA	18,991,858
			Water Corporation	13,404,363
			Alinta Gas	7,606,838
			Western Power	3,059,122
			Conservation & Land Management	1,921,988
75	Office Supplies and Devices	49,888,045	Education Department of WA	6,101,833
			Health Supply Council	5,177,787
			Hospital, Fremantle	2,680,395
			Conservation & Land Management	2,644,470
			Lotteries Commission	2,430,846
70	Computing Hardware, Software, Supplies and Support Equipment	124,884,885	Education Department of WA	16,175,744
			Water Corporation	13,305,403
			Minerals & Energy, Department of	13,163,000
			Alinta Gas	12,972,499
			Health Supply Council	4,793,346

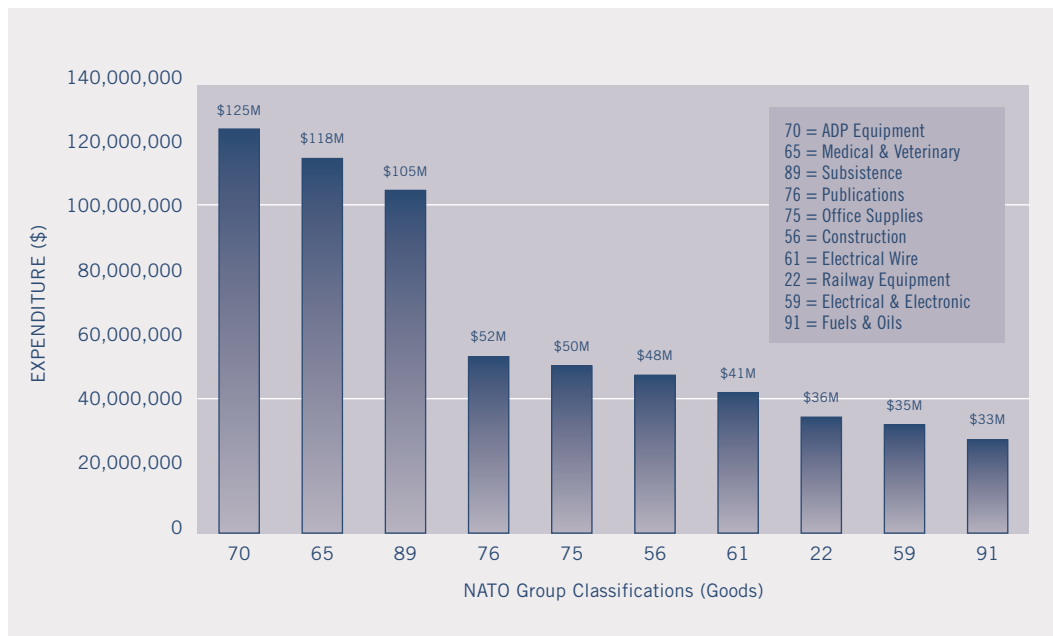
TOP 5 BUYERS FOR EACH COMMODITY 1997/98 (SERVICES)

PSSC GROUP	SERVICE GROUP DESCRIPTION	TOTAL \$ VALUE FOR ALL AGENCIES	INDIVIDUAL AGENCY SPEND (\$)	
10	Repairs and Maintenance of Buildings, Fixed Structures and Land	288,216,239	Westrail	137,774,135
			Western Power	39,135,617
			Homeswest	18,772,000
			Main Roads of WA	18,296,815
			Health Supply Council	8,620,100
L0	Building, Construction and Land Development	824,064,546	Main Roads of WA	216,026,965
			Education Department of WA	119,835,781
			Treasury, Department of, WA	89,790,000
			Homeswest	89,044,000
			Water Corporation	85,068,248
G0	Social, Personal and Selected Community Services	279,990,782	Health Department of WA	134,955,000
			Family & Childrens Services, Department of	47,545,299
			Health Supply Council	41,905,169
			Transport, Department of	20,367,000
			Westrail	9,380,970

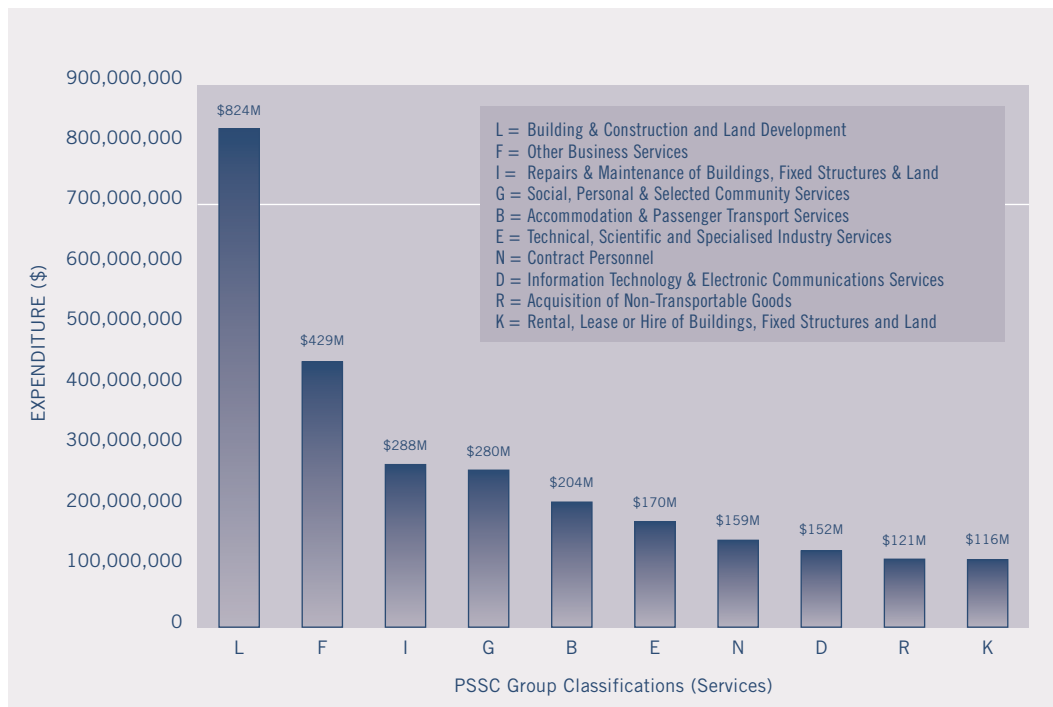
Information and Supply Trends (continued)

Figure 2 – Top 10 Goods

This chart shows the top 10 goods purchased and the approximate amounts spent on each.

**Figure 3 – Top 10 Services**

This chart shows the top 10 services purchased and the approximate amounts spent on each.

