



STATE SUPPLY COMMISSION

1999/00 ANNUAL REPORT



SEPTEMBER 2000

LETTER TO THE MINISTER

**HON ROB JOHNSON JP MLA
MINISTER FOR SERVICES**

Dear Minister

In accordance with Section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament the Annual Report of the State Supply Commission for the financial year ending 30 June 2000.

JENNIFER BALLANTYNE

CHAIRMAN

22 AUGUST 2000

PAUL SCHAPPER

MEMBER

22 AUGUST 2000

Table of Contents

LETTER TO THE MINISTER.....	1
AT A GLANCE	4
INTRODUCTION	4
GOALS	4
FUNCTIONS	4
COMMISSION REVIEW	5
OPERATIONAL HIGHLIGHTS 1999/00	6
ORGANISATIONAL PROFILE	7
LEGISLATION	7
RESPONSIBLE MINISTER	7
LEGISLATIVE COMPLIANCE	7
CHANGES IN WRITTEN LAW	7
ORGANISATIONAL STRUCTURE.....	7
REVIEW OF THE STATE SUPPLY COMMISSION ACT 1991	7
MANAGEMENT STRUCTURE	8
1999/00 REGULAR AND SPECIAL MEETINGS.....	9
REVIEW OF OPERATIONS.....	9
STATE TENDERS COMMITTEE	10
PROCESS REVIEW PANEL	10
GOVERNMENT CONTRACTING INFORMATION BULLETIN BOARD.....	11
RISK MANAGEMENT AND COMPETENCY FRAMEWORK FOR CONTRACTING.....	11
GUIDELINE FOR INTERNAL AUDIT REVIEWS OF AGENCIES APPLICATION OF SUPPLY POLICIES	11
MANAGEMENT OF SOFTWARE CONTRACT GUIDELINE.....	11
SMALL AND REGIONAL WESTERN AUSTRALIAN BUSINESS SUPPORT	12
GST – IMPLICATIONS FOR SUPPLY CONTRACTS BUYER ALERT.....	12
DRAFT BUYING LOCAL POLICY	12
MANAGING PURCHASING CONDUCTED BY PRIVATE SECTOR PROVIDERS POLICY.....	13
OPEN AND EFFECTIVE COMPETITION POLICY	14
SUPPORTING OTHER GOVERNMENT POLICIES AND INITIATIVES POLICY.....	14
SALE OF GOVERNMENT BUSINESSES.....	14
AUSTRALIAN PROCUREMENT AND CONSTRUCTION COUNCIL (INC).....	14
SMALL BUSINESS PROCUREMENT ADVISORY COMMITTEE	15
REPORT ON EQUITY, ACCESS AND CUSTOMER FOCUS	16
COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31 (1)	16
DISABILITIES SERVICES PLAN.....	17
TWO YEAR PLAN FOR WOMEN OUTCOMES	17
EQUAL EMPLOYMENT OPPORTUNITIES OUTCOMES	17
STAFFING PROFILE (AS AT 30 JUNE 2000).....	18
SALARY PROFILE BY GENDER.....	18
DECLARATION OF INTERESTS.....	18
ANTI CORRUPTION COMMISSION ACT 1988.....	18
FREEDOM OF INFORMATION STATEMENT AS AT 30 JUNE 2000	18
ADVERTISING AND SPONSORSHIP	19
INFORMATION AND SUPPLY TRENDS	21
COMPARISONS WITH PREVIOUS YEARS.....	21
WHAT ARE THE STATISTICS SAYING?	22
OUTPUT BASED REPORTING	25
PERFORMANCE MEASURES FOR OUTPUT ONE	25
PERFORMANCE MEASURES FOR OUTPUT TWO	27
PERFORMANCE MEASURES FOR OUTPUT THREE.....	29

CERTIFICATION OF FINANCIAL STATEMENTS 32

OPINION OF THE AUDITOR GENERAL 33

OPERATING STATEMENT 34

STATEMENT OF FINANCIAL POSITION..... 35

STATEMENT OF CASH FLOWS 36

NOTES TO THE FINANCIAL STATEMENT 37

STATEMENT ON PERFORMANCE INDICATORS 53

OPINION OF THE AUDITOR GENERAL 54

PERFORMANCE INDICATORS 55

APPENDIX 1 57

 AUTHORITIES WITH A TOTAL EXEMPTION 57

 AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS ABOVE \$1,000,000 TO AN AGREED UPPER LIMIT 57

 AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS FROM \$250,000 UP TO AND INCLUDING \$1,000,000 57

 AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS FROM \$50,000 UP TO AND INCLUDING \$250,000 58

 AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS UP TO AND INCLUDING \$50,000 58

 AUTHORITIES WITH A PARTIAL EXEMPTION UP TO AND INCLUDING \$20,000 60

 SPECIAL EXEMPTIONS 61

APPENDIX 2 62

 LIST OF SUPPLY POLICIES 62

 LIST OF GUIDELINES 62

APPENDIX 3 64

AT A GLANCE

INTRODUCTION

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 Minister for Services appoints the members.

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.

STATE SUPPLY COMMISSION ACT 1991

The State Supply Commission Act 1991 provides a framework for purchasing goods and services. The Commission is responsible for arranging and co-ordinating the supply of goods and services within government. Through a system of exemptions and delegation by the Commission, most agencies manage and conduct their own purchasing subject to policies and 'best practice' guidelines issued by the Commission.

The Commission monitors compliance with its policies. Accountability is reinforced through conditions attached to exemptions granted under the Supply Act, compliance with policies and review of agency conduct by the Commission.

COMMISSION REVIEW

The year 1999/00 witnessed some significant milestones for Government in demonstrating its commitment to improving the public sector purchasing framework by providing quality, cost effectiveness and value for money in the supply of goods and services through reform of purchasing practices, public authorities and the Commission.

The Commission wishes to express sincere thanks to Hon Mike Board MLA who provided insightful leadership throughout the preceding 3 years. In December 1999, the Commission welcomed the appointment of Hon Rob Johnson MLA who brings a wealth of business experience, commitment and enthusiasm to the position. Additionally the contribution of the previous chairman, Mr David Messer, and Board members Ms Anne Durack, Mr David Gray, Mr Keith Lingard, Mr James Snooks and Mr Charles Vinci, is acknowledged. In particular, the many years of involvement by Mr David Gray is especially valued.

In line with recommendations arising from the Review of the *State Supply Commission Act*, substantial progress was made to enhance accountability within government service delivery to the community. Minister Johnson announced on 29 March 2000, the establishment of a new direction that will guide supply policy in all areas including transparency, risk management and compliance. A special emphasis will also be given to small and regional Western Australian business. A broader role for the State Tenders Committee, in providing oversight of strategic contracting, will be complemented by a Process Review Panel delivering an independent, complaint handling service to agencies and suppliers alike.

In delivering upon the Minister's message for closer scrutiny and accountability of government contracting, the Commission also commenced a 'health check' of the procurement systems across 15 agencies. The review assesses compliance with supply policies, risk management, procurement and contracting processes, and personal competencies.

Closer links have been forged between the Commission, CAMS and the Department of Commerce and Trade to successfully deliver the draft *Buying Local* policy and guidelines as a direct response to maximising access by small and regional Western Australian businesses to Government buying, as well as strengthening professionalism in contracting.

This year has been pivotal in the development of Government supply policy. We look forward to the opportunity to guide Western Australian public sector contracting in the year ahead.

JENNIFER BALLANTYNE

CHAIRMAN

CHERYL GWILLIAM

A/CHIEF EXECUTIVE OFFICER

OPERATIONAL HIGHLIGHTS 1999/00

- ❖ *Review of State Supply Commission Act 1991*
- ❖ *Establishment of the new State Tenders Committee*
- ❖ *Establishment of Process Review Panel to investigate supplier complaints*
- ❖ *Commenced the public consultation on the draft Buying Local policy and guidelines*
- ❖ *Development of two new guidelines on the Management of Software Contracts and Internal Audit Reviews of Agencies Application of supply policies*
- ❖ *1998-99 Who Buys What publication released*

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. Rob Johnson 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.

CHANGES IN WRITTEN LAW

There were no changes in any written law that affected the agency during the financial year.

ORGANISATIONAL STRUCTURE



REVIEW OF THE STATE SUPPLY COMMISSION ACT 1991

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.

The review into the operation and effectiveness of the State Supply Commission Act 1991 undertaken by the Crown Solicitor's Office 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 Ministerial Consultative Committee completed a further round of extensive consultation within the public sector and across industry to provide feedback on the recommendations made by the Crown Solicitor.

On 29 March 2000, the Hon Minister for Works, Services announced that the Review of the State Supply Commission Act has been completed. Minister Johnson has recommended a number of administrative changes which include:

- the State Supply Commission Board act as a new Contracting Policy Advisory Council to advise the Minister on Government policies and instructions needed to support effective contracting;
- the existing State Tenders Committee take on a wider role as proposed for the State Contracting Committee to review recommendations for high value or high risk contracts, to advise Government on specific contract issues and conduct investigations into contract and tender issues;
- Contract and Management Services (CAMS) be responsible for continuing the contracting education and training agenda;
- a process review panel be established to handle complaints; and -
- any devolution of contracting authority to Government agencies - as recommended by the reviews - be contingent upon the establishment of a rigorous risk management and professional competency framework.

MANAGEMENT STRUCTURE

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

CHAIRMAN

DAVID MESSER

Mr Messer is from David Messer and Associates Pty Ltd. On 6 April 1998 he was appointed as Chairman of the State Supply Commission. His membership expired on 30 June 2000.

MEMBERS

ANNE ISABEL DURACK

Ms Durack is a Solicitor at Law Mutual (WA). Her term of appointment expired on 30 June 2000.

DAVID JOHN GILMER GRAY

Mr Gray is the Managing Director of David Gray & Co Pty Ltd. His membership expired on 30 June 2000.

