



STATE SUPPLY COMMISSION

2001/2002 ANNUAL REPORT

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**COMPLIANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2002**

HON TOM STEPHENS MLC
MINISTER FOR HOUSING AND WORKS

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 2002.



JENNIFER BALLANTYNE
CHAIRMAN

9 December 2002



DAVE ROBINSON
MEMBER

9 December 2002



CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT

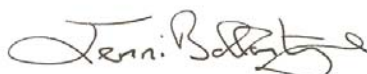
2001/02 saw the Commission working with the community and government agencies to enhance confidence in government procurement.

The State Supply Commission undertook the Review of the Buy Local Policy commencing in November 2001. The Review delivered on the Government's commitment to review the policy after 12 months of operation. The Commission undertook a series of consultation forums throughout the State which involved the community, suppliers, industry associations and government agencies. Attendances at each of the forums were pleasing and provided opportunities for the Minister and the Commission to meet with those affected by the Buy Local Policy. The aim of the Review was to strengthen the Policy with the benefit of the knowledge of one year's operation and this has now been achieved.

The review of the Sponsorship Guidelines involved consultation with a range of stakeholders to ensure the Guidelines are relevant whilst meeting the needs of those seeking or undertaking sponsorship within government. The revised guidelines are a reflection of the business activities of many government agencies.

The Commission continued its programme of Health Checks, which are audits of agency procurement targeted to address specific procurement issues. Health Check 2, covering a range of contracting issues, and Health Check 3, reviewing the application of the Western Australian Government's Buy Local Policy, were tabled in Parliament. Health Check 4, a report on "Information Technology Purchasing and Contracting in the Public Sector," was undertaken and is currently being finalised for submission to the Minister.

The Commission is grateful for the contribution of outgoing Board members Mr Ian Hill, Mr Richard Muirhead, Mr Peter Stewart and Mr Ian Maitland, and welcomes the new Members of the Board. 2002/2003 will see the Commission continuing to work in partnership with the Hon Tom Stephens MLC.



Jennifer Ballantyne
Chairman

9 December 2002



Gary Stokes
A/Chief Executive Officer

9 December 2002



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CORPORATE PROFILE

Membership of the State Supply Commission Board is on appointment by the Minister responsible for the State Supply Commission Act 1991.

The following comprised the membership of the State Supply Commission Board during the year ended 30 June 2002:

Ms Jennifer Ballantyne (Chairman) is the Chief Executive Officer, Second Skin who was appointed Chairman on 1 July 2000 for a period of two years.

Ms Ricky Burges is the Chief Executive Officer, Western Australian Local Government Association who was appointed as a Member on 1 July 2000 for a period of two years.

Mr Jim Coles is Managing Director Westwool Carpets Pty Ltd who was appointed as a Member on 1 July 2000 for a period of two years.

Ms Cheryl Gwilliam was the Chief Executive Officer of the State Supply Commission and was an ex-officio member of the Board by virtue of her holding the Chief Executive Officer's position of the State Supply Commission (in accordance with section 8 (b) of the State Supply Commission Act 1991) from 1 July 2001 until 19 November 2001.

Mr Ian Hill is the Director General of the Department of Training who was re-appointed as a Member on 1 July 2000 for a period of two years.

Mr Richard Muirhead is the Chief Executive Officer of the Western Australian Tourism Commission who was re-appointed as a Member on 1 July 2000 for a period of two years.

Mrs Vickie Petersen is Director of BOSS Transport and Mayor of Geraldton who was appointed as a Member on 1 July 2000 for a period of two years.

Mr Dave Robinson is the Assistant Secretary of Unions WA who was appointed as a Member on 19 March 2001 for a term expiring on 26 March 2003.

Dr Paul Schapper is the A/Director General of the Department of Industry and Technology who was re-appointed as a Member on 1 July 2000 for a period of two years.

Mr Peter Stewart is Principal of Stewart Consulting Engineers Pty Ltd who was appointed as a Member on 1 July 2000 for a period of two years.

Mr Gary Stokes is the A/Chief Executive Officer of the State Supply Commission and is an ex-officio member of the Board by virtue of his holding the Chief Executive Officer's position of the State Supply Commission (in accordance with section 8 (b) of the State Supply Commission Act 1991) from 4 June 2002.

Mr Phillip Turner was the A/Chief Executive Officer of the State Supply Commission and was an ex-officio member of the Board by virtue of his holding the Chief Executive Officer's position of the State Supply Commission (in accordance with section 8 (b) of the State Supply Commission Act 1991) from 20 November 2001 to 3 June 2002.

Mr Ian Maitland is an engineer in private practice who was re-appointed as a Substitute Member on 1 July 2000 for a period of two years.

During 2001/02 the State Supply Commission Board held 6 Ordinary Meetings to consider board matters.



Legislation

The State Supply Commission is a statutory body that was established on 20 September 1991 in accordance with Section 4 of the *State Supply Commission Act 1991*.

State Supply Commission Act 1991

The State Supply Commission Act 1991 provides a framework for the supply of goods and services, and disposal of goods.

The Commission is responsible for arranging and co-ordinating the supply of goods and services within government. Through exemptions granted by the Commission, most public authorities manage and conduct their own purchasing subject to supply policies and 'best practice' guidelines issued by the Commission.

The Commission monitors compliance with its supply policies. Accountability is reinforced through conditions attached to exemptions granted under the State Supply Commission Act, compliance with supply policies and reviews of public authority procurement conducted by the Commission.

Responsible Minister

The Hon Tom Stephens MLC is the Minister responsible for the State Supply Commission Act 1991.

Directions by the Minister Responsible for the State Supply Commission Act 1991

The Minister did not give any directions to the State Supply Commission under section 7(1) of the State Supply Commission Act 1991 during 2001/2002.