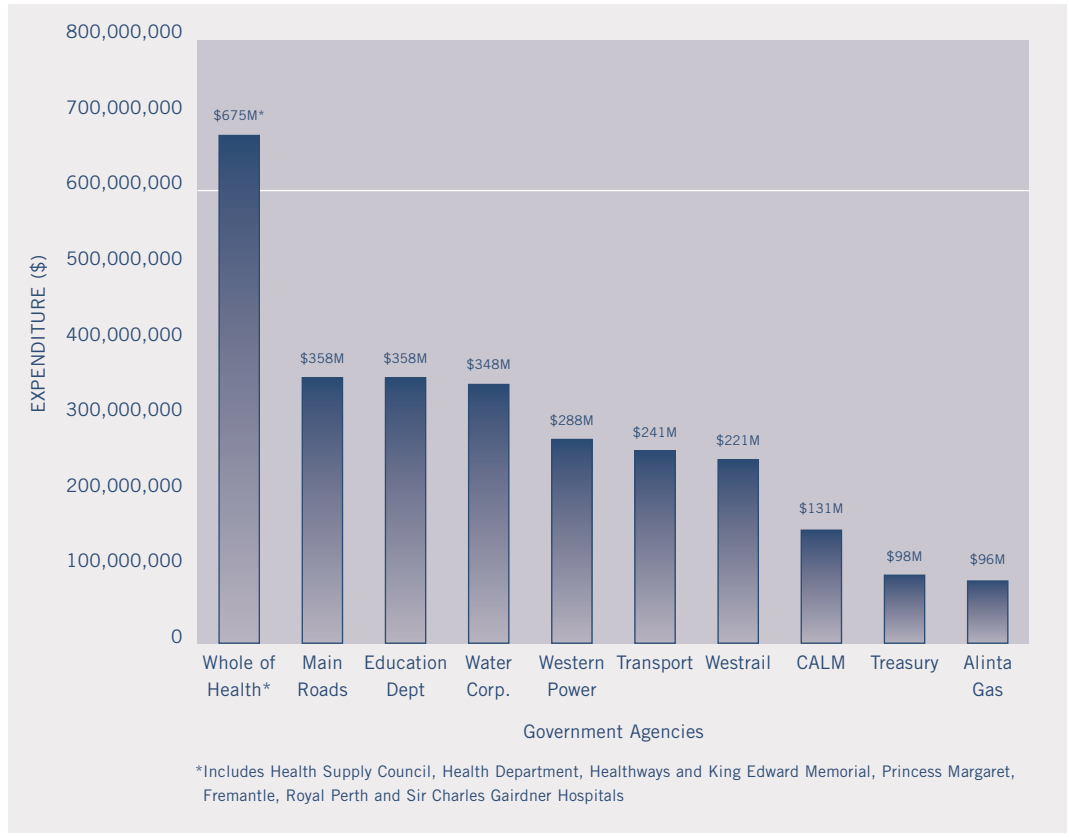




Information and Supply Trends (continued)

Figure 4 – Top 10 Agencies

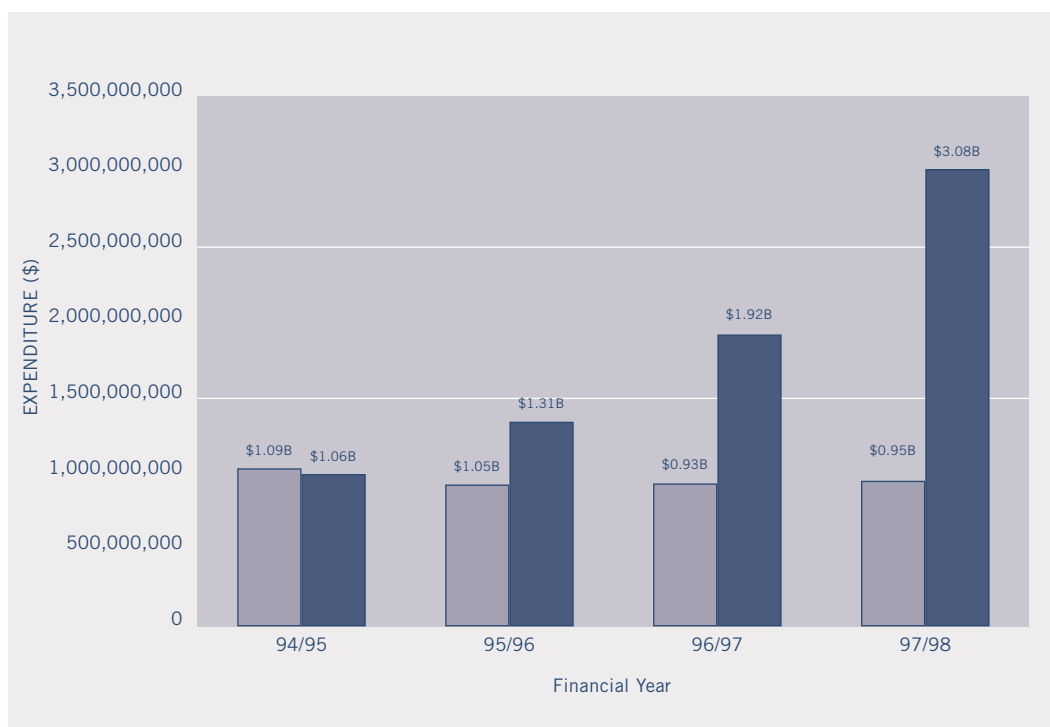
This shows the overall top 10 buying agencies and the approximate amount each one spends on goods and services.



Information and Supply Trends (continued)

Figure 5 – Goods and Services Comparisons with previous years

This chart compares the overall results of previous financial years. It highlights the continuing trend by agencies to outsource (ie. to become a purchaser rather than a provider of services), as well as the implications this has had on their purchasing patterns. It should be noted, however, that much of the increase in services for 1997/98 is attributable to the wider scope of the statistical collection for this year. For the first time, the 1997/98 collection included all purchases associated with the WA Government Capital Works program, as well as general goods and services.





Certification of Financial Statements

The accompanying financial statements of the State Supply Commission have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 1999 and the financial position as at 30 June 1999.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

DAVID MESSER
Chairman

27 August 1999

KEITH LINGARD
Member

27 August 1999

MARTIN BRAGANZA
Manager Financial
and Support Services
Principal Accounting Officer
27 August 1999

TM

Opinion of the Auditor General



Auditor General

To the Parliament of Western Australia

STATE SUPPLY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

Scope

I have audited the accounts and financial statements of the State Supply Commission for the year ended June 30, 1999 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Commission.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Commission to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the State Supply Commission provide reasonable assurance that the receipt, expenditure and investment of monies and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Operating Statement, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, and other mandatory professional reporting requirements and the Treasurer's Instructions, the transactions for the year ended June 30, 1999 and the financial position at that date.