IAN CLARENCE HILL

Mr Hill is the Chief Executive of the WA Department of Training and Employment. His term of appointment expired on 30 June 2000.

KEITH GRAEME LINGARD

Mr Lingard is the Partner Audit and Operational Services at Stanton Partners. His term of appointment expired on 30 June 2000.

RICHARD JAMES MUIRHEAD

Mr Muirhead is the Chief Executive Officer of the Department of Commerce and Trade. His term of appointment expired on 30 June 2000.

PAUL ROLAND SCHAPPER

Dr Schapper is the Chief Executive Officer of the Department of Contract and Management Services. His term of appointment expired on 30 June 2000.

JAMES SNOOKS

Mr Snooks was the Business and Development Manager at Thiess Contractors Pty Ltd. His term of appointment expired on 30 June 2000.

CHERYL GWILLIAM

EX-OFFICIO MEMBER – ACTING CHIEF EXECUTIVE OFFICER

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

SUBSTITUTE MEMBER

IAN BOYD GIBB MAITLAND

Mr Maitland is a Consulting Engineer in private practice. His term of appointment expired on 30 June 2000.

1999/00 REGULAR AND SPECIAL MEETINGS

In 1999/00, the State Supply Commission met on thirteen occasions (nine regular and four special meetings) to consider Board matters.

An announcement by the Minister for Services on new appointees to the State Supply Commission Board will be made in July 2000.

REVIEW OF OPERATIONS

During 1999/00, the State Supply Commission achieved some major outcomes in its 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.

Transparency and accountability continued to be a key focus for the Commission. The Commission assisted in generating increased community confidence in the public sector contracting system through supporting initiatives such as greater disclosure of contract information through the Government Contracting Information Bulletin Board, and resolving supplier grievances through the establishment of a Process Review Panel. Increased monitoring of contracting across the whole of government will also be provided through expanding the role of the State Tenders Committee.

A number of administrative changes are being pursued to maintain and enhance the efficiency and effectiveness of Western Australian public sector purchasing and contracting.

STATE TENDERS COMMITTEE

The State Supply Commission has established the new State Tenders Committee.

Fundamental changes to the previous arrangements include the requirement for public authorities to submit, at certain thresholds, procurement and disposal tender evaluations and plans for consideration by the Committee. In recognition of the increasing complexity of contracting, the Committee membership will also be expanded to include financial expertise and legal advice as required.

These changes mean that some contracts that public authorities previously dealt with in-house within their level of delegated purchasing authority, or through their internal tenders committees, will now need State Tenders Committee consideration. This new measure does not negate the accountability arrangements currently in place with agencies; however, it does provide an additional review mechanism prior to the final contract award process.

PROCESS REVIEW PANEL

The establishment of a Process Review Panel to assist in complaints handling was announced in the Hon Minister's statement to Parliament on 29 March 2000.

The State Supply Commission Board has progressed the establishment of a Process Review Panel, comprised of qualified individuals with proven expertise in tendering and contract development. If a complainant is unable to resolve the issue directly with the agency concerned, the complainant may request either the CEO of the agency; or the State Supply Commission to undertake an independent review of the complaint. In turn, a consultant on the Process Review Panel will be engaged to review issues of policy or process non-compliance based upon evidence provided by the complainant. The consultant will then report the findings to the CEO or Commission and the complainant advised of the outcomes or actions determined.

The Process Review Panel complements a number of other options available to pursue the complaint, including the responsible Minister, Ombudsman, Auditor General or legal services. The complainant can also access these avenues at any stage of the process review process.

GOVERNMENT CONTRACTING INFORMATION BULLETIN BOARD

The State Supply Commission reinforced agency obligatory advertising and reporting requirements for the Government Contracting Information Bulletin Board.

The State Supply Commission Board also endorsed an amendment to the 'Open and Effective Competition' policy to include a requirement that, unless specifically excluded, public authorities shall publish all contractual awards, including sole source purchases, valued at \$20,000 and above, on the Government's Contracting Information Bulletin Board. This amendment adds further support to the Commission on Government 11 recommendation for disclosure of contract outcomes.

RISK MANAGEMENT AND COMPETENCY FRAMEWORK FOR CONTRACTING

The complexity of contracting continues to increase and it is becoming ever more critical that agencies have appropriate risk management mechanisms in place and competent people to manage the process. The Commission will work towards developing a framework that better supports Chief Executive Officers in meeting their accountabilities for the contracting function.

GUIDELINE FOR INTERNAL AUDIT REVIEWS OF AGENCIES APPLICATION OF SUPPLY POLICIES

The State Supply Commission in conjunction with CAMS is developing a guideline to focus agencies' attention on the utilisation of internal audits to assess compliance with contracting and procurement policies and processes.

The intent is for agencies to provide in their annual audit plan a component that specifically targets an area of their purchasing or contracting function.

This will enhance the Commission's ability to maintain a presence in monitoring, and gathering intelligence on agency purchasing and contracting activities. It will also enable the Commission to determine trends and issues that may need addressing or may influence the development of policy or guidelines.

As with all State Supply Commission policies and guidelines, the above guideline can be accessed via the Commission's website on www.ssc.wa.gov.au.

MANAGEMENT OF SOFTWARE CONTRACT GUIDELINE

The public sector performance report by the Auditor General in April 2000 added weight to the significance of the government purchasing policies in obtaining value for money and providing equal opportunities to potential suppliers. The Minister in his statement of 5 April 2000 addressing issues raised by the Auditor General in his report, stated that CAMS and the Commission would jointly develop new guidelines on the management of software contracts.

Software contracts and the need for their responsible administration are of strategic importance in maintaining an efficient, modern Government. Information Technology contracts are recognised as some of the most difficult contracts in terms of complexity and importance to the overall agency operation.

The proposed guideline will place emphasis on the importance of internal agency procedures in the administration requirements for effective software contract management. The guideline focuses on the joint responsibilities of the information technology and the purchasing and contracting professional.

SMALL AND REGIONAL WESTERN AUSTRALIAN BUSINESS SUPPORT

Supporting small and regional Western Australian businesses is a priority for Government. The Commission will work with key agencies to develop strategies that enhance access by small businesses to government contracts.

The State Supply Commission worked closely with Contract and Management Services and the Department of Commerce and Trade to enhance the areas of contracting for small business and regional businesses.

A flagship initiative for small and regional businesses was the development of the draft *Buying Local* policy and guidelines, as discussed under the "Review of policy and guidelines" section.

GST – IMPLICATIONS FOR SUPPLY CONTRACTS BUYER ALERT

The Commission continued to receive many enquiries from public authorities relating to the impending goods and services tax (GST) and how it would affect Government contracts. In response to these requests and in conjunction with the Department of Contract and Management Services and Treasury Department of WA, 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 and was later updated and re-published as an Update 1 Buyer Alert in September 1999.

The information package provided a detailed assessment of the transitional provisions for contracts which were in place and spanned 1 July 2000. Additionally it provided advice on the development of new contracts that were to be awarded prior to July, but would span 1 July 2000. This advice included the provision of appropriate clauses for inclusion in tenders and new contracts.

DRAFT BUYING LOCAL POLICY

In late May 2000, Works and Services Minister Rob Johnson announced the release of the State Supply Commission's draft *Buying Local* policy and guidelines for public comment. *Buying Local* maximises opportunities for small, local and regional businesses to the Government's \$4.6 billion annual spend on goods and services. Formal submissions on the draft policy are invited and the closing date for the public consultation closes on 14 July 2000.

The draft policy was made publicly available on the State Supply Commission website at www.ssc.wa.gov.au with a facility for receiving comments by e-mail. There were a number of press

releases, editorials and advertising in metropolitan and country newspapers, publicising the forums and the opportunity for public comment generally.

Key elements of the draft *Buying Local* include a policy commitment from State Government CEOs to ensure compliance across government agencies, setting agency targets for purchasing locally sourced goods and services, and encouraging private sector providers to use local contractors and content in their bids for government contracts.

Key benefits to local businesses are expected to include an increase in opportunities to supply to government, the application of regional preferences in all tender evaluations and consistency of this application across government agencies. Government will benefit by stimulating the State economy and through improved service delivery at reduced cost over the life of the contract.

As of 30 June 2000, the Minister for Services attended 3 metropolitan and 16 regional interactive workshops throughout the State to provide all interested local businesses and the broader community with the opportunity to have their say on the draft policy. Over 280 people from both government and private sector attended the various forums.

Regional centres visited include:

- | | |
|-------------|--------------|
| ➤ Albany | ➤ Kalgoorlie |
| ➤ Broome | ➤ Karratha |
| ➤ Bunbury | ➤ Kununurra |
| ➤ Carnarvon | ➤ Mandurah |
| ➤ Esperance | ➤ Northam |
| ➤ Geraldton | |

It is anticipated that the release of the final *Buying Local* policy will occur in the first quarter of 2000/01.

MANAGING PURCHASING CONDUCTED BY PRIVATE SECTOR PROVIDERS POLICY

The State Supply Commission Board endorsed the supply policy *'Managing Purchasing Conducted by Private Sector Providers'* subject to further consultation with small business. This consultation, along with the provision for feedback, was undertaken through the Small Business Procurement Advisory Council.

The revised policy lessens the input controls imposed by the public authorities managing these contracts under the existing policy and focuses more on the outcomes and their reporting. The policy places the onus on the private sector providers to demonstrate that value for money objectives are being met while taking into consideration the requirements of the Government's supply policies.

By employing the policy in the contract development and management stages, cost savings are expected through allowing the contractor to operate along commercial lines while still meeting the requirements of Government supply policies.

OPEN AND EFFECTIVE COMPETITION POLICY

The State Supply Commission Board endorsed changes to the supply policy provisions on 'Open and Effective Competition' was undertaken, to clarify circumstances surrounding the waiving of public tenders and to remove the reference to Year 2000 compliance.

The policy also accommodated the ministerial contracts for service engagement process and the requirement to use the Government Contracting Information Bulletin Board.