Amendments to State Supply Commission Regulations 1991

On 7 May 2002 the State Supply Commission Amendment Regulations 2002 were gazetted and became effective. The amendments recognise the Commission's new partial exemption management framework to determine a public authority's level of autonomous purchasing and contracting authority.

Legislative Compliance

On 23 August 2002 the Minister for Housing and Works granted the State Supply Commission an extension of time to 16 September 2002 in which to submit the Annual Report, under section 70 of the *Financial Administration and Audit Act 1985*.

In the performance of its functions the Commission has complied with the *Financial Administration and Audit Act 1985* and has 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.

Register of Unclaimed Money

Under Section 11(4) of the Unclaimed Money Act 1990 the State Supply Commission is required to make the Register of Unclaimed Money (a special edition of the Government Gazette) for the period ending 31 December 2000 available to the public. The State Supply Commission is located at 5th floor, Dumas House, 2 Havelock Street West Perth 6005.



ROLE OF THE STATE SUPPLY COMMISSION

The role of the State Supply Commission is to arrange for and co-ordinate the supply of goods and services to, and disposal of goods on behalf of, public authorities. Its role encompasses that of policy maker, regulator and umpire in public sector procurement, and involves promoting best practice through the issuing of relevant supply policies and guidelines.

The Commission is comprised of a Board that includes stakeholder groups of State Government agencies, small business and unions.

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

SSC 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

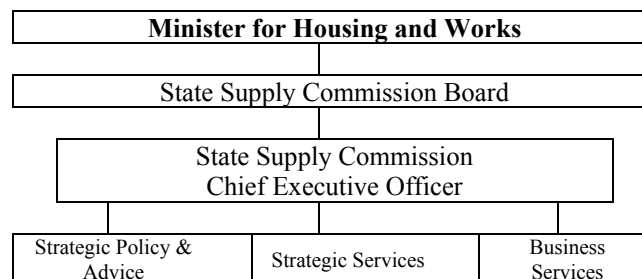
Monitoring

Monitor supply and disposal activities and conduct compliance audits

Advice

Provide advice to Government, agencies and industry on supply and disposal policies

Organisational Structure



OPERATIONAL HIGHLIGHTS 2001/2002

- Community consultation on the Buy Local Policy was completed and the revised policy became operational on 1 July 2002.
- A revised 'Sponsorship in Government' guideline was issued in September 2001. Workshops and extensive public authority consultations were undertaken to implement the Guidelines.
- A revised 'Contract Process' guideline was issued in February 2002.
- The State Supply Commission's Health Check program was continued with two health checks undertaken in 2001/2002. Health Check 3 reviewed the application of the Buy Local Policy and Health Check 4 assessed the performance of public authorities in undertaking purchasing and contracting of information technology across 14 public authorities.
- The Risk Management, Competencies and Compliance Framework was implemented. More than 80 public authorities were assessed using this Framework.
- Public authorities have been briefed on compliance with State Supply Commission supply policies. The major focus of the individual briefings was on public authorities' partial exemption levels and current contracting processes.
- Internal processes have been realigned on the basis of specific advisory services including supplier complaints handling, Buy Local and supply policy advice. Public authorities have been provided with personalised feedback following Risk Management Reviews and Health Checks.
- The State Supply Commission provided an independent complaint review process for suppliers in relation to government purchasing and contracting for goods and services. This included supplier complaints regarding the application of the Buy Local Policy.
- The State Supply Commission conducted complaint handling awareness sessions for public authorities and suppliers throughout the State.
- Completed the termination of the Matrix fleet leasing transaction, bringing fleet financing back under Government control.
- Set up and commenced operating (under a delegation arrangement with the Department of Treasury and Finance) the State Fleet vehicle financing and leasing operation.
- Amended the following supply policies: Value for Money; Risk Management; Managing Purchasing Conducted by Private Sector Providers; and Common Use Contracts and Agency Specific Panel Contracts.



OUTLOOK 2002/2003

Major initiatives to be addressed in 2002/2003 include:

- Raising awareness of supply policies through a series of awareness sessions with government agencies;
- Raising awareness of the Buy Local Policy through a series of awareness sessions with government agencies and suppliers;
- Developing and implementing a Transparency Policy for government contracts;
- Developing and implementing a Sustainability Policy into government procurement.
- Continuing the Health Check Program to monitor Public Authorities compliance with supply policies;
- Continuing the Risk Management, Competencies and Compliance Framework to assess Public Authorities' delegated level of purchasing.
- Continuing the State Supply Commission's Complaints Handling Process.
- Continuing (through the delegation arrangement with the Department of Treasury and Finance) the development of State Fleet as a commercially viable business operation.
- Participating (through the delegation arrangement with the Department of Treasury and Finance) in a review by the Department of Industry and Technology of a range of fleet contracts.



OPERATIONS REPORT

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. It reports to the Australian Procurement and Construction Ministerial Council, comprising Ministers with responsibility for procurement and construction policy.

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

The Council develops nationally consistent approaches to broader procurement policies, processes and practices, with an increasing emphasis on:

- Electronic commerce for government procurement;
- Public sector infrastructure needs;
- Competitive tendering and contracting; and
- Improving access to Government markets for small to medium enterprises.

Buy Local Policy

The State Government's Buy Local Policy actively encourages participation by Western Australian businesses in government service delivery and requires government entities to adopt procurement practices that help achieve this outcome.

It applies to all State Government purchasing of goods, services and works, including housing, undertaken by public authorities, government departments and agencies and government trading enterprises unless specifically exempt by Cabinet.