D D R PEARSON
AUDITOR GENERAL
October 13, 1999

TM



Operating Statement

for the year ended 30 June 1999

	Note	1998/99 (\$'000)	1997/98 (\$'000)
COST OF SERVICES			
Operating expenses			
Salaries and wages		1,388	1,601
Superannuation		155	195
Depreciation		38	40
Vehicle Fleet Lease Agreement	1(e)	26,102	19,922
Administration	2	1,464	2,125
Contract management services		0	2,751
Charges to provisions for doubtful debts		53	0
Total operating expenses		29,200	26,634
Revenues from services			
Goods and services	3	163	226
Interest	4	37	89
Trading profit	5, 1(g)	3	23
Other operating revenue		11	0
Vehicle Fleet Lease Agreement	1(e)	26,198	19,895
Total revenues from services		26,412	20,233
Net cost of services		2,788	6,401
REVENUES FROM GOVERNMENT			
Consolidated Fund – recurrent appropriation		2,856	6,632
Consolidated Fund – capital appropriation		90	0
Liabilities assumed by the Treasurer	6	155	195
Resources received free of charge	7	25	23
Total revenues from Government		3,126	6,850
Change in net assets resulting from operations		338	449
Add			
Opening balance of accumulated surplus/(deficit)		767	318
Closing balance of accumulated surplus/(deficit)		1,105	767

Statement of Financial Position

as at 30 June 1999

	Note	1998/99 (\$'000)	1997/98 (\$'000)
CURRENT ASSETS			
Cash resources	1(i)	5,725	4,482
Accounts receivable	8	1,505	1,730
Inventories	9	529	854
Prepayments		8	12
Total current assets		7,767	7,078
NON-CURRENT ASSETS			
Office equipment and computer hardware	10, 1(c)	46	68
Total non-current assets		46	68
Total assets		7,813	7,146
CURRENT LIABILITIES			
Accounts payable	11	64	32
Accrued salaries		12	15
Employee entitlements	12, 1(d)	127	282
Other liabilities		1	0
Accrued expenses	13	1,369	953
Amounts due to Treasurer	14	5,000	5,000
Total current liabilities		6,573	6,282
NON-CURRENT LIABILITIES			
Employee entitlements	12	135	97
Total non-current liabilities		135	97
Total liabilities		6,708	6,379
Net assets		1,105	767
EQUITY			
Accumulated surplus		1,105	767
Total equity		1,105	767

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Statement of Cash Flows

for the year ended 30 June 1999

	Note	1998/99 (\$'000) Inflows (Outflows)	1997/98 (\$'000) Inflows (Outflows)
CASH FLOWS FROM/TO GOVERNMENT			
Consolidated Fund – recurrent appropriation		2,856	6,632
Consolidated Fund – capital appropriation		90	0
Treasurer's Advance		0	3,550
Net cash provided by government		2,946	10,182
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers		(29,741)	(30,118)
Payments to employees		(1,509)	(1,725)
		(31,250)	(31,843)
Receipts			
Receipts from goods and services		3,348	4,755
Interest		37	89
Other operating revenue		11	0
Receipts from Vehicle Fleet Lease Agreement		26,169	19,316
Net cash used in operating activities	15	(1,685)	(7,683)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(18)	(20)
Proceeds from the sale of property, plant and equipment		0	7
Net cash used in investing activities		(18)	(13)
TOTAL CASH FLOWS FROM OPERATING AND INVESTING ACTIVITIES		(1,703)	(7,696)
Net increase in cash held		1,243	2,486
Cash at the beginning of the reporting period		4,482	1,996
Cash at the end of the reporting period		5,725	4,482

Notes to the Financial Statement

1 STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the preceding year.

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and UIG Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The *Financial Administration and Audit Act 1985* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect are disclosed in individual notes to these financial statements.

(b) Basis of Accounting

The financial statements have been prepared in accordance with the *Financial Administration and Audit Act 1985* and Treasurer's Instruction 1102 using the 'Cost of Service' format on a full accruals basis. The financial statements have been prepared under the historical cost convention unless otherwise stated and have not been adjusted for changes in the purchasing power of the dollar, or changes in the prices of specific assets.

(c) Property, Plant and Equipment

Only capital items with an initial purchase price greater than \$5,000 and having a useful life of greater than two (2) years are recorded as assets. This policy applies to Computer Hardware and Office Equipment which are depreciated at 33.33% and 20% respectively on a straight-line basis. Assets are valued at historical cost.

(d) Employee Entitlements

(i) Annual Leave and Long Service Leave

Annual and long service leave entitlements are provided at current salary rates, with long service leave being calculated on an accrued and pro rata entitlement basis in accordance with the State Supply Commission Workplace Agreement. As all Commission staff have signed individual workplace agreements since 1 July 1996, they are permitted, after a period of seven (7) years continuous service, to take a portion of their accrued long service leave after each additional completed year of continuous service. Where an employee has not completed the first seven (7) year cycle, a liability is only recognised after four (4) years service has been completed.

An actuarial assessment of long service leave was carried out at 30 June 1997, and it was determined that the actuarial assessment of the liability was not materially different from the liability reported. This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS30 "Accounting for Employee Entitlements".

(ii) Superannuation

Staff may contribute to the Gold State Superannuation Scheme, a defined benefit and lump sum scheme now closed to new members. All staff who do not contribute to this scheme become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.



Notes to the Financial Statement (continued)

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by quarterly payment of employer contributions to the Government Employees' Superannuation Board.

The note disclosure required by paragraph 51(e) of AAS30 (being employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees' Superannuation Board's records are not structured to provide the information for the Commission. Accordingly, deriving the information for the Commission is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

The superannuation expense comprises the following elements:

- notional employer contributions which would have been paid to the Gold State and West State Superannuation Schemes if the Commission had made concurrent employer contributions to those schemes; and
- change in the unfunded employer's liability in respect of current employees who were members of the Superannuation and Family Benefits Act Scheme and current employees who accrued a benefit transferred from that Scheme to the Gold State Superannuation Scheme.

(e) Leased Assets

The Commission has entered into an operating lease agreement for motor vehicles where the lessors effectively retain all of the risks and benefits incident to ownership under the operating lease. The vehicles are sub-hired by the Commission to other Government agencies.

(f) Vehicles held as Inventory

Vehicles paid for by the Commission under the Motor Vehicle Fleet Lease Agreement prior to May 1999, which are awaiting sale are treated as inventory. After May 1999, Treasury paid for any vehicles terminated under the Lease Agreement.

Vehicles held as inventory are carried at a termination value set by Matrix Facility Management Pty Ltd.