SUPPORTING OTHER GOVERNMENT POLICIES AND INITIATIVES POLICY

In August 1999, the 'Preferential Tendering' policy was replaced with a new training policy linked to government procurement. The new policy is known as the 'Priority Access' policy and is administered by the Department of Employment and Training. The policy aims to increase training and employment opportunities for Western Australians by providing a tangible reward for suppliers and contractors whom demonstrate a commitment to training.

Above certain contract monetary thresholds, suppliers and contractors will be required to present evidence of registration as a Priority Access Employer with their tender or pre-qualification application.

The policy will apply initially to government building and construction contracts. Subject to further research and industry consultation, the policy will be progressively implemented in government goods and services contracts, and in other agencies and industries, taking into account the specific circumstances of each industry and relevant government organisations.

SALE OF GOVERNMENT BUSINESSES

SUPPLY WEST

The State Supply Commission as the principal to the sale of Supply West, endorsed the sale to the preferred tenderer, Boise Cascade Office Products in May 1999. The final completion date for the business sale agreement occurred in late December 1999.

BOCS TICKETING

The Perth Theatre Trust in conjunction with the Ministry for Culture and the Arts, on behalf of the Commission, is negotiating the sale of BOCS Ticketing and Marketing. The State Supply Commission is the Principal to the Sale Agreement. A preferred tenderer was endorsed by the Commission, enabling negotiations to proceed.

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 understands the requirements of Government.

The members of the APCC have recognised the potential benefits for government and industry in implementing electronic commerce within a co-ordinated framework. This Framework for National Cooperation on Electronic Commerce in Government Procurement facilitates the development of transnational trading communities providing new opportunities for Australian businesses to grow and export; and provides an open and secure trading facility for businesses, both large and small, to trade with Governments and with each other.

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.

REPORT ON EQUITY, ACCESS AND CUSTOMER FOCUS

COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31 (1)

The Commission has adopted guidelines and processes supporting the Public Sector Standards in human resource management.

In November 1999, the Commission developed a Human Resource Manual to be given to all Commission employees. Included in this manual are the standards, procedures and requirements for human resource management. This includes information on how to lodge a breach of the standards, employee rights and obligations and other legislative requirements.

The manual is in line with the Commission's Quality Management System and therefore gives clear indication of the procedures to be followed. Given the smaller size of the Commission, a separate human resources section is not viable, and therefore this manual is designed to respond to any queries that may arise in this area.

The manual is an updated version of the Human Resources Plan established in 1998/99.

STATEMENT OF COMPLIANCE

- 1) In the administration of State Supply Commission, I have complied with Human Resource Management, the WA Public Sector Code of Ethics and our Code of Conduct.
- 2) I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made in 1 is correct.
- 3) The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged	0
Number of breaches found	0
Number still under review	0

Cheryl Gwilliam

A/Chief Executive Officer

DISABILITIES SERVICES PLAN

The State Supply Commission continues its commitment to providing optimum access and service to people with disabilities, their families and carers.

The Commission's Disability Services Plan was updated in 1999 and continues to be monitored. It is expected that the Commission will implement changes to its web site in the coming year, to enable improved visibility options.

The Commission is a tenant in Dumas House; a government-owned building built in the 1960s. Given its age, the facilities were not designed with access issues in mind. As a participant in the Dumas House Tenants Committee, the Commission continues to advocate changes to ensure access issues and facilities for people with disabilities are identified and rectified where possible.

The Commission continues to promote buying practices in government agencies that enable access for people with disabilities. The State Supply Commission's guideline, *Buying Wisely to Ensure Access for People with Disabilities*, forms part of the Commission's *Buying Wisely* manual, which is currently houses the Commission's complete set of policies and guidelines on government purchasing.

TWO YEAR PLAN FOR WOMEN OUTCOMES

The Commission continues to encourage women business operators to interact with the Commission in policy reviews and in programs to communicate and share in policy development.

In the recent rollout of the draft *Buying Local Policy and Guidelines*, Commission representatives visited 19 regional and metropolitan centres to obtain feedback from the community and local business. Commission representatives consisted of three women and one man. In doing this, the Commission sought to encourage women to participate in the review of the draft policy and guidelines. Women business operators were encouraged to attend forums by way of direct postal invitation from the Commission.

The representation of women at the Commission has increased in the year ended June 30, 2000. The ratio of women staff has increased from 20% in 1998/99 to 45% in 1999/2000 and includes a member of the Senior Executive Service.

EQUAL EMPLOYMENT OPPORTUNITIES OUTCOMES

The State Supply Commission continues to support the principles of equal opportunity and diversity in employment.

The Commission implemented its EEO/Diversity Management Plan in 1999 and has endeavoured to ensure these aims are achieved where possible.

The Commission recognises that different people have different skills to offer and has incorporated procedures to ensure that issues of equal employment and diversity management are addressed.

STAFFING PROFILE (AS AT 30 JUNE 2000)

Number of Staff employed	11
Number of permanent, full time staff	5
Number of fixed term, full time staff	5
Number of staff on secondment from SSC to other agencies	0
Number of staff on secondment to SSC from other agencies	1
Number of staff who have a disability	0
Number of staff employed under Enterprise Agreement	0
Number of staff employed under Workplace Agreement	11

SALARY PROFILE BY GENDER

Number of Permanent and Fixed Term Employees by Gender as at 30 June 2000 (excluding seconded officers).

SALARY RANGE \$	WOMEN	MEN	TOTAL
0 – 32,642	0	0	0
32,643 – 37,526	0	0	0
37,527 – 42,248	1	0	1
42,249 – 46,307	1	0	1
46,308 – 53,868	0	1	1
53,869 – 62,808	1	1	2
62,809 – 70,840	1	2	3
70,841 – 81,309	0	1	1
81,310 – 92,216	0	1	1
>92,216	1	0	1
TOTAL	5	6	11

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.

State Supply Commission Board members are required to make a declaration of their interests at the start of each meeting. If a conflict of interest should exist, the member is asked to refrain from comment.

ANTI CORRUPTION COMMISSION ACT 1988

In accordance with the *Anti-Corruption Commission Act 1988* Section 14, during the year 1999/00, no reports have been made under the above Act.

FREEDOM OF INFORMATION STATEMENT AS
AT 30 JUNE 2000

The State Supply Commission's statistical return to the Office of the Information Commissioner showed eleven applications were received during the period 1 July 1999 to 30 June 2000.

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

Access in full	6
Access denied	0
Status pending	5
Total	11

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.

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 Coordinator may contact the applicant to assist in clarifying the request. Applications will be 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.

ADVERTISING AND SPONSORSHIP

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 1999/00, the Commission expended a total of \$40,632.59 with advertising and market research organisations, dispersed as given below.

Advertising agencies	\$9,707.00
Linkletters	For design of manuals, publications and Annual report
Keystrokes	For design of inserts for manuals

Market Research Organisations	<i>\$20,605.00</i>
Patterson Market Research	For Customer Satisfaction Survey
Right Marketing Australia	For Annual Supply Report collation
Polling Organisations	<i>NIL</i>
Direct Mail Organisations	<i>\$320</i>
Post Data	For booklet binding
Media Advertising Agencies	<i>\$10,000</i>
Marketforce Productions and Intersector	For advertisements

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.

The State Supply Commission launched an expanded version of the *Who Buys What* guide in May 2000. The guide provides annual purchasing statistics for 109 State Government agencies and details the scope of Government spending and the types of goods and services purchased. For the first time, the guide includes tips for suppliers wanting to sell to Government. This includes contact names, general information about the government purchasing process and market, and special tips on using statistical information within the report to enhance their own market intelligence and activities.

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

- The top 10 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

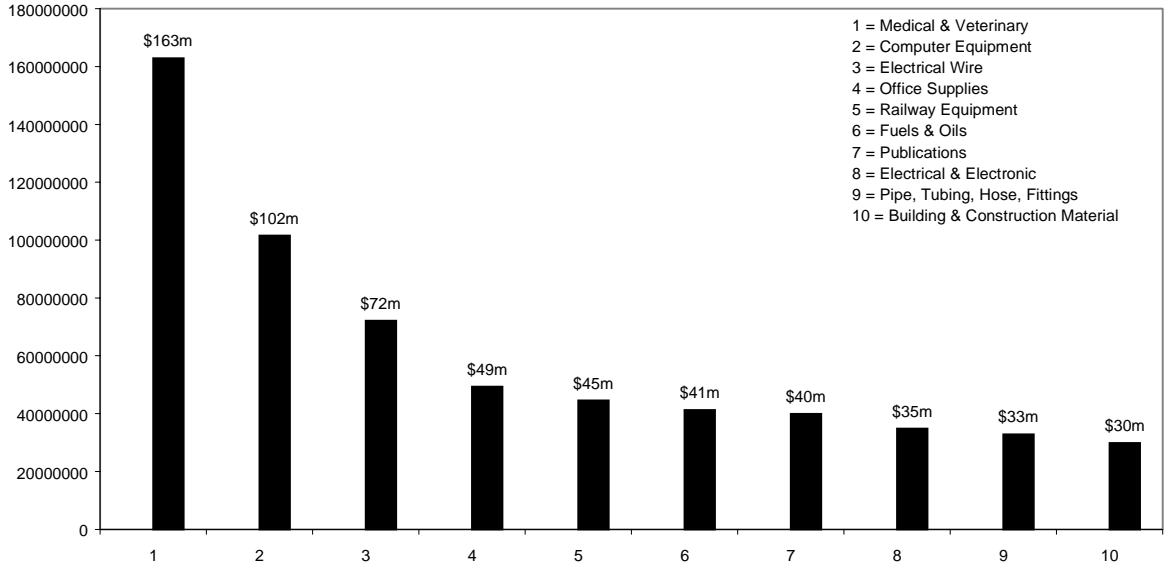
The publication is also made available through the Commission's website and is accompanied by an extensive database of purchasing information drawn from each agency's annual return – refer to www.ssc.wa.gov.au (under the *How to Sell to Government* section).