The Commission undertook a review of the policy during which it conducted 20 public consultation forums in November and December 2001, seventeen in regional Western Australia and three in the Perth metropolitan region.

Comments and written submissions were received from government agencies, suppliers, and industry association representatives.

The revised *Buy Local Policy* became effective on 1 July 2002. It focuses on maximising local and regional business opportunities by increasing the opportunities for these businesses to bid for government work. The policy recognizes that government purchasing has an impact on local industry development and provides stronger support for Western Australian businesses through the introduction of a mandatory local content criterion for all government buying above \$750,000. The Policy also provides special assistance for businesses within shires affected by the implementation of the Government's *Protecting Our Old Growth Forest Policy*.

Complaints Handling Service

The State Supply Commission provides a complaints handling process for suppliers. The Commission has responsibility for reviewing complaints lodged with respect 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 review. During the year, the Commission finalised 61 complaints and concerns raised by suppliers.

During 2001/2002 the Commission briefed suppliers and public authorities about the complaints handling process through a series of information and awareness sessions.



Guidelines Reviewed

The State Supply Commission reviewed and amended two of its guidelines:

Sponsorship in Government

The revised guidelines are intended to provide a broad framework to enable public authorities to prepare their own sponsorship policies, principles and procedures suited to their own individual requirements.

The Contract Process

The revised guidelines are intended to clarify the contract process and are arranged in summary form with reference links to explanations of key issues. Additional information is provided in the form of appendices as well as references to relevant supply and Western Australian Government policies.

Health Checks

The Commission is specifically empowered under its Act to develop policies; coordinate the supply of goods and services; monitor the supply of goods and services and disposal of goods, and provide guidance and advice to agencies and Government.

As part of its monitoring role, it conducts compliance reviews of public authorities' procurement activities.

During 2001/2002 the Commission undertook Health Checks 3 and 4 and the Minister tabled Health Checks 2 and 3 in Parliament.

Health Check 3

Health Check 3 reviewed the application of the Western Australian Government's *Buy Local* Policy in 17 metropolitan and regional public authorities. A total of 190 contracts were reviewed and were for contracts awarded as a result of requests for quotation or requests for tender called after 1 November 2001. Health Check 3 was tabled in Parliament on 15 November 2001.

Health Check 4

KPMG was engaged to undertake a health check of 14 public sector agencies to review Government information technology contracting and purchasing.

Health Check 4 focused on 153 information technology contracts awarded during the period 1 July 1997 to 1 July 2001. These contracts included IT software, hardware, application development, systems development, systems support and other significant IT related consultancy contracts. It is expected that Health Check 4 will be tabled in Parliament during 2002/2003.

Detail on the findings of Health Checks 3 and 4 can be found under the Performance Indicators section of this Annual Report.

Risk Management, Competencies and Compliance Framework

The State Supply Commission has implemented its Risk Management, Competencies and Compliance Framework for assessing public authorities' purchasing and contracting capabilities.

The Framework forms an integral part of the State Supply Commission's management of the exemption process for public authorities under section 21(1) of the *State Supply Commission Act 1991*.



The operation of the Framework provides the Commission with consistent and accurate review results from which it can determine each public authority's exemption level for purchasing and contracting activities.

The Framework also provides public authorities with a tool they can use to review their own purchasing and contracting functions.

It also provides the Commission and public authorities with a benchmark for assessing partial exemption levels based on a public authority's:

- Purchasing and contracting infrastructure (resources, systems and documentation);
- Application of its purchasing and contracting infrastructure;
- Contract management processes and procedures;
- Compliance with State Supply Commission supply policies; and
- Level of competencies (organisational and individual officers) to perform the purchasing and contract management functions.

Following the successful pilot of the Framework, the Commission's Board endorsed the implementation of the Framework and the Risk Management Review Program. The program involved Risk Management Reviews for all public authorities with partial exemptions under the jurisdiction of the *State Supply Commission Act 1991*.

Under this program the Commission managed 83 Risk Management Reviews, including three Health Units and the Western Australian Government Railways Commission. As a result of the Risk Management Reviews:

- 64 public authorities' partial exemptions were confirmed at the current levels
- 8 public authorities' partial exemptions were recommended for an increase;
- 3 public authorities' partial exemptions were recommended for a decrease;
- 3 public authorities are being assessed for an initial partial exemption.
- 4 public authorities – no partial exemption
- 1 public authority – total exemption

The State Supply Commission will continue to periodically review public authorities using the Framework as an integral approach to monitoring and improving the purchasing and contracting functions of the public authorities under its jurisdiction.

Further details on the findings of Risk Management Reviews can be found under the Performance Indicators section of this Annual Report.

State Fleet – General Note

On 30 May 2001 the State Supply Commission, through a Notice of Delegation and other legal documents, delegated to the Under Treasurer and the Director, Financial Operations at Treasury, broad powers relating to the then existing fleet lease transaction and the future funding, management and operation of the vehicle fleet. Among the powers delegated was the power to borrow moneys under section 31 of the State Supply Commission Act and the power to operate a sub-account of the State Supply Commission bank account.

State Fleet was set up as an operating entity under these powers. While it operates under the delegation from the State Supply Commission, and uses the powers of the State Supply Commission Act, it operates quite separately from the Commission's other operations. Accountability is met by quarterly and exception reporting arrangements.

In June 2001 the Treasurer advised Parliament that because of changes in Commonwealth tax laws, and a drop in the second-hand vehicle market, the motor vehicle fleet lease transaction had ceased to be economic for the State. At this time State Fleet began financing and purchasing vehicles to lease to agencies. Following negotiations with transaction parties a viable restructure proposal did not eventuate and in November 2001 the transaction was terminated.