(g) Revenue

Trading profit represents the surplus of vehicle sale proceeds over the termination value paid by the Commission. This relates to the treatment of vehicles under the Motor Vehicle Fleet Lease Agreement transaction prior to May 1999, which required the Commission to pay a termination value on vehicles returned 60 days past their due date or deemed a casualty occurrence for insurance purposes. Vehicles awaiting sale were treated as inventory. Since May 1999, Treasury paid for any vehicles terminated under the Lease Agreement. Details of cost of goods sold and proceeds from sales are presented in Note 5.

Other revenue is fully described in the Operating Statement.

(h) Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues in the period in which the Commission gains control of the appropriated funds. Appropriations which are repayable by the Commission to the Treasurer are recognised as liabilities.

(i) Cash Resources

Cash resources are substantially held at the Commonwealth Bank of Australia. This account is a sub-account of the Government of Western Australia Bank Account and the Commission receives no interest on the balance. An account is held with BankWest to hold petty cash monies and the Commission receives interest on the balance. The value of this interest has no material effect on the operations of the Commission.

Notes to the Financial Statement (continued)

(j) Accounts Receivable, Accounts Payable, Accrued Expenses and Amount due to the Treasurer

Accounts receivable are recognised at the amounts receivable and are due for settlement no more than 30 days from the date of recognition.

Collectability of accounts receivable is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.

Accounts Payable, including accruals not yet billed, are recognised when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. Accounts Payable are generally settled within 30 days.

The amount due to the Treasurer is in respect of a Treasurer's Advance, approval of which is renewed for each financial year. The amount is therefore repayable within a maximum period of one year. No interest is charged on this advance.

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Commission considers the carrying amount approximates net fair value.

(k) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial instruments are determined on the following basis:

Monetary financial assets and liabilities not traded in an organised financial market – cost basis carrying amounts of debtors, accrued revenue, accounts payable, and accruals (which approximate net market value); and

Leave liabilities – current risk adjusted market rates.

Assets and liabilities are considered to approximate the net fair value in the Statement of Financial Position as at 30 June 1999.

2 ADMINISTRATION

	1998/99 (\$'000)	1997/98 (\$'000)
Administration	1,256	1,912
Net loss on sale of non-current assets	0	5
Accommodation	208	208
	1,464	2,125

3 GOODS AND SERVICES

Goods	18	14
Services	2	14
Software rebates	143	198
	163	226

Notes to the Financial Statement (continued)

4 INTEREST

	1998/99 (\$'000)	1997/98 (\$'000)
Interest received	37	89

Interest is received as part of the Vehicle Fleet Lease Agreement. Variations in interest rates have no material effect on the Commission's operations.

5 TRADING PROFIT (LOSS)

Sales	2,983	4,607
Less: Cost of goods sold	(2,980)	(4,584)
Trading profit (loss)	3	23

6 LIABILITIES ASSUMED BY THE TREASURER

Superannuation	155	195
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7 RESOURCES RECEIVED FREE OF CHARGE

Administration expenses	25	23
Resources received free of charge has been determined on the basis of the following estimates provided by agencies.		
Crown Solicitor's Office	8	10
– legal services		
Department of Contract and Management Services	0	1
– contract services		
Office of the Auditor General	15	11
– audit services		
Treasury Department	2	1
– financial and banking services		
	25	23

8 ACCOUNTS RECEIVABLE

Accounts receivable for goods and services supplied

– Motor vehicle leasing	1,514	1,484
– Goods	8	0
– Services	0	4
– Software rebates	0	65
– Resale of leased vehicles	36	177
– Less Provision for doubtful debts	(53)	0
	1,505	1,730

Notes to the Financial Statement (continued)

(i) Significant Terms and Conditions

No loans are included in accounts receivable.

(ii) Credit Risk Exposure

The Commission does not have any significant exposure to any individual debtor.

(iii) Net Fair Values

The Commission considers the carrying amounts of accounts receivable approximate their net fair values

9 INVENTORIES

	1998/99 (\$'000)	1997/98 (\$'000)
Represents the re-purchase of 23 vehicles (1998: 34) held for disposal associated with the Vehicle Fleet Lease Agreement (refer note 22).		
	529	854

10 OFFICE EQUIPMENT AND COMPUTER HARDWARE

Office equipment at cost

Less: Accumulated depreciation

50	50
(29)	(19)
21	31

Computer hardware at cost

Less: Accumulated depreciation

101	91
(76)	(54)
25	37

Total of office equipment and computer hardware

46	68
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11 ACCOUNTS PAYABLE

Accounts payable for goods and services received.

The Commission considers the carrying amounts of accounts payable approximate their net fair values.

Administration expenses

64	32
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12 EMPLOYEE ENTITLEMENTS

Current liabilities

– Liability for annual leave

– Liability for long service leave

93	118
34	164
127	282

Non-current liabilities

– Liability for long service leave

135	97
135	97



Notes to the Financial Statement (continued)

13 ACCRUED EXPENSES

	1998/99 (\$'000)	1997/98 (\$'000)
Vehicle Fleet Lease Agreement	1,363	906
Administration expenses	6	47
	1,369	953

14 AMOUNTS DUE TO THE TREASURER

Treasurer's advance	5,000	5,000
	5,000	5,000

Treasurer's advance provided by the Treasurer to fund the payment of monthly lease payments (refer note 23).

15 RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES TO NET COST OF SERVICES

Net cash used in operating activities (Statement of Cash Flows)	(1,685)	(7,683)
Superannuation liability assumed by Treasurer	(155)	(195)
Depreciation	(38)	(40)
Resources received free of charge	(25)	(23)
Loss on sale of non-current assets	0	(5)
Loss on write off of non-current assets	(2)	0
Increase (decrease) in accounts receivable	(172)	657
Increase (decrease) in inventories	(326)	779
Increase (decrease) in prepayments	(5)	7
Decrease (increase) in accounts payable	(32)	115
Decrease in liability for employee entitlements	118	108
Decrease (increase) Increase in accrued expenses	(413)	(121)
Increase in provision for doubtful debts	(53)	0
Increase in net cost of services (Operating Statement)	(2,788)	(6,401)

16 RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash resources	5,725	4,482
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Notes to the Financial Statement (continued)

17 REMUNERATION OF ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

	1998/99 (\$'000)	1997/98 (\$'000)
The total fees, salaries and other benefits received or due and receivable for the financial year, by members of the Commission, from the Commission or any related body	113	181
The total of fees, salaries and other benefits received or due and receivable for the financial year by Senior Officers other than members of the Commission, from the Commission or any related body	128	285