Since May 1999, a range of Internet users has made some on-line database enquiries.

WHAT ARE THE STATISTICS SAYING?

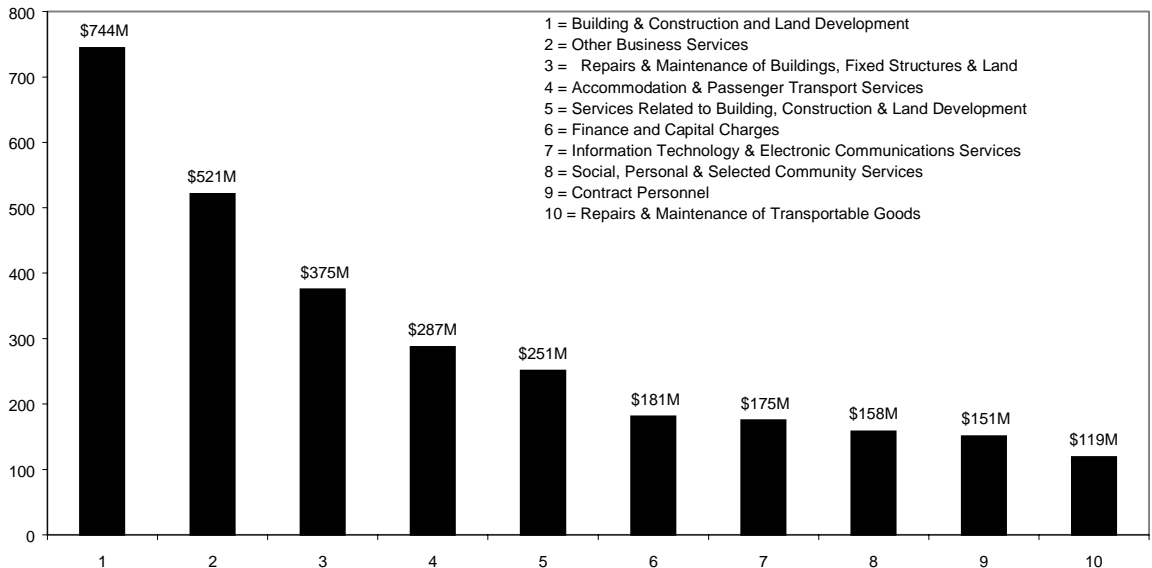
TOP 10 GOODS

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



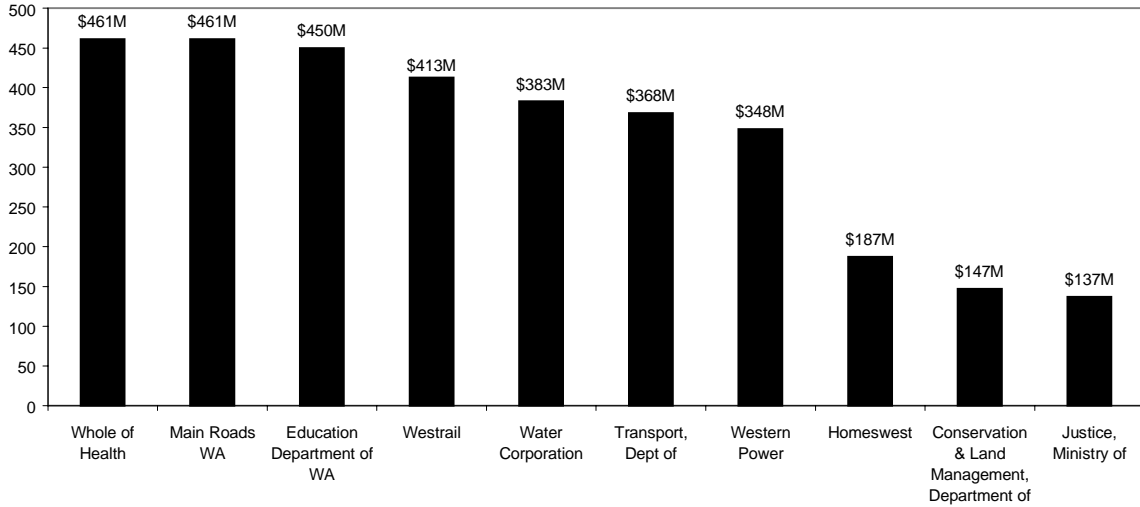
TOP 10 SERVICES

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



TOP 10 AGENCIES

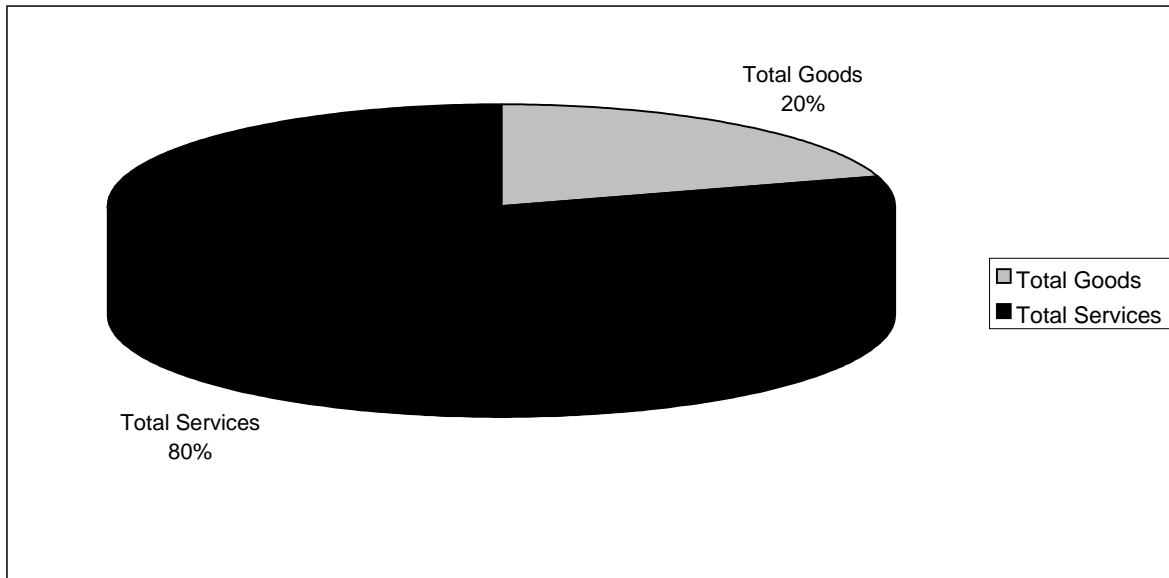
The agencies with the greatest overall expenditure on goods and services are listed below.



* Includes Health Supply Council, Health Department of WA, Healthway and Supply Chains One and Two for the various teaching hospitals

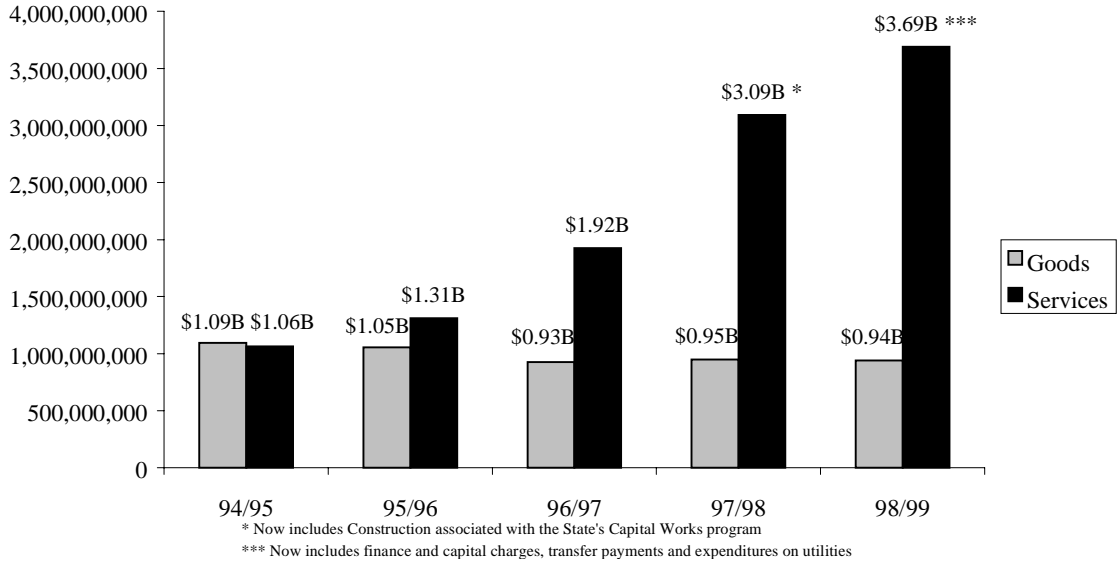
COMPARISON BETWEEN EXPENDITURE ON GOODS AND THAT ON SERVICES

Since 1994/95, an increasing proportion of government commercial purchasing has been on services, reflecting the ongoing trend within agencies of outsourcing operations. In 1998/99, services once again represented the significant majority of total commercial purchases (80%), or \$3.69 billion, compared to the \$0.95 billion spent on goods. This was consistent with the previous financial year (1997/98), where services accounted for 77% of total expenditure. Growth in services purchasing has continued to rise, while expenditure on goods remains relatively stable, decreasing only marginally from year to year.



GOODS AND SERVICES COMPARISONS WITH PREVIOUS YEARS

This chart compares the overall results of previous financial years. It details the continuing growth in government purchasing on commercial goods and services. The WA Government spent \$4.63 billion on goods and services in 1998/99 which included areas of expenditure that have been incorporated in the report for the first time. For example: finance and capital charges, and utility services (power and water).