As part of the termination process State Fleet acquired the rights to use of, and to the rental and sale proceeds, on the 6651 vehicles that remained in the transaction at termination. Between termination and the end of the financial year State Fleet received the proceeds on sale of 2,413 Matrix vehicles with 4,238 Matrix vehicles remaining in the fleet at June 30.



During 2001/02 State Fleet acquired 3,837 passenger and light commercial vehicle and sold 85 of its vehicles. At the end of year the number of vehicles owned by State fleet was 4,013 vehicles up from 261 vehicles at the beginning of the year.

The number of vehicles leased by State Fleet to agencies (State Fleet owned and leased from Matrix) at the end of the year was 8,251 down from 8,915 vehicles at the start of the year. The reduction was primarily due to the Government fleet reduction strategy and the run down in vehicles leased to recently privatised entities.

It was appropriate and necessary following the termination of the previous (Matrix) leasing arrangements, for State Fleet to review the structure of the leasing arrangements and to introduce a revised set of business rules. Agencies were advised of the proposed changes in December 2001 and following a transition period the new business rules came into operation in April 2002.

The new business rules improve the flexibility of leasing arrangements for agencies with greater choice of lease terms and kilometre ranges. In line with commercial leasing arrangements, fixed lease terms with early return and overuse adjustments have been introduced.

State Fleet is required to be self-funding from its own revenue and to be commercially viable over time. The 2001/02 financial year was significantly impacted by one-off factors related to the termination of the previous leasing arrangement and the subsequent financial restructuring. State Fleet is projected to be profitable from 2002/03 forward.

State Tenders Committee

The role of the State Tenders Committee is to provide public authorities with an independent view of their contracting activities without impinging on the statutory responsibilities of Chief Executive Officers.

A public authority holding a partial exemption granted under Section 21(1) of the State Supply Commission Act in undertaking to purchase and contract for goods and services must comply with both its exemption level and State Supply Commission supply policies.

The State Tenders Committee provides a mechanism for greater transparency and accountability in government contracting.

The contract thresholds requiring contracting documentation to be referred to the State Tenders Committee for endorsement are outlined in the Risk Management supply policy. During the year the Risk Management supply policy was amended in relation to the requirements on public authorities. The details are outlined in the 'Supply Policies Reviewed' section.

For the year ended 30 June 2002 the State Tenders Committee considered 113 procurement plans and 175 tender submissions.

Supply Policies Reviewed

During the year the State Supply Commission reviewed and amended a number of its supply policies. The more significant amendments to the supply policies were:

Value for Money

Public authorities are now required to develop a procurement plan and contract management plan in accordance with the State Supply Commission's Risk Management Policy.

Risk Management

The amendments to the Risk Management policy relate to the 'State Tenders Committee' section and clarify public authorities' requirements under the policy:

- Public authorities with a partial exemption of \$1 million must submit tender evaluations and contract award recommendations for purchases or disposals having a total contract price above \$500,000



- Public authorities, when contracting under their own legislation, must submit tender evaluations and contract award recommendations for purchases or disposals having a total contract price above \$500,000.

Managing Purchasing Conducted by Private Sector Providers

The Supporting Other Government Policies and Initiatives policy were added to the list of supply policies applicable to private sector providers. This means that all Government Policies are applicable, for example the Buy Local Policy and the Priority Access Policy, to private sector providers engaged to undertake contracts on behalf of public authorities. These changes were gazetted on 3 August 2001.

The policy was enhanced to reinforce the requirement for private sector providers to apply the Buy Local Policy in their purchasing activities.

Common Use Contracts and Agency Specific Panel Contracts

A new section titled 'Buyers Guides' was inserted, mandating the requirement for public authorities to develop a Buyers Guide for all panel contracts.



INFORMATION AND SUPPLY TRENDS

Who Buys What

The State Supply Commission reports to Parliament annually on whole of government purchasing activities. The information enables interested government and industry stakeholders to better understand the government market and to monitor trends in the purchasing activities of the public sector.

The State Supply Commission released the 2000/2001 *Who Buys What* report in February 2002. The *Who Buys What* report identifies that Western Australian Government expenditure on goods and services, construction and building related services was more than \$5.1 billion for the 2000/2001 financial year.

The *Who Buys What* report provides annual purchasing statistics for 122 Government agencies and identifies the types of goods and services purchased. The report also includes information for organisations that may be interested in supplying to government. The section entitled "Using this Information to Sell to Government" includes information about the government purchasing process and also provides a list of agency contacts for interested suppliers.

Who Buys What provides information about Government purchasing including:

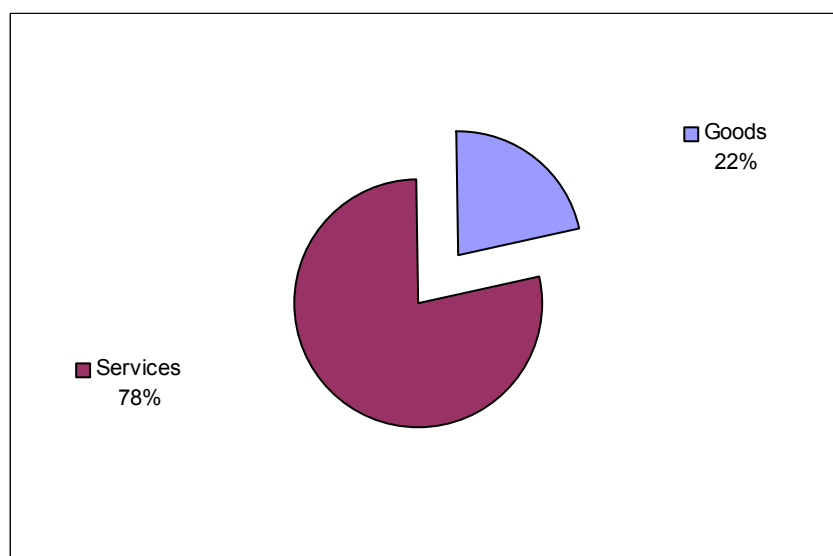
- The top 10 agencies purchasing each commodity
- The top 10 goods purchased by all agencies
- The top 10 services purchased by all agencies

The report is available for download for the Commission's web site at www.ssc.wa.gov.au.