The number of members of the Commission whose total of fees, salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	1998/99	1997/98
\$0 – \$10,000	8	8
\$30,000 – \$40,000	0	1
\$90,000 – \$100,000	1	0
\$140,000 – \$150,000	0	1

The number of Senior Officers other than members of the Commission whose total of fees, salaries and other benefits received or due and receivable for the financial year, falls within the following bands:

	1998/99	1997/98
\$30,000 – \$40,000	1	0
\$80,000 – \$90,000	0	1
\$90,000 – \$100,000	1	1
\$110,000 – \$120,000	0	1

18 RETIREMENT BENEFITS

In respect of members of the Commission, the following amounts were paid or became payable for the financial year:

Notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	12	16
Severance payments	205	0
	217	16



Notes to the Financial Statement (continued)

In respect of Senior Officers other than members of the Commission, the following amounts were paid or became payable for the financial year:

	1998/99 (\$'000)	1997/98 (\$'000)
Notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	14	27

Numbers of Senior Officers presently employed who are members of the Superannuation and Family Benefits Act Scheme:

	1998/99	1997/98
Members of the Commission	0	0
Senior Officers other than members of the Commission	0	0
	<u>0</u>	<u>0</u>

19 REMUNERATION OF AUDITOR

The total of resources received free of charge from the auditors of the Commission for the financial year is as follows:

Fees to the Office of the Auditor General

– External audit services

15	11
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20 EXPLANATORY STATEMENT**(a) Comparison of Actual Results with those of the Preceding Year**

In accordance with Treasurer's Instruction 945 this note details reasons for significant variations between actual revenue (income) and expenditure, and the corresponding item of the preceding year (detailed below). Significant variations are considered to be those greater than 10% of total operating expenses and total revenues.

Expenditure

<i>Fleet Funding Facility: \$6,180,000 increase</i>	26,102	19,922
-----------------------------------------------------	--------	--------

The increase in motor vehicle lease payments is mainly due to the increase in lease costs as a result of continuing deterioration of selling prices of second hand motor vehicles and the provisions made for the impact of the future goods and services tax.

<i>Contract management services: \$2,751,000 decrease</i>	0	2,751
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The function and funding for 'Services provided to the Commission' was transferred by Section 25 of the *Financial Administration and Audit Act* to CAMS in 1998/99. Hence no expenditure was incurred.

Notes to the Financial Statement (continued)

	1998/99	1997/98
	(\$'000)	(\$'000)
Income		
<i>Fleet Funding Facility: \$6,303,000 increase</i>	26,198	19,895
The increase in motor vehicle lease income is mainly due to the increase in lease costs as a result of continuing deterioration of selling prices of second hand motor vehicles and the provisions made for the impact of the future goods and services tax.		
<i>Consolidated Fund – recurrent appropriation: \$3,776,000 decrease</i>	2,856	6,632
The decrease of \$3,776,000 is a result of the restructuring of the State Supply Commission to a high level policy unit. Out of the \$3,776,000, \$2,802,000 was transferred to the Department of Contract and Management Services for contracting services provided to the Commission and a portfolio adjustment of \$950,000 to the Office of Citizenship and Multicultural Interests. The balance of \$24,000 reflects residual savings.		
(b) Comparison of Estimates and Actual Results		
Section 42 of the <i>Financial Administration and Audit Act 1985</i> requires statutory authorities to prepare annual budget estimates. Treasurer's Instruction 945 requires an explanation of significant variations between these estimates and the actual results. Significant variations are considered to be those greater than 10% of total budget.		
Expenditure		
	Actual	Budget
	1998/99	1998/99
	(\$'000)	(\$'000)
<i>Vehicle Fleet Lease Agreement: \$2,982,000 increase</i>	26,102	23,120
The increase in motor vehicle lease payments is mainly due to the increase in lease costs as a result of continuing deterioration of selling prices of second hand motor vehicles and the provisions made for the impact of the future goods and services tax.		
<i>Contract management services: \$2,684,000 decrease</i>	0	2,684
The function and funding for 'Services provided to the Commission' was transferred by Section 25 of the <i>Financial Administration and Audit Act</i> to CAMS in 1998/99. Hence no expenditure was incurred.		
Income		
<i>Vehicle Fleet Lease Agreement: \$3,298,000 increase</i>	26,198	22,900
The increase in motor vehicle lease income is mainly due to the increase in lease costs as a result of continuing deterioration of selling prices of second hand motor vehicles and the provisions made for the impact of the future goods and services tax.		
<i>Consolidated Fund – recurrent appropriation: \$3,752,000 decrease</i>	2,856	6,608
The decrease of \$3,752,000 is a result of the restructuring of the State Supply Commission to a high level policy unit. Of the \$3,752,000, \$2,802,000 was transferred to the Department of Contract and Management Services for contracting services provided to the Commission and a portfolio adjustment of \$950,000 to the Office of Citizenship and Multicultural Interests.		



Notes to the Financial Statement (continued)

21 FINANCIAL COMMITMENTS

(a) Commitments (not longer than one year)

	1998/99 (\$'000)	1997/98 (\$'000)
The following amounts have been identified as expenditure commitments by the Commission as at 30 June 1999:		
Consultancies let or in progress	29	83
Insurance	23	
Fleet hire	14	
Office requirements	6	23
	72	106

(b) Operating Lease Commitments

The State Supply Commission at its meeting of 13 July 1999 resolved to extend the Vehicle Fleet Lease Agreement with Matrix Finance Group Pty Ltd for an additional year to end on 14 July 2009.

The Commission has a total of 9,548 vehicles under this agreement. Expressed in terms of present value, the contingent obligation over the next ten years is estimated by State Fleet Treasury at \$327 million.

The obligation has been calculated on the basis of each vehicle being replaced by a similar vehicle and incorporating the most recent known rental charges under the Lease Agreement.

As part of the arrangements to the Vehicle Fleet Lease Agreement the Treasurer has given an undertaking to pay in certain circumstances, to various parties to the transaction, any amounts owing but unpaid by the State Supply Commission.

	1998/99 (\$'000)	1997/98 (\$'000)
Analysis of operating lease commitments:		
Payable no later than one year	32,700	21,720
Payable later than one, not later than two years	32,700	21,720
Payable later than two, not later than five years	98,100	65,160
Payable later than five years	163,500	108,600
Provided for as liability	327,000	217,200
Representing lease liabilities		
– Current	32,700	21,720
– Non-Current	294,300	195,480
	327,000	217,200

Notes to the Financial Statement (continued)

22 VEHICLE FLEET LEASE AGREEMENT

The State Supply Commission entered into a Vehicle Fleet Lease Agreement on 27 June 1996 and commenced the sale and leaseback of motor vehicles. Vehicles were then leased back to the State Supply Commission, which in turn sub-hired them to Agencies.