OUTPUT BASED REPORTING

The State Supply Commission was provided with an amount of \$1.360 million to meet recurrent and capital services during the year and an additional \$0.150 million was carried over from the previous year. The Commission consumed, on a net cost of services basis, a total of \$ 1.507million. The Commission also received services free of charge to the extent of \$ 0.040 million.

The following outcomes, outputs and performance information is the subject of a Resource Agreement signed by the Minister, a representative of the accountable authority and the Chief Executive Officer.

- 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; and
- Output 3 – Complaints Handling Service.

PERFORMANCE MEASURES FOR OUTPUT ONE

Output:

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

Description:

Maintain an effective policy framework across all buying activities; and promote and facilitate the adoption of best practice to achieve improvements in the public sector performance and accountability.

EFFICIENCY:

A comparison of the 1999/00 estimated and actual performance measures is provided in the table below:

Performance Measures	1999/00 Target	1999/00 actual	Reasons for Significant Variance
Quantity: Policies and guidelines developed, evaluated and reviewed	18	18	
Units of policy advice provided to agencies and industry	1,400	1310	
Quality: Industry and agencies satisfaction with policies and guidelines *	80%	80%	
Timeliness: Policies, guidelines and advice provided within agreed time frames.	90%	100%	

* Responses from agency personnel are only included in this measure, in line with the effectiveness measure for this output.

Cost: Average cost to develop, evaluate and			
---	--	--	--

TREND ANALYSIS

The findings on this question for the past four 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 years.

NB. THE DATA HAS BEEN WEIGHTED BACK TO THE NUMBER OF PEOPLE WHO HAVE HAD CONTACT WITH THE COMMISSION.	1996/97 %	1997/98 %	1998/99 %	1999/00 %
Very satisfied	14.2	8.6	10	12
Satisfied	26.7	43.0	41	29
Tend to be satisfied	26.0	23.5	23	39
Net Satisfied	66.9	75.1	74	80
Neutral	16.9	16.3	12	10
Tend to be dissatisfied	4.9	6.0	3	6
Dissatisfied	5.4	1.0	3	2
Very dissatisfied	2.0	0.5	0	1
Net Dissatisfied	12.3	7.5	6	9
Don't Know	3.8	1.0	8	1
Total	99.9	99.9	100	100

PERFORMANCE MEASURES FOR OUTPUT TWO

Output:

Accreditation model management, buying practice assessments, investigation and advice

Description:

Maintain systems and processes for the assessment of agency buying performance and practice.

EFFICIENCY:

A comparison of the 1999/00 target and actual performance measures is provided in the table below:

Performance Measures	1999/00 target	1999/00 actuals	Reasons for Significant Variance
Units: Agencies monitored for compliance with accreditation conditions and procurement policy requirements	43	15	The Commission instituted a new approach with the agency monitoring via a health check. Only 1 round was completed by 30 June 2000.
Exemptions and approvals granted to purchase accreditation conditions	250	321	Increased complexity of contracting.
Quality: Agencies which satisfy and meet accreditation conditions and procurement policy requirements	90%	100%	
Timeliness:			

Performance Measures	1999/00 target	1999/00 actuals	Reasons for Significant Variance
The successful completion of scheduled assessments of agencies' accreditation conditions and procurement policy requirements	100%	100%	
Cost: Average compliance cost per agency	\$10,800	\$29,859	The increased cost was due to the decreased number of agencies monitored for the health check.
Average cost exemption and approval granted	\$1,238	\$930	This has dropped due to the increased number of agency requests for exemption.

The implementation of delegated purchasing authority (partial or total exemption) to public authorities through an accreditation process, enables the Commission to fulfil its regulatory function to monitor the efficiency and effectiveness of procurement and contracting activity 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 in the area of procurement and contracting.

The Commission has also recognised the requirement within agencies to further develop procurement and contracting skills and therefore the accreditation process is being further developed to have a stronger focus on the competencies of procurement and contracting officers.

The Commission has a legislative responsibility under section 5 of the Commission's 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 Commission's Act, the Commission is responsible for collecting information regarding changes to the efficiency of supply of goods and services over time, and public authorities' compliance with supply policies.

These responsibilities are met by the Commission undertaking spot audits focussed on specific policies, health checks, reviews of agency systems and through continual disclosures by agencies seeking Commission approval to waive or vary supply policies.

The Commission also makes deliberations, under delegation, on such matters as requests from agencies for the waiving of quotations and public tenders, exemptions from common use contracts and purchases above the agency's exemption level.

EFFECTIVENESS

Measure: An improvement in the State Supply Commission risk ratings of agencies across the public sector.

In accordance with the Commission's program requirements, the Commission undertook two reviews of procurement and contracting within agencies which are currently operating under the Commission's delegated partial exemption (see Appendix 1) for devolved purchasing. These reviews were:

- 15 agencies were reviewed as part of a "Health Check" of procurement and contracting activity in public authorities; and

- 102 agencies were surveyed to determine the extent to which internal audits within agencies incorporate procurement or contracting activities.

Health Check

A health check on 15 public sector agencies is underway by Caps Gemini, Ernst and Young, on behalf of the Commission. The agencies selected had a range of annual spend on goods and services from \$6.0 million to \$450 million per annum (based on 1997/98 Who Buys What), with a combined spend being 32% of total government spend. The health check terms of reference included a review to:

- Assess the adequacy of risk management mechanisms, internal audit compliance and administration processes;
- Assess the procurement and contracting functions within the administrative structure of agencies; and
- Assess the existing skill base of officers responsible for discharging the procurement and contracting function.

Internal Audits

The Commission undertook a survey of 102 agencies to ascertain the extent to which agencies' internal audit plans incorporated procurement or contracting activities

73% of the agencies surveyed undertook internal audits, incorporating one or more components relating to procurement and/or contracting, in the 1999/2000 year. The results indicate that a wide range of procurement and contracting activities are audited across the public sector, with evidence of coverage of all the key areas.

Feedback received from agencies' internal audit processes as part of this review has provided the Commission with an additional vehicle to monitor compliance with supply policies and to assist in making an assessment on the overall health of contracting activities within those agencies having delegated purchasing authority.

This survey provided a positive sign that agencies are active in auditing compliance in procurement and contracting activities.

PERFORMANCE MEASURES FOR OUTPUT THREE

Output:

Complaints Handling Service.

Description:

The operation of an independent, complaint grievance facility to address anti-competitive behaviour and procedural bias by agencies aimed at enhancing accountability and public confidence in public sector procurement.

EFFICIENCY:

When measured against the target outputs for 1999/00 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 is provided in the table below:

Performance Measures	1999/00 Target	1999/00 Actuals	Reasons for significant variance
Quantity: Complaints acted upon	30	17	Many supplier concerns are being satisfactorily resolved at agency level first.
Quality: Recommendations accepted and implemented	85%	100%	All the agencies have accepted and implemented the recommendations.
Timeliness: Grievances finalised within 45 days	85%	46%	Complaints tended to be more complex and delays in receiving responses from some agency and suppliers.
Cost: Average cost per complaint	\$4,333	\$6,483	Due to the lower figure of 17 compared to the target of 30.

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 17 investigations were conducted as a result of complaints raised by private sector companies principally concerning the tender process. The average cost per complaint increased from an estimated figure of \$4,333 to an actual figure of \$6,483.

The number of complaints investigated in 1999/00 was half the amount handled in 1998/99. This decrease can be attributed to:

- An increased awareness amongst public authorities of supply policies;
- An increased awareness amongst suppliers of supply policies (the Commission is not investigating concerns based on a supplier's misinterpretation of policy – for example, the acceptance of late tenders); and
- The Commission directing suppliers to attempt to resolve concerns with agencies prior to the Commission investigating (a number of complaints did not come back to the Commission after the initial contact).

EFFECTIVENESS

Measure: The extent to which this output contributes towards ensuring agencies' tender processes and procedures meet principles of open and effective competition, value for money, fair and equitable access to government contracting opportunities. This will be monitored as to the extent to which agencies incorporate any recommendations to improve tender or contracting procedures or processes as a result of a determination.

Of the 13 complaints investigated by the Commission, findings were made in favour of nine 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 that 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.

All nine agencies (100%) confirmed that they had implemented recommendations made by the Commission.

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 2000 and the financial position as at 30 June 2000.

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.

JENNIFER BALLANTYNE

CHAIRMAN

22 AUGUST 2000

PAUL SCHAPPER

MEMBER

22 AUGUST 2000

MARTIN BRAGANZA

A/MANAGER BUSINESS SERVICES

PRINCIPAL ACCOUNTING OFFICER

22 AUGUST 2000

OPINION OF THE AUDITOR GENERAL

To the Parliament of Western Australia

STATE SUPPLY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000

Scope

I have audited the accounts and financial statements of the State Supply Commission for the year ended 30 June 2000 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 so as to present a view which is consistent with my understanding of the Commission's financial position, the results of its operations and its cash flows.

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 moneys 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 the 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 the applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Commission at June 30, 2000 and the results of its operations and its cash flows for the year then ended.