The Commission's website also provides an interactive database that provides information of expenditure by categories for all agencies.

Comparison Between Expenditure on Goods and Services

The 2000/2001 financial year represents the first year since 1994/1995 where the proportion of services did not increase in comparison to goods expenditure. In 2000/2001 services still represented a significant majority of the total purchases, representing 78% of all purchases

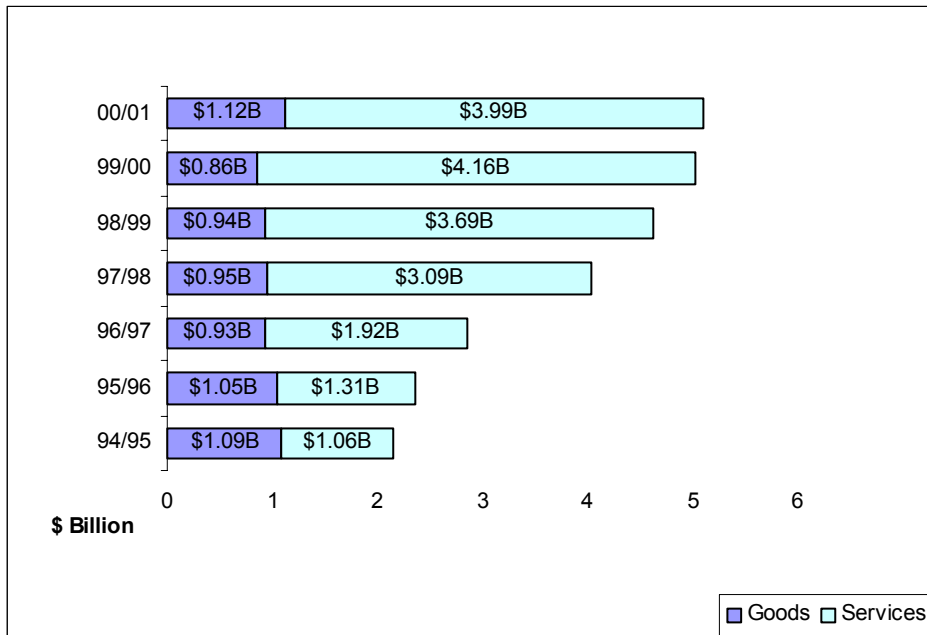


Source: Who Buys What 2000/2001



Goods and Services Comparisons with previous years

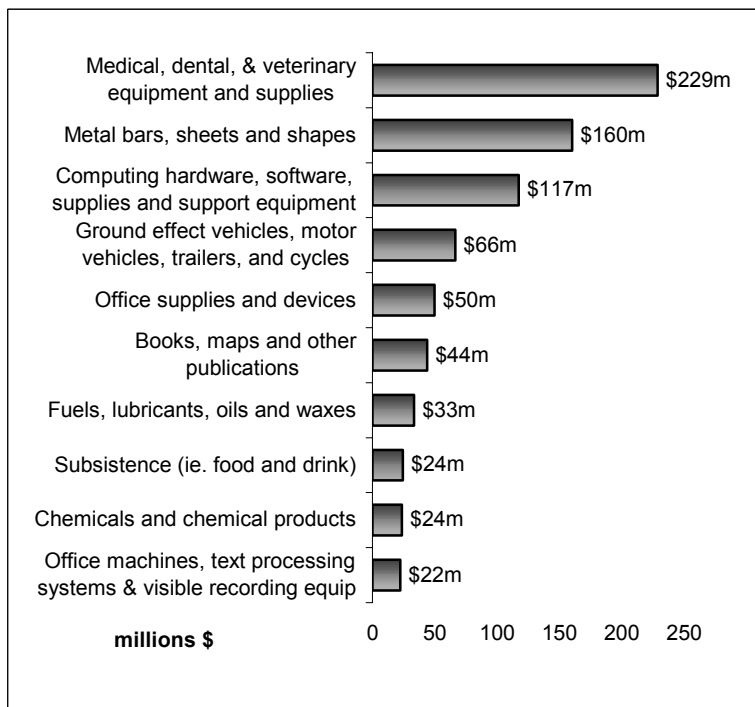
This chart represents a comparison of purchasing of goods and services undertaken in 2000/2001 * with previous financial years



Source: Who Buys What 2000/2001

Top 10 Goods

This chart shows the top 10 goods purchased and the approximate amounts spent on each in 2000/2001