Proceeds from the sale of Government owned vehicles are receipted into a Suspense Account before being disbursed to the appropriate Agency. It should be noted the proceeds from these lease-back vehicle sales are excluded from the financial statements as the Commission cannot use these funds for its own operations.

	1998/99 (\$'000)	1997/98 (\$'000)
The following is a summary of the transactions in the suspense account:		
Vehicle Proceeds Suspense Account		
- Balance as at 1 July	0	71
- Gross proceeds from sale of vehicles	1,374	13,265
	1,374	13,336
Gross disbursements to 30 June ¹	1,374	13,336
Balance as at 30 June ²	0	0
¹ Summary of disbursements:		
- Consolidated Fund	0	0
- Agencies	1,374	13,336
	1,374	13,336

² Under the agreement the State Supply Commission is required to purchase vehicles that are deemed casualty occurrences or are returned 60 days past their due date. Any shortfall is recovered from the sub-hiring agency. As at 30 June 1999 the State Supply Commission held 23 vehicles for disposal and the value of these appears as inventories in the Statement of Financial Position (refer note 1(f)).

23 TREASURER'S ADVANCE ACCOUNT

The State Supply Commission has approval to operate a Treasurer's Advance with a limit of \$5.0 million to meet the cost of monthly vehicle lease payments under the Vehicle Fleet Lease Agreement. This facility is operated through the Commission's Trust Account. As at the reporting date the whole facility was in use.

	1998/99 (\$'000)	1997/98 (\$'000)
Treasurer's Advance Account		
- Opening Balance of credit line as at 1 July	5,000	2,500
- Additional advance	0	2,500
Total credit line available	5,000	5,000
Amounts previously drawn on facility	5,000	1,440
Amounts drawn down for the period to 30 June ¹	0	3,560
Balance available as at 30 June	0	0

¹ The full advance being drawn as at 30 June 1999 of \$5.0 million represents the amount owing to the Treasurer at 30 June 1999 (refer note 14).



Notes to the Financial Statement (continued)

24 FUNDS HELD IN TRUST

The State Supply Commission holds contractors' surety deposits in a trustee capacity pending the satisfactory performance of service. These monies are excluded from the financial statements, as the Commission cannot use these funds for its own operations. The funds are held by Treasury in the 'Deposits-Contracts-State Supply Commission' Trust Account.

	1998/99 (\$'000)	1997/98 (\$'000)
The following is a summary of the transactions in the trust account:		
Contractors' Deposit Account		
- Balance as at 1 July	23	22
- Interest received	2	1
- Additional deposits	0	0
	<hr/> 25	<hr/> 23
Less: return of deposits	<hr/> 0	<hr/> 0
Balance as at 30 June	<hr/> 25	<hr/> 23

25 WRITEOFFS, LOSSES AND GIFTS

Public property written off in accordance with section 45 of the *Financial Administration and Audit Act 1985*:

Computer Hardware written off by Accountable Officer	<hr/> 2	<hr/> 0
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26 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES**(a) Interest rate risk exposure**

The State Supply Commission has no exposure to interest rate risk, repricing maturities and the effective interest rates on financial instruments.

(b) Credit risk exposure

All financial assets are unsecured.

Amounts owing by other government agencies are guaranteed and therefore no credit risk exists in respect of those amounts. In respect of other financial assets the carrying amounts represent the State Supply Commission's maximum exposure to credit risk in relation to those assets.

Notes to the Financial Statement (continued)

	1998/99 (\$'000)	1997/98 (\$'000)
The following is an analysis of amounts owing by other government agencies:		
Western Australian Government agencies	1,505	1,730
Total	1,505	1,730

27 ACTIVITY/OUTPUT INFORMATION

	Output 1 1998/99 (\$'000)	Output 2 1998/99 (\$'000)	Output 3 1998/99 (\$'000)	Total 1998/99 (\$'000)
Activity/Output Schedule of Expenses and Revenues				
Operating expenses				
Salaries and wages	625	625	139	1,388
Superannuation	70	70	16	155
Depreciation	17	17	4	38
Vehicle Fleet Lease Agreement	11,746	11,746	2,610	26,102
Administration	659	659	146	1,464
Charges to provisions for doubtful debts	24	24	5	53
Total operating expenses	13,140	13,140	2,920	29,200
Revenues from services				
Goods and services	73	73	16	163
Interest	17	17	4	37
Trading profit	1	1	0	3
Other operating revenue	5	5	1	11
Vehicle Fleet Lease Agreement	11,789	11,789	2,620	26,198
Total revenues from services	11,885	11,885	2,641	26,412
Net cost of services	1,255	1,255	279	2,788
REVENUES FROM GOVERNMENT				
Consolidated Fund – recurrent appropriation	1,285	1,285	286	2,856
Consolidated Fund – capital appropriation	41	41	9	90
Liabilities assumed by the Treasurer	70	70	16	155
Resources received free of charge	11	11	3	25
Total revenues from Government	1,407	1,407	313	3,126
Change in net assets resulting from operations	152	152	34	338

No comparative figures have been shown as the Commission had only one program in 1997/98.

Appendix 1

Delegated Purchasing Authority [as at 30 June 1999]

Public Authority	Level	
Aboriginal Affairs Department	\$50,000	
Agriculture WA	\$250,000	#
Albany Port Authority – General Purchasing		
Special purpose Port equipment – \$2,000,000	\$500,000	#
AlintaGas	Unlimited	
Animal Resources Authority	\$50,000	
Anti Corruption Commission	\$20,000	
Auditor General, Office of the	\$50,000	
Bunbury Port Authority – General Purchasing		
Special purpose Port equipment – \$2,000,000	\$500,000	#
Burswood Park Board	\$50,000	
C.Y. O'Connor College of TAFE (under WADT)	\$ 5,000	
Central Metropolitan College of TAFE	\$50,000	
Central West College of TAFE	\$50,000	
Chemistry Centre of WA	\$5,000	
Commerce & Trade, Department of	\$50,000	
Commission on Government	\$20,000	
Conservation and Land Management, Department of	\$100,000	#
Contract and Management Services, Department of	\$10,000,000	
Culture & the Arts, Ministry of		
Works of art – \$2,000,000	\$250,000	#
Dairy Industry Authority	\$50,000	
Dampier Port Authority – General Purchasing		
Special purpose Port equipment – \$2,000,000	\$500,000	
Disability Services Commission	\$1,000,000	#
Dried Fruits Board	\$5,000	
East Perth Redevelopment Authority	\$250,000	
Education Department of WA		
Individual Schools – \$20,000	Unlimited	*#
Education Services, Department of	\$5,000	
Electoral Commission, WA	\$50,000	
Energy, Office of	\$250,000	*
Environmental Protection, Department of	\$20,000	
Equal Opportunity Commission	\$20,000	
Esperance Port Authority – General Purchasing		
Special purpose Port equipment – \$2,000,000	\$500,000	#
Fair Trading, Ministry of	\$50,000	#
Family & Children's Services – General Purchasing		
Non Government Services – \$5,000,000	\$250,000	#
Fire and Emergency Services of WA	Unlimited	#
Fisheries Department of WA	\$250,000	*#
Fremantle Cemetery Board	\$5,000	
Fremantle Hospital	\$250,000	#
Fremantle Port Authority	\$10,000,000	#
Gascoyne Development Commission	\$50,000	
Geraldton Port Authority – General Purchasing		
Special purpose Port equipment – \$2,000,000	\$500,000	