C P MURPHY
ACTING AUDITOR GENERAL
September 8, 2000

OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2000

	<i>Note</i>	2000	1999
		\$	\$
COST OF SERVICES			
Operating expenses			
Employee costs	2	973,979	1,592,117
Supplies and services	3	365,308	549,504
Depreciation	4	22,059	37,597
Vehicle fleet lease agreement	1e	17,736	26,101,797
Doubtful debt expenses		(31,962)	52,668
Administration expenses	5	101,027	239,209
Accommodation expenses	6	198,375	207,243
Other operating expenses	7	28,603	418,945
Total cost of services		1,675,125	29,199,080
Revenue from services			
Trading profit	8	-	2,549
Interest revenue		9,011	37,035
Other operating revenue	9	37,658	174,443
Vehicle fleet lease agreement	1e	-	26,197,871
Total revenue from services		46,669	26,411,898
Net cost of services before abnormal item		1,628,456	2,787,182
Abnormal item	10	450,000	-
NET COST OF SERVICES		2,078,456	2,787,182
REVENUES FROM GOVERNMENT			
Appropriations	11	1,360,000	2,946,000
Liabilities assumed		89,211	154,806
Resources received free of charge		40,405	24,696
Total revenues from Government		1,489,616	3,125,502
Change in net assets resulting from operations		(588,840)	338,320
Opening balance accumulated surplus		1,105,690	767,370
CLOSING BALANCE ACCUMULATED SURPLUS		516,850	1,105,690

The Operating Statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2000

	Note	2000 \$	1999 \$
Current Assets			
Cash	21(a)	903,680	5,725,435
Inventories	13	-	528,168
Receivables	14	14,210	101,684
Other assets	15	10,254	1,411,112
Total Current Assets		928,144	7,766,399
Non-Current Assets			
Computer Equipment, Software & Office Equipment	16	24,296	46,358
Total Non-Current Assets		24,296	46,358
Total Assets		952,440	7,812,757
Current Liabilities			
Accounts payable	17	62,283	63,654
Borrowings	18	-	5,000,000
Provisions	19	340,580	126,679
Other liabilities	20	32,727	1,381,734
Total Current Liabilities		435,590	6,572,067
Non-Current Liabilities			
Provisions	19	-	135,000
Total Non-Current Liabilities		-	135,000
Total Liabilities		435,590	6,707,067
NET ASSETS		516,850	1,105,690
Equity			
Accumulated surplus		516,850	1,105,690
TOTAL EQUITY		516,850	1,105,690

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2000

	Note	2000 \$	1999 \$
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriations		1,360,000	2,856,000
Capital appropriations		-	90,000
Net cash provided by Government		1,360,000	2,946,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(752,109)	(1,508,676)
Payment to suppliers for goods & services		(723,576)	(29,741,894)
Abnormal payment-Treasury	10	(450,000)	-
		<u>(1,925,685)</u>	<u>(31,250,570)</u>
Receipts			
Sale of goods and services		726,186	3,347,792
Receipts from vehicle fleet lease agreement		-	26,170,326
Interest received		9,010	37,035
Other receipts		8,734	11,442
		<u>743,930</u>	<u>29,566,595</u>
Net cash used in operating activities	21(c)	(1,181,755)	(1,683,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		-	(17,660)
Net cash provided by used in investing activities		<u>-</u>	<u>(17,660)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(5,000,000)	-
Net cash provided by used in financing activities		<u>(5,000,000)</u>	<u>-</u>
Net increase decrease in cash held		(4,821,755)	1,244,365
Cash at the beginning of the financial year		5,725,435	4,481,070
CASH AT THE END OF THE FINANCIAL YEAR	21(a)	903,680	5,725,435

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENT

1. SIGNIFICANT 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 previous year.

GENERAL STATEMENT

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act 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.

The statements have been prepared on the accrual basis of accounting using the historical cost convention. Additions to non-current physical assets since valuation are stated at cost.

(a) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

(b) Grants and Other Contributions Revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Authority obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

(c) Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is provided for on the straight-line basis using rates that are reviewed annually. Useful lives for each class of depreciable asset is:

- Computer Equipment-3years
- Office equipment-5 years

(d) Employee entitlements

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 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".

SUPERANNUATION

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

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 AAS 30 (being the 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 Authority. Accordingly, deriving the information for the Authority 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:

- 1) (i) 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

- 1) (ii) 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) Leases

The Authority has entered into a number of operating lease arrangements for the rent of the office building and the motor vehicles used by the Commission where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the operating statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(f) Accounts Receivable

Accounts receivables are recognised at the amounts receivable, as they 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 that are known to be uncollectable are written off. A provision for doubtful debt is raised where some doubts as to collection exists and in any event where the debt is more than 120 days overdue.

(g) Accrued Salaries

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 Authority considers the carrying amount approximates net fair value.

(h) Accounts Payable

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

(i) Amounts Due to the Treasurer

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.

(j) 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.

(k) Resources Received Free of Charge or For Nominal Value

Resources received free of charge or for nominal value that can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

(l) 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 that were returned 60 days past their due date or are deemed a casualty occurrence for insurance purposes. Vehicles awaiting sale are 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.

(m) 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 that are repayable by the Commission to the Treasurer are recognised as liabilities.

(n) 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.

(o) 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 2000.

	2000	1999
	\$	\$
<hr/>		
2. EMPLOYEE COSTS		
<hr/>		
Wages and salaries	781,985	1,503,731
Superannuation	89,211	154,806
Long service leave	53,131	(93,088)
Annual leave	25,768	(22,866)
Other related expenses	23,884	49,534
	973,979	1,592,117
<hr/>		

	2000	1999
	\$	\$
3. SUPPLIES AND SERVICES		
Consultants and contractors	249,756	400,695
Government Agencies & Departments	40,405	24,696
Repairs and maintenance	6,773	5,555
Travel	33,214	16,511
Other	35,160	102,047
	365,308	549,504
4. DEPRECIATION		
Computer Equipment	12,086	27,623
Office Equipment	9,973	9,974
	22,059	37,597
5. ADMINISTRATION EXPENSES		
Communication	55,136	127,382
Consumables	40,522	86,122
Other staff costs	5,369	25,705
	101,027	239,209
6. ACCOMMODATION EXPENSES		
Lease rentals	198,375	207,243
7. OTHER OPERATING EXPENSES		
Capital Acquisitions Less than \$5000	6,619	23,526
Motor Vehicle Expenses	16,366	9,388
State Taxes & Stamp Duties	5,618	386,031
	28,603	418,945
8. TRADING PROFIT		
Sales	529,571	2,983,215
Less: Cost of Sales	529,571	2,980,666
Trading Profit	-	2,549

	2000	1999
	\$	\$
9. OTHER OPERATING REVENUES		
Software Rebates	-	143,582
Sale of Publications	7,506	15,874
Services	-	2,000
Rent	14,430	-
Expense Recoveries	15,722	1,545
Other	-	11,442
	37,658	174,443

10. ABNORMAL ITEM

Payment of Microsoft Software Volume Rebates to Contract and Management Services	450,000	-
--	----------------	---

11. REVENUES FROM GOVERNMENT

Appropriation revenue received during the year:		
Recurrent	1,360,000	2,856,000
Capital	-	90,000
	1,360,000	2,946,000

The following Liabilities have been assumed:

State Government Superannuation Board Superannuation Contributions	89,211	154,806
--	---------------	----------------

Resources received free of charge determined on the basis of the following estimates provided by agencies:

Office of the Auditor General-Auditing Services	15,000	15,000
Crown Solicitor's Office-Legal Services	25,405	7,696
Treasury Department-Financial & Banking Services	-	2,000
	40,405	24,696

Total revenues from Government	1,489,616	3,125,502
--------------------------------	------------------	------------------

12. 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.

The following is a summary of the transactions in the Trust Account:

	2000	1999
	\$	\$
Balance as at 1 July	24,784	23,525
Interest Received	10,376	1,259
Additional Deposits Received	1,979,673	-
Less: Deposits and interest paid from the Trust Account	1,993,417	-
Balance as at 30 June	21,416	24,784

During the year the deposit monies for the sale of the Sate Government's business Supply West were deposited into and paid from the Trust Account.

13. INVENTORIES

Current		
Inventories held for resale at Cost:		
- Motor Vehicles	-	528,168
At net realisable value	-	528,168

The aggregate carrying amount of inventories recognised and included in the financial statements is as follows:

- Current	-	528,168
- Non-current	-	-
	-	528,168

14. RECEIVABLES

Current		
Trade debtors	27,210	154,353
Provision for doubtful debts	(13,000)	(52,669)
	14,210	101,684

15. OTHER ASSETS

Current		
Prepayments	6,066	7,660
Accrued Revenue	-	1,403,452
Sundry Debtors	4,188	-
	10,254	1,411,112

16. COMPUTER EQUIPMENT, SOFTWARE & OFFICE EQUIPMENT

Computer Hardware & Software		
At capitalised cost	100,765	100,765
Accumulated depreciation	(87,579)	(75,492)
	13,186	25,273

	2000	1999
	\$	\$
Office Equipment & Furniture & Fittings		
At capitalised cost	49,869	49,869
Accumulated depreciation	(38,759)	(28,784)
	11,110	21,085
Total Computer Equipment, Software & Office	24,296	46,358

17. ACCOUNTS PAYABLE

Current		
Trade payables	62,283	63,654

18. BORROWINGS

Current		
Amount due to the Treasurer	-	5,000,000

This advance was provided by the Treasurer to fund the payment of monthly lease payments (Refer Note 1e).

19. PROVISIONS

Current		
Annual leave	119,058	93,289
Long service leave	221,522	33,390
	340,580	126,679

Non-current		
Long service leave	-	135,000
	-	135,000

Employee Entitlements

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:		
Current	340,580	126,679
Non-current	-	135,000
	340,580	261,679

20. OTHER LIABILITIES

Current		
Accrued expenses	13,527	7,192
Accrued salaries	19,200	11,546
Operation lease Rental	-	1,362,996
	32,727	1,381,734

2000	1999
\$	\$

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	903,680	5,725,435
------	----------------	------------------

(b) Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Statement of Cash Flows.