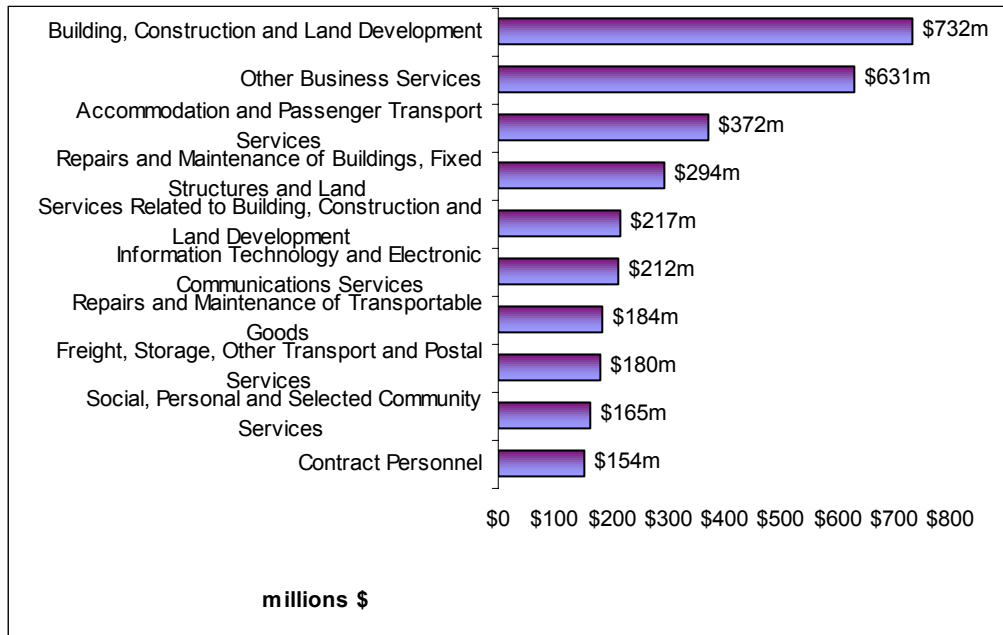


Source: Who Buys What 2000/2001



Top 10 Services

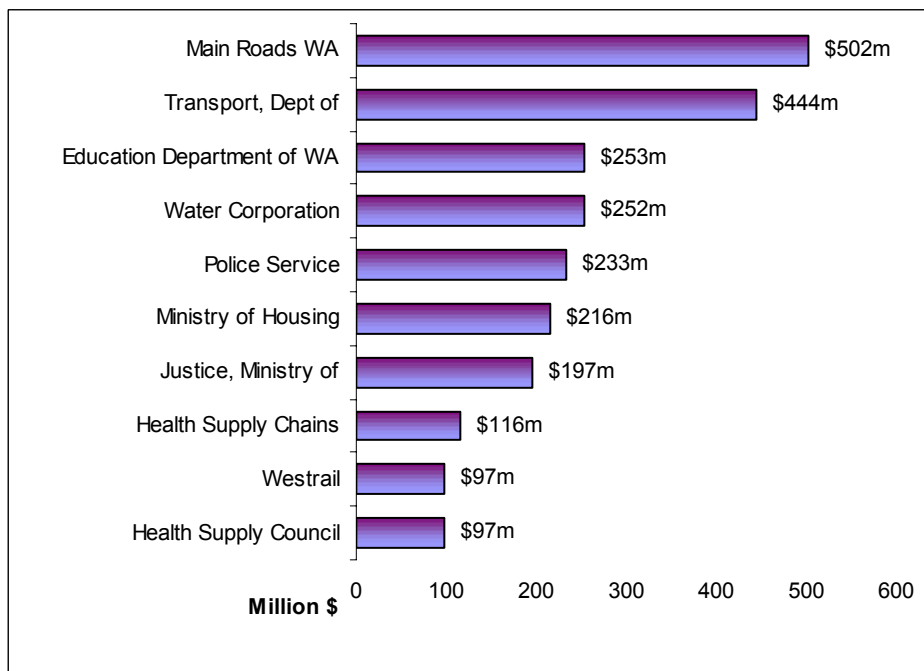
This graph shows the top 10 services purchased and the approximate amount spent on each*.



Source: Who Buys What 2000/2001

Top 10 Agencies

This graph shows the top 10 agencies with the highest overall expenditure on goods and services in 2000/2001*



Source: Who Buys What 2000/2001

*Data for 2001/2002 was not available at time of publishing this information



REPORTS ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES

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.

The State Supply Commission's Management System contains a module outlining the standards, procedures and requirements for human resource management (last updated November 2000). This includes information on how to lodge a breach of the standards, employee rights and obligations and other legislative requirements.

In January 2001, the Commission developed a Code of Conduct, which is provided to all employees as part of their induction. The purpose of the Code of Conduct is to provide employees with clear and practical guidelines on ethical behaviour in the workplace.

Statement of Compliance

In the administration of State Supply Commission, I have complied with Human Resource Management, the WA Public Sector Code of Ethics and the Commission's Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made is correct.

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

Gary Stokes
A/Chief Executive Officer

Disability Services Plan

The Commission is in the process of updating its Disability Services Plan in conjunction with officers of the Disability Services Commission.

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

The Commission promotes 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 policy*, forms part of the Commission's Buying Wisely manual, which currently houses the Commission's complete set of policies and guidelines on government purchasing.

The Commission is a tenant in Dumas House, a government-owned building built in the 1960s. This facility was not designed with access issues in mind, however the Commission (through participation on the Dumas House Tenants Committee) continues to advocate changes to ensure access issues and facilities for people with disabilities are identified and rectified where possible.



To facilitate ease of access for customers, the State Supply Commission's policies, guidelines and complaints process are available in electronic format and can be accessed through the State Supply Commission's website.

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.

This year's launch and rollout of the Buy Local Policy showed a significant improvement in the level of female representation from last year's launch of the draft Buy Local Policy. Female representation increased from 19% (draft Buy Local forums) to 25% representation at awareness raising and information sessions presented by the Commission in 31 regional and metropolitan centres. Women were encouraged to attend forums by way of direct postal invitation from the Commission, through local Chambers of Commerce and Industry and broad press advertising.

The representation of women at the Commission has decreased in the year ended June 30, 2002. The ratio of women staff has decreased from 57.1% in 2000/01 to 35.7% in 2001/02. It no longer has any woman member of the Senior Executive Service.