Appendix 1 (Continued)

Public Authority	Level	
Gold Corp	\$5,000	
Goldfields Esperance Development Commission	\$50,000	
Government Employees' Housing Authority	\$5,000	
Government Employees' Superannuation Board	\$50,000	
Governor's Establishment	\$5,000	
Great Southern Development Commission	\$50,000	#
Great Southern Regional College of TAFE	\$250,000	#
Health Department (Administration)	\$250,000	#
Health Promotion Foundation, WA (Healthways)	\$50,000	
Health, Minister for (Health Supply Council)	Unlimited	
Hedland College	\$150,000	#
Heritage Council of WA	\$5,000	
Housing, Ministry of (Homeswest)	\$500,000	
I & C Employees Housing Authority	\$5,000	
Industrial Relations Commission, WA	\$250,000	*#
Information Commissioner, Office of the	\$20,000	
Insurance Commission of WA	Unlimited	#
Justice, Ministry of		
Legal Services for Crown Solicitor & Director of Public Prosecutions – Unlimited	\$250,000	#
Karratha College of TAFE	\$50,000	
Keep Australia Beautiful Council	\$50,000	#
Kimberley College of TAFE	\$50,000	#
Kimberley Development Commission	\$250,000	#
Kings Park Board	\$50,000	
Land Administration, Department of	\$250,000	#
Landcorp	\$250,000	*
Local Government, Department of	\$250,000	#
Lotteries Commission	\$1,000,000	
Main Roads WA	Unlimited	#
Metropolitan Cemeteries Board	\$50,000	
Mid West Development Commission	\$20,000	
Midland College of TAFE	\$250,000	*#
Minerals & Energy, Department of	\$1,000,000	
Multicultural Interests, Office of	\$50,000	
National Trust of Australia (WA)	\$5,000	
Next Step Specialist Drug & Alcohol Services	\$20,000	
Parliamentary Commission for Administrative Investigations	\$5,000	
Peel Development Commission	\$250,000	#
Perth Dental, Hospital & Community Dental Service	\$50,000	
Perth Market Authority	\$50,000	
Pilbara Development Commission	\$50,000	#
Planning, Ministry for	\$20,000	
Police Service, WA	\$100,000	#
Port Hedland Port Authority – General Purchasing Special purpose Port equipment \$2,000,000	\$500,000	#
Premier and Cabinet, Ministry of the	\$250,000	#
Productivity & Labour Relations, Department of	\$50,000	
Public Sector Standards Commissioner, Office of	\$50,000	
Public Trust Office	\$5,000	



Appendix 1 (Continued)

Public Authority	Level	
Racing, Gaming and Liquor, Office of	\$50,000	
Resources Development, Department of	\$250,000	#
Rottneest Island Authority	\$500,000	
Royal Perth Hospital	\$250,000	#
Rural Housing Authority	\$5,000	
Seniors Interests, Office of	\$50,000	
Small Business Development Corporation	\$20,000	
South East Metropolitan College of TAFE	\$250,000	*#
South Metropolitan College of TAFE	\$250,000	*
South West Development Commission	\$50,000	
South West Regional College of TAFE	\$250,000	#
Sport and Recreation, Ministry of	\$250,000	*
Sports Centre Trust, WA	\$50,000	
State Revenue Department	\$50,000	
Subiaco Redevelopment Authority	\$250,000	#
Totalisator Agency Board	Unlimited	
Tourism Commission, WA	\$50,000	#
Training, WA Department of	\$250,000	#
Transport, Department of – General Purchasing Corporate Services Branch – \$1,000,000	\$50,000	#
Treasury Department	\$20,000	
Valuer General's Office	\$5,000	
Water and Rivers Commission (inc Swan River Trust)	\$250,000	#
Water Corporation	Unlimited	#
Water Regulation, Office of	\$250,000	*#
West Coast College of TAFE	\$50,000	
Western Power	Unlimited	
Westrail	Unlimited	#
Wheatbelt Development Commission	\$5,000	
Women's Policy Development Office	\$50,000	#
WorkCover	\$50,000	
Workplace Agreements, Commissioner of	\$20,000	
Worksafe WA	\$20,000	
Zoological Gardens Board	\$50,000	

* This accreditation level is subject to a formal Accreditation Compact being agreed and signed with the State Supply Commission.

Agencies which have undertaken an Accreditation Compliance Review in 1999.

Appendix 2

List of Supply Policies [effective 30 June 1999]

Value for Money

- Contract Planning
- Contract Formation
- Contract Management
- Additional Funding

Open and Effective Competition

- Quotations and Public Tenders
- Waiving Quotations & Public Tenders
- Competitive Neutrality (tertiary institutions)
- Disposal of Goods
- Competitive Tendering and Contracting (CTC)

Risk Management

- Professional Competence
- Procurement Planning
- Assuring Quality

Supporting Local Industry

- Buy Australian
- Buy Local
- Regional Buying
- Countertrade
- Anti-Dumping
- Reverse Engineering

Integrity and Ethics

Supporting Other Government Policies and Initiatives

- Environment
- Buying Art and Craft
- Public Benevolent Institutions
- Providing Access to People with Disabilities
- Language Services

Managing Purchasing Conducted by Private Sector Providers

Common-Use Contracts

- Mandatory and Non-Mandatory CUCs
- Transitional Provision



Appendix 2 (Continued)

List of Guidelines

Assuring Quality in Government Purchasing – A risk based approach

Assuring quality is a risk management strategy to ensure that suppliers use recognised systems and standards to assure quality in their goods and services.

Buying Wisely to Ensure Access for People with Disabilities

Requires public authorities to consider the needs of people with disabilities when planning contracts.

Disposal of Goods

Provides public authorities with guidance and options for the efficient and equitable disposal of surplus public property. The guidelines address key issues such as achieving the best available return to government and goods that require special consideration to ensure appropriate disposal eg. information technology and hazardous and pollutant materials.