(c) Reconciliation of net cost of services to net cash flows used in operating activities

Net cost of services	2,078,456	2,787,182
----------------------	------------------	------------------

Non-cash items:

Depreciation expense	22,059	37,597
Doubtful debt expense	(39,668)	52,669
Liabilities assumed by the Treasurer	89,211	154,806
Resources received free of charge	40,405	24,696
	112,007	269,768

(Increase)/decrease in assets:

Current receivables	127,144	578,345
Current inventories	528,170	325,974
Other current assets	1,400,860	(401,982)
	2,056,174	502,336

Increase/(decrease) in liabilities:

Current accounts payable	(1,374)	36,120
Other Current Liabilities	(1,349,005)	412,920
Current provisions	78,899	(117,937)
Non-current provisions		
	(1,271,480)	331,103

Net cash used in operating activities	1,181,755	1,683,975
---------------------------------------	------------------	------------------

22. COMMITMENTS FOR EXPENDITURE

(a) Commitments (not longer than one year)

The Commission has identified the following amounts as expenditure commitments as at 30 June 2000:

Consultancies let or in progress	32,000	29,000
Insurance	-	23,000
Fleet hire	-	14,000
Office requirements	-	6,000
	32,000	72,000

	2000	1999
	\$	\$
(b) Non-cancellable operating lease commitments		
Not later than 1 year	110,315	32,700,000
Later than 1 year and not later than 5 years	399,329	130,800,000
Later than 5 years	-	163,500,000
	509,644	327,000,000

The State Supply Commission at its meeting of 11 July 2000 resolved not to extend the Vehicle Fleet Lease Agreement with Matrix Finance Group Pty Ltd for an additional year. Accordingly, the lease agreement will cease on 14 July 2009.

The Commission currently has 9,228 vehicles under this Agreement. Expressed in terms of present value, the contingent obligation for lease payments over the next ten years is estimated at \$323 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.

The State Supply Commission has delegated management of the Vehicle Fleet Lease Agreement contract to Treasury.

During the current year the Commission paid \$15 million to Matrix Finance Group Pty Ltd on behalf of Treasury. Treasury has reimbursed this amount. There is no financial effect to the financial statements as a consequence of the payments and receipts on behalf of Treasury.

Changed circumstances, including a significant decline in the second-hand vehicle market and tax changes flowing from the Ralph review of business taxation, will reduce the capacity of the Vehicle Fleet Lease Agreement, in its present form, to continue providing beneficial financing costs into the future. As a result, the government has entered into negotiations to restructure the lease arrangements so as to provide an acceptable cost of funds into the future.

23. EXPLANATORY STATEMENT

(i) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for the immediately preceding financial year

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% or \$ 50,000.

	2000	1999	Variance
Employee costs	973,979	1,592,117	(618,138)
Supplies and services	365,308	549,504	(184,196)
Vehicle fleet lease agreement	17,736	26,101,797	(26,084,061)
Doubtful debt expenses	(31,962)	52,668	(84,630)
Administration expenses	101,027	239,209	(138,182)
Other operating expenses	28,603	418,945	(390,342)
Software rebates-abnormal expenditure	450,000	-	450,000
	1,904,691	28,954,240	(27,049,549)

STATE SUPPLY COMMISSION * ANNUAL REPORT 2000

Other operating revenue		37,658	174,443	(136,785)
Vehicle fleet lease agreement	Note 22	-	26,197,871	(26,197,871)
		37,658	26,372,314	(26,334,656)
Net differences		1,867,033	2,581,926	(714,893)

The State Supply Commission was restructured to a high-level policy unit and downsized toward the end of 1999. Employees decreased from 30 in 1999 to 12 at the 30 June 2000. Accordingly, significant falls in expenditures resulted across each expense category.

In addition, the Commission assigned the Matrix vehicle contract to Treasury. This has reduced the corresponding vehicle fleet lease revenues and expenses this financial year.

The collection of outstanding debts associated with Matrix contract by the Commission has resulted in a recovery of the provision for bad debts in the current year.

The Commission made a payment to Contract and Management Services of \$450,000 representing purchase volume software rebates received from Microsoft for the whole of Government. These volume rebates were recorded as income in the Commission's financial statements in prior periods.

(ii) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% or \$ 50,000

	Estimates \$	Actual \$	Variance \$
Employee costs	901,391	973,979	(72,588)
Supplies and services	203,615	365,308	(161,693)
Doubtful debt expenses	-	(31,962)	31,962
Accommodation expenses	210,737	198,375	12,362
Administration expenses	101,322	101,027	295
Other operating expenses	38,527	28,603	9,924
	1,455,592	1,635,330	(179,738)

The variations to budget occurred as a consequence of the following:

Employee costs:-

Employee costs includes approximately \$35,000 remitted to the previous acting CEO of the Commission. This amount was paid a consequence of the acting CEO undertaking higher duties for a period of 18 months immediately prior to April 2000.

Employee costs also include the revaluation of the provision for long service leave and annual leave to reflect the acting classification rates of staff under the Commission's workplace agreement.

Supplies & services:-

Actual results include services provided free of charge of \$40,405. The expenditure budget does not include these items.

The draft *Buy Local* statewide promotion resulted in costs of approximately \$40,000 being incurred in this financial year. This activity was not included in the budget estimates.

Other Items included:

Three major consultancies were undertaken but not budgeted for.

They were as follows:

Review of procurement & contracting across government	\$28,000
FOI Application for Vehicle Fleet	\$20,000
Review of accreditation system	\$36,000

24. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

The following table details the Authority's exposure to interest rate risk as at the reporting date:

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity			Non-Interest Bearing	Total
			Less than 1 Year	1 to 5 Years	More than 5 Years		
2000	%	%	\$	\$	\$	\$	\$
Financial Assets							
Cash						903,680	903,680
Receivables						14,210	14,210
Other						10,254	10,254
Total						928,144	7,766,399
Financial Liabilities							
Accounts payable						62,283	63,654
Employee entitlements						340,580	340,580
Other						32,727	32,727
Total						435,590	6,572,067
1999							
Financial Assets						7,812,757	7,812,757
Financial Liabilities						6,707,067	6,707,067

25. REMUNERATION AND RETIREMENT BENEFITS OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

Remuneration of Members of the Accountable Authority

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

	2000	1999
\$0-\$10,000	6	8
\$20,000 - \$30,000	1	-
\$90,000 - \$100,000	-	1
\$100,001 - 110,000	1	-

The total remuneration of the members of the Accountable Authority is: \$152,078

Retirement Benefits of Members of the Accountable Authority

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

	2000	1999
1. Redundancy payments	-	\$205,000
2. Total notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	\$12,000	\$12,000

No members of the Accountable Authority are members of the Superannuation and Family Benefits Act Scheme.

Remuneration of Senior Officers

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

	2000	1999
\$30,000-\$40,000	-	1
\$70,000-\$80,000	1	-
\$80,000-\$90,000	1	-
\$90,000-\$100,000	1	1

The total remuneration of senior officers is: \$245,003

Retirement Benefits of Senior Officers

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

	2000	1999
Total notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	\$26,000	-

No Senior Officers are members of the Superannuation and Family Benefits Act Scheme.

26. OUTPUT INFORMATION

	Accreditation		Complaints		Policy		Matrix Contract & Others		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
COST OF SERVICES										
OPERATING EXPENSES										
Employee costs	436,971	694,350	41,164	154,300	495,844	694,350	-	-	973,979	1,543,000
Supplies and services	154,136	-	25,292	-	166,062	-	19,818	-	365,308	-
Depreciation and amortisation	9,941	17,100	2,177	3,800	9,941	17,100	-	-	22,059	38,000
Vehicle fleet lease agreement	7,819	11,745,900	1,880	2,610,200	8,037	11,745,900	-	-	17,736	26,102,000
Doubtful debt expense	-	23,850	-	5,300	-	23,850	(31,962)	-	(31,962)	53,000
Administration expenses	38,324	658,800	16,018	146,400	46,685	658,800	-	-	101,027	1,464,000
Accommodation expenses	89,147	-	20,044	-	89,184	-	-	-	198,375	-
Other operating expenses	10,142	-	3,638	-	14,823	-	-	-	28,603	-
Total cost of services	746,480	13,140,000	110,213	2,920,000	830,576	13,140,000	(12,144)	-	1,675,125	29,200,000
REVENUE FROM SERVICES										
Trading profit	-	1,350	-	300	-	1,350	-	-	-	3,000
Interest revenue	-	16,650	9,011	3,700	-	16,650	-	-	9,011	37,000
Other operating revenue	472	78,300	14,597	17,400	22,589	78,300	-	-	37,658	174,000
Vehicle fleet lease agreement	-	11,789,100	-	2,619,800	-	11,789,100	-	-	-	26,198,000
Total revenue from services	472	11,885,400	23,608	2,641,200	22,589	11,885,400	-	-	46,669	26,412,000
Net cost of services before abnormal items	746,008	1,254,600	86,605	278,800	807,987	1,254,600	(12,144)	-	1,628,456	2,788,000
Abnormal items	-	-	-	-	-	-	450,000	-	450,000	-
NET COST OF SERVICES	746,008	1,254,600	86,605	278,800	807,987	1,254,600	437,856	-	2,078,456	2,788,000

	Accreditation		Complaints		Policy		Matrix Contract & Others		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
REVENUES FROM GOVERNMENT										
Appropriations	612,000	1,325,700	136,000	294,600	612,000	1,325,700	-	-	1,360,000	2,946,000
Assets assumed/(transferred)	40,128	69,750	2,387	15,500	46,695	69,750	-	-	89,210	155,000
Resources received free of charge	18,150	11,250	4,105	2,500	18,150	11,250	-	-	40,405	25,000
Total revenues from Government	670,278	1,406,700	142,492	312,600	676,845	1,406,700	-	-	1,489,615	3,126,000
Increase/(Decrease) in net assets resulting from operations	(75,730)	152,100	55,887	33,800	(131,142)	152,100	(437,856)	-	(588,841)	338,000

27. 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 can not use these funds for its own operations. At the beginning of July 1999 the suspense account was closed. Treasury provided a facility of \$5 million to fund the vehicle fleet leasing agreement. This facility was repaid in full during the current year. Refer to Notes 18 and 28 regarding the facility.

The following is a summary of the transactions in the suspense account:

Vehicle Proceeds Suspense Account

Under the agreement the State Supply Commission was required to purchase vehicles that are deemed casualty occurrences or are returned 60 days past their due date. Any shortfall was recovered from the sub-hiring agency. As at 30 June 2000 the State Supply Commission held no vehicles (23 in 1999) for disposal and the value of these vehicles appears as inventories in the Statement of Financial Position (Refer Note 1(f)).