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 2002)

Number of Staff employed	14
Number of permanent, full time staff	14
Number of fixed term, full time staff	0
Number of staff on secondment from SSC to other agencies	0
Number of staff on secondment to SSC from other agencies	2
Number of staff who have a disability	0
Number of staff employed under an Enterprise Agreement	0
Number of staff employed under a Public Service Salaries & Allowances Tribunal Agreement	1
Number of staff employed under a Public Service Agreement	2
Number of staff employed under a Public Service General Agreement	4
Number of staff employed under a Workplace Agreement	7



Salary Profile by Gender

Number of Permanent and Fixed Term Employees by Gender as at 30 June 2002 –

SALARY RANGE \$	WOMEN	MEN	TOTAL
0–33,951	0	0	0
35,952–41,420	1	0	1
41,421–46,640	1	0	1
46,641–51,883	0	1	1
51,884–60,377	1	1	2
60,378–70,355	1	0	1
70,356–79,686	0	4	4
79,687–91,298	1	2	3
91,299–103,693	0	0	0
>103,693	0	1	1
TOTAL	5	9	14

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 leave the room or is asked not to comment during discussion of the particular agenda item.

Anti Corruption Commission Act 1988

In accordance with the *Anti-Corruption Commission Act 1988*, one report was made under Section 14 of the above Act during 2001/2002.

Freedom of Information Statement as at 30 June 2002

The State Supply Commission's statistical return to the Office of the Information Commissioner showed no applications were received during the period 1 July 2001 to 30 June 2002.

The *Freedom of Information Act 1992* provides the right for the public to lodge an application for documents not routinely available. 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. Appendix 3 details the documents routinely available from the State Supply Commission.

For assistance in making an application, contact the FOI Co-ordinator on 9222 5700. 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 2001/02, the Commission expended a total of \$56,731 with advertising/publication and market research organisations, dispersed as below.

Market Research Organisations \$13,612

Colmar Brunton	Annual Supply Report - collation and analysis	\$13,612
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Media Advertising Agencies \$8,325

Marketforce Productions	Press advertisements & positions advertised	\$7,501
Department of the Premier & Cabinet Intersector	Positions advertised	\$824

Advertising Agencies \$33,794

Linkletters	Design and typesetting of manuals and publications	\$1,709
Square Peg Design & Illustration	Design and typesetting of manuals and publications	\$5,064
B & S Printing Company	Design and typesetting of manuals and publications	\$16,512
Lamb Printing	Design and typesetting of manuals and publications	\$7,966
Imagesource Digital	Inserts and mailouts	\$69
Dataflow Business Systems	Design and printing of letterheads & business cards	\$2,474

Waste Paper Recycling

The State Supply Commission is committed to using recycled paper and waste paper is recycled.

Language and Cultural Diversity Outcomes

The Commission is aware of the Office of Multicultural Interests' policy of Interpretations & Languages translations and would contact them directly or refer customers as the need arises..



OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

The State Supply Commission was provided with an amount of \$1.501 million to meet recurrent and capital services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.937 million. The Commission received services free of charge to the extent of \$40,000.

The following outcome, 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.

Outcome : A Policy Framework For The Supply Of Goods And Services And The Disposal Of Goods

EFFECTIVENESS INDICATOR 1

Performance Measure	2001/02 Target	2001/2002 Actual	Reason for Significant Variation
The extent to which Public Authorities comply with the purchasing and disposal framework (measured by Health Check and Risk Management Reviews).	100%	99%	

The effectiveness of the supply and disposal framework of the State Supply Commission is demonstrated by the extent to which Public Authorities comply with the purchasing and disposal framework, and the extent of substantiated complaints received, relative to the number of tenders awarded. These show the Commission's policy objectives of accountability, transparency, open effective competition and the maximisation of opportunities for local business have been achieved.

In 2001-2002 there were approximately 3,028 Tenders/Contracts over \$10,000 awarded and 60 Complaints/Concerns received by the Commission. Out of the 60 Complaints/Concerns that were received only 17 Complaints/Concerns were sustained.

The number of sustained Complaints/Concerns divided by number of awarded contract valued over \$10,000 equals the percentage of the extent to which Public Authorities comply with the purchasing and disposal framework.

EFFECTIVENESS INDICATOR 2

Effectiveness of the Commission's supply and disposal framework in relation to public authorities' compliance with supply policies.

Performance Measure	1999/00	2000/01	2001/02
Health Checks			
Health Check 3	Nil	Nil	100%
Health Check 4	Nil	Nil	96%
Risk Management Reviews			
- Current Levels	Nil	Nil	64 (77%) ¹
- Recommended for Increase	Nil	Nil	8 (9%) ¹
- Recommended for Decrease	Nil	Nil	3 (4%) ¹
- Recommended for Initial partial exemption.	Nil	Nil	3 (4%) ¹
- No partial Exemption	Nil	Nil	4 (5%) ¹
- Total Exemption	Nil	Nil	1 (1%) ¹

¹ Refers to Risk Management Reviews – Recommendation for explanation of the figures



The effectiveness indicator of the supply and disposal framework of the State Supply Commission is also demonstrated by Health Checks and Risk Management Competencies and Compliance Framework reviews of public authorities.

Health Checks

Health Check 3 was a compliance review of the application of the Buy Local Policy in the tender process and the ongoing contract management of each of the contracts selected for review. This health check was undertaken in 17 locations within 11 government agencies.

Overall the findings were positive. Of the 190 Government contracts reviewed, 158 contracts were identified as having a regional point of contract delivery with the remainder being metropolitan deliveries. Of the of the 158 regional contracts 81% were awarded to businesses local (within the prescribed distance) to the point of delivery, 15% were awarded to metropolitan businesses and 4% were awarded to non-Western Australian businesses.