Engaging Consultants – Contracts for Professional Services

Provides public authorities with assistance in determining the appropriate circumstances for engaging consultants and highlights key issues involved in engaging consultants and how to successfully select and manage consultants. The guidelines require public authorities to be particularly diligent when addressing the issues of risk, conflict of interest, the employer/employee relationship, taxation obligations, professional indemnity and public liability insurance.

Ethical Standards in Government Buying

Government requires high standards of ethical conduct in buyers. These guidelines provide buyers with the key ethical issues that require consideration and management.

Partnering

Partnering introduces a range of measures to enhance supplier relationships and contract management techniques.

Regional Buying Compact

The Government is committed to promoting the use of competitive regional suppliers. The Compact provides a range of preferences to encourage the greater use of regional suppliers.

Sale of Government Business

An outline of the key steps in preparing a business for sale and strategies to achieve a sound outcome.

Sponsorship in Government

This guideline has been prepared to assist public authorities obtain or provide sponsorship where it fits their strategic business needs. The guidelines treat arrangements for either giving or receiving sponsorship as contracts for services and provide guidance on how to best establish and manage them.

Appendix 3

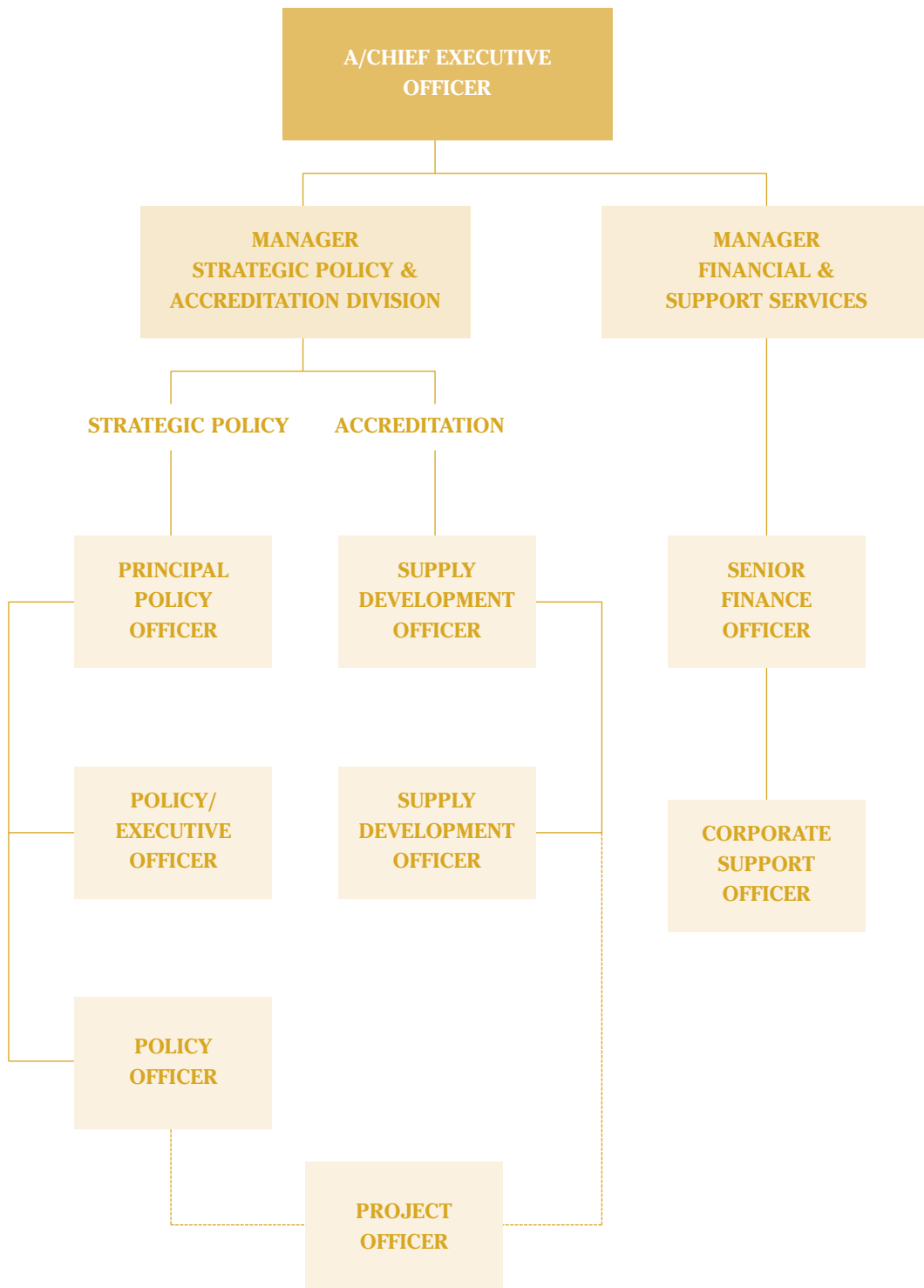
Publications List [as at 30 June 1999]

Annual Reports 1995, 1996, 1997, 1998
 Annual Supply Reports – 1995/96, 1996/97, 1997/98
 Assuring Quality in Government Purchasing – A Risk Based Approach
 Buyer Alerts (11 in 1997, 5 in 1998, 1 in 1999)
 Buying Wisely
 Buying Wisely – A perspective for CEOs and Government Buyers
 Buying Wisely – A perspective for Industry and Small Business
 Buying Wisely to Ensure Access for People with Disabilities
 Contract Management – A perspective for CEOs and Senior Executives
 Contract Management – Best Practice Guidelines
 Contract Process Guidelines
 Disposal of Goods Guidelines
 Effective Contracting for Services – a Casebook of Good Practice
 Engaging Consultants – Contracts for Professional Services
 Ethical Standards in Government Buying
 Ethical Standards in Government Buying – Education Resource Pack
 Ethical Standards in Government Buying – Guidelines for suppliers to Government
 Government Purchasing Charter
 Partnering Guideline
 Policies and Guidelines for Buying Wisely Manual
 Policies and Guidelines for Buying Wisely – Overview for Chief Executive Officers
 Policies and Guidelines for Buying Wisely – Pocket Guide
 Regional Buying Compact
 Regional Purchasing – Are you doing enough?
 Sale of Government Businesses – Best Practice Guidelines
 Sale of Government Businesses – An Overview for Chief and Senior Executives
 Selling to Government
 Selling to Government – A Practical Guide
 Selling to Government – A Small Business Guide
 Sponsorship in Government Guideline
 State Supply Commission Customer Service Charter



Appendix 4

Organisational Structure [as at 30 June 1999]



Note:

- 1. Secretarial and Admin Support outsourced.*
- 2. Contract Referee to be considered as part of the review of the SSC Act.*