The following is a summary of the transactions through the suspense account:

	2000	1999
	\$	\$
Balance as at 1 July	-	-
Gross proceeds from sale of vehicles	-	1,374,000
Gross disbursements to 30 June	-	(1,374,000)
Balance as at 30 June	-	-

Summary of disbursements		
Agencies	-	1,374,000
		1,374,000

28. TREASURER'S ADVANCE ACCOUNT

The State Supply Commission has approval to operate a Treasurer's Advance with a limit of \$5million 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.

	2000	1999
	\$	\$
Total credit line available	5,000,000	5,000,000
Amounts previously drawn on facility	5,000,000	-
Amounts drawn down for the period to 30 June	-	5,000,000
Less repaid	(5,000,000)	-
Balance outstanding as at 30 June	-	5,000,000

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 2000.

JENNIFER BALLANTYNE

CHAIRMAN

22 AUGUST 2000

PAUL SCHAPPER

MEMBER

22 AUGUST 2000

MARTIN BRAGANZA

A/MANAGER BUSINESS SERVICES

PRINCIPAL ACCOUNTING OFFICER

22 AUGUST 2000

OPINION OF THE AUDITOR GENERAL

To the Parliament of Western Australia

STATE SUPPLY COMMISSION

PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2000

Scope

I have audited the key effectiveness and efficiency performance indicators of the State Supply Commission for the year ended 30 June, 2000 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, 2000.

C P MURPHY
ACTING AUDITOR GENERAL
September 8, 2000

PERFORMANCE INDICATORS

In addition to the output measures disclosed above, the following identifies and reports on key performance indicators of efficiency and effectiveness for each of the outputs.

Outcome:

Promotion of best procurement practice in Public Sector Agencies

Effectiveness Indicator

For its 1999/00 customer satisfaction survey, the Commission asked CEOs and Principal Purchasing officers of public sector agencies whether they were satisfied with the Commission’s ability to promote best practice and the effectiveness of the Commission’s performance towards this outcome.

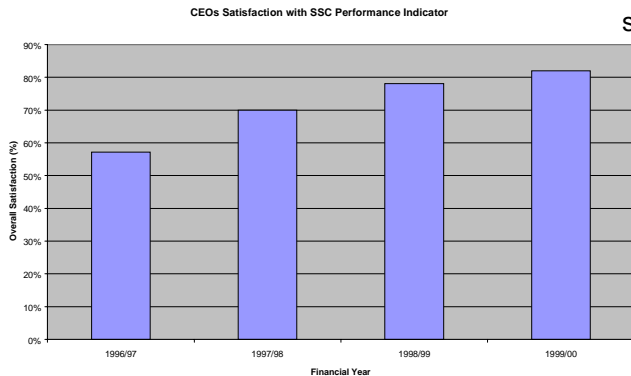
In total, 205 respondents from the Commission’s primary market were interviewed by an independent market research analyst for the 1999/00 customer satisfaction survey.

The respondents consisted of 81 Chief Executive Officers and 124 Purchasing Officers. One hundred and seventy-eight of the 205 respondents from the primary market reported that they had indeed had contact with the State Supply Commission in the last twelve months. They were 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”.

NB. THE DATA HAS BEEN WEIGHTED BACK TO THE NUMBER OF PEOPLE WHO HAVE HAD CONTACT WITH THE COMMISSION.	1996/97 %	1997/98 %	1998/99 %	1999/00 %
Very satisfied	14.2	8.6	10	12
Satisfied	26.7	43.0	41	29
Tend to be satisfied	26.0	23.5	23	39
Net Satisfied	66.9	75.1	74	80
Neutral	16.9	16.3	12	10
Tend to be dissatisfied	4.9	6.0	3	6
Dissatisfied	5.4	1.0	3	2
Very dissatisfied	2.0	0.5	0	1
Net Dissatisfied	12.3	7.5	6	9
Don't Know	3.8	1.0	8	1
Total	99.9	99.9	100	100

From the above table, it can be seen that there has been significant increase in net satisfaction of respondents from 74% in 1998/99 to 80% in 1999/00.

The survey has also indicated that 82% 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 73% in 1999/00.

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 to develop, evaluate and review policies and guidelines	\$ 27,686
Average cost to provide advice to agencies and industry	\$254
Output 2 - Accreditation management, buying practice assessments, investigation and advice	
Cost:	
Average compliance cost per agency	\$29,859
Average cost exemption and approval granted	\$930
Output 3 - Complaints handling service	
Cost:	
Average Cost per complaint	\$6,483

Due to new measures adopted for the three outputs, the Commission is not able to report on the estimated figures and comparative notes for the outputs.

APPENDIX 1

AGENCIES WITH PARTIAL AND TOTAL EXEMPTIONS [AS AT 30 JUNE 2000]

AUTHORITIES WITH A TOTAL EXEMPTION

- Alinta Gas
- Fire and Emergency Services
- Main Roads Western Australia
- Insurance Commission of WA
- Totalisator Agency Board
- Water Corporation
- Western Power
- Westrail

AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS ABOVE \$1,000,000 TO AN AGREED UPPER LIMIT

- Department of Family and Children's Services – Non Government services
- Education Department of WA
- Minister for Health (Government Health Supply Council)

AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS FROM \$250,000 UP TO AND INCLUDING \$1,000,000

- Department of Contract and Management Services
- Department of Minerals and Energy
- Department of Transport – Corporate Services
- Disability Services Commission
- Lotteries Commission
- Ministry of Housing
- Rottnest Island Authority

AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS FROM
\$50,000 UP TO AND INCLUDING \$250,000

- Agriculture WA
- Department of Conservation and Land Management
- Department of Family and Children's Services
- Department of Land Administration
- Department of Local Government
- Department of Resources Development
- Department of Training and Employment
- East Perth Redevelopment Authority
- Eastern Pilbara College of TAFE
- Great Southern Regional College of TAFE
- Kimberley Development Commission
- Metropolitan Health Service Supply Chain 1
- Metropolitan Health Service Supply Chain 2
- Ministry for Culture and the Arts
- Ministry of Justice
- Ministry of the Premier and Cabinet
- Peel Development Commission
- South West Regional College of TAFE
- Subiaco Redevelopment Authority
- Water and Rivers Commission
- Western Australia Police Service

AUTHORITIES WITH VARYING PARTIAL EXEMPTIONS UP TO AND
INCLUDING \$50,000

- Aboriginal Affairs Department
- Animal Resources Authority
- Botanic Parks and Gardens Authority
- Burswood Park Board
- Central Metropolitan College of TAFE

- Central West College of TAFE
- Dairy Industry Authority of WA
- Department of Commerce and Trade
- Department of Productivity and Labour Relations
- Department of Transport – General
- Gascoyne Development Commission
- Goldfield Esperance Development Commission
- Government Employees Superannuation Board
- Great Southern Development Commission
- Health Department (Administration)
- Karratha College of TAFE
- Keep Australia Beautiful Council
- Kimberley College of TAFE
- WA Land Authority (Landcorp)
- Library and Information Services WA
- Metropolitan Cemeteries Board
- Midland College of TAFE
- Ministry of Fair Trading
- Office of Citizenship and Multicultural Interest
- Office of Energy
- Office of Public Sector Standards Commission
- Office of Racing, Gaming and Liquor
- Office of Seniors Interest
- Office of the Auditor General
- Office of Water Regulation
- Perth Dental, Hospital and Community Dental Services
- Perth Market Authority
- Pilbara Development Commission
- South East Metropolitan College of TAFE
- South Metropolitan College of TAFE
- South West Development Commission

- State Revenue Department
- Tourist Commission of WA
- WA Electoral Commission
- WA Health Promotion Foundation
- WA Industrial Relations Commission
- WA Sports Centre Trust
- West Coast College of TAFE
- Women's Policy Office
- Zoological Gardens Board

AUTHORITIES WITH A PARTIAL EXEMPTION UP TO AND INCLUDING \$20,000

- Anti Corruption Commission
- Chemistry Centre (WA)
- Commissioner of Workplace Agreements
- Curriculum Council
- Department of Education Services
- Department of Environmental Protection
- Dried Fruits Board
- Fisheries Department
- Fremantle Cemeteries Board
- Government Employees Housing Authority
- Heritage Council of WA
- Mid West Development Commission
- Ministry for Planning
- Ministry of Sport and Recreation
- Next Step Specialist Drug and Alcohol Services
- Office of the Information Commissioner
- Parliamentary Commission for Administrative Investigation
- Public Trust Office
- Small Business Development Corporation

- Treasury Department
- Valuer General's Office
- WA Treasury Corporation
- Wheatbelt Development Commission
- Worksafe Western Australia

SPECIAL EXEMPTIONS

- Art Gallery of WA –Purchase of Artworks
- Crown Solicitor – Legal Services
- Director of Public Prosecution

APPENDIX 2

LIST OF SUPPLY POLICIES

- Value for Money
- Open and Effective Competition
- Risk Management
- Supporting Local Industry
- Integrity and Ethics
- Supporting Other Government Policies and Initiatives
- Managing Purchasing Conducted by Private Sector Providers
- Common-Use Contracts
- Provision of Supply Information
- Delegated Purchasing Authority

LIST OF GUIDELINES

- Managing Purchasing conducted by Private Sector Providers

Assists public authorities in developing a new contract or changing an existing contract with a private sector provider who will be responsible for conducting purchasing activities on behalf of the public authority.

- 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 issue 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 2000]

Annual Reports 1999

Annual Supply Reports (Who Buys What) - 1997/98, 1998/99

Assuring Quality in Government Purchasing – A Risk Based Approach

Buyer Alerts (Probity Auditing, GST and GST Update)

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

Disposal of Goods Guidelines

Effective Contracting for Services a Casebook of Good Practice

Engaging Consultants – Contracts for Professional Services

Ethical Standards in Government Buying – Education Resource Pack

Ethical Standards in Government Buying - Guidelines for suppliers to Government

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

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