Health Check 4 was a compliance review of the information technology purchasing and contracting activities in government agencies. This health check was undertaken in 14 Government agencies.

It focused on 153 information technology contracts awarded during the period 1 July 1997 and 1 July 2001. These contracts included IT software, hardware, application development, systems development, systems support and other significant IT related consultancy contracts.

In the context of 153 contracts reviewed, 6 significant policy and contract management issues were identified as requiring improvement or better management by the public authorities reviewed.

Output 1 : Supply Policies And Guidelines And Policy Advice

Provision of policy advice and to develop, implement, maintain and review effective policies and guidelines for the supply of goods and services and for disposal of goods

EFFICIENCY INDICATOR

Performance Measure	2001/02 Target	2001/2002 Actual	Reason for Significant Variation
QUANTITY			
Policy advice, hours of consultation and preparation	7,500	7,500	
Policy development and review hours of research, development, consultation and implementation	5,000	5,000	
QUALITY			
Ministerial satisfaction expressed in terms of policies provided to and endorsed by the Minister	100%	100%	
TIMELINESS			
Policy advice within agreed time frame	100%	100%	
COST			
Average cost per hour of policy development and advice	\$62	\$66	



Policies and Guidelines

In total 8 policies and guidelines were reviewed and the changes implemented. Major pieces of work included the *Sponsorship in Government Guidelines* and the *Contract Process Guidelines*. Substantial work was undertaken for the Review of the *Buy Local Policy* which is effective from 1 July 2002 and therefore has not been accounted for in these figures.

All policies and guidelines provided to the Minister were endorsed.

As the State Supply Commission amended all of its Output Measures in 2001/02, the 1999/00 and the 2000/01 comparative data have been based on the 2001/02 budgeted hours for policy development and advice.

Output 2 : Compliance And Risk Management Assessment Reports

The assessment of public authority's compliance with Supply Policies, and Risk Management Reviews of authorities contracting capabilities.

EFFICIENCY INDICATOR

Performance Measure	2001/02 Target	2001/2002 Actual	Reason for Significant Variation
QUALITY			
Hours spent undertaking risk management and compliance assessments.	8,885	8,885	
QUANTITY			
Public Authorities that on review have been found to comply with Supply Policies and the conditions of their granted partial exemption.	100%	100% ²	
TIMELINESS			
Successful completion with agreed timeframes of scheduled compliance reviews.	100%	100%	
COST			
Average cost per hour for risk management and compliance reviews.	\$61	\$93	Increased consultancy costs from carryover funding for the inaugural Risk Management Reviews program.

In accordance with the Commission's program requirements, the Commission undertook two reviews of procurement and contracting within public authorities that are currently purchasing and contracting under an exemption (see Appendix 1) granted by the Commission for devolved purchasing. These reviews were:

- 17 locations of 11 public authorities were reviewed as part of Health Check 3 and 14 were reviewed as part of Health Check 4. The Health Check program reviews procurement practices and compliance with Supply Policies and the Government Policies under the administration of the Commission eg. 'Buy Local Policy'.

² Partial exemptions of 3% of public authorities reviewed were decreased to better align them with similar agencies and to match their purchasing profiles over the last 2 years.



- The purchasing and contracting functions of 83 public authorities were reviewed using the Risk Management, Competencies and Compliance Framework.

Health Check 3

PriceWaterhouseCoopers, on behalf of the Commission, undertook a health check of 17 locations of 11 public authorities.

Health Check was a compliance review of the application of the Buy Local Policy in the tender process and the ongoing contract management of each of the contracts selected for review.

Overall the findings were positive. Of the 190 Government contracts reviewed, 158 contracts were identified as having a regional point of contract delivery with the remainder being metropolitan deliveries. Of the 158 regional contracts 81% were awarded to businesses local (within the prescribed distance) to the point of delivery, 15% were awarded to metropolitan businesses and 4% were awarded to non-Western Australian businesses.

In summary, positive findings included:

- All public authorities reviewed mandated the application of the relevant *Buy Local Policy* requirements to the purchase and contract process.
- For the majority of contracts reviewed, the relevant *Buy Local Policy* requirements were applied.
- The majority of public authorities reviewed maintained good contract documentation enabling the efficient recovery of key information and facilitating sound contract management.
- A significant majority of public authorities reviewed gained an understanding of the local market prior to issuing tender documents.
- The majority of public authorities reviewed undertook advertising in accordance with supply policies and, where appropriate, conducted regional advertising for tenders exceeding \$50,000.
- A significant majority of public authorities reviewed ensured a minimum of three quotes were requested for all purchases priced below \$50,000.
- On all occasions, where a local business was unsuccessful in being awarded a contract exceeding \$50,000, the government public authority CEO approved the evaluation report justifying the award.
- On all occasions where price preferences were applicable to the tender evaluation process, the price preferences were correctly applied.
- For a significant majority of the contracts reviewed, the tender or quotation was structured in a manner to encourage local or regional businesses to bid.
- On all occasions, where a contract was awarded to a regional business, the contractor, as claimed in the tender, managed the contract from the regional location.

Health Check 3 also identified some issues that, in general, were limited to specific contracts, incidences or locations. In summary there was evidence that some public authorities did not consider the application of the *Buy Local Policy* in their tender planning, documentation and evaluation processes. One aspect of this was the opportunity to identify local supplier capability. There was also indication that some suppliers had an incomplete understanding of the *Buy Local Policy*.



Health Check 4³

KPMG, on behalf of the Commission, undertook a health check of 14 public authorities that reviewed government information technology contracting and purchasing.

Health Check 4 focused on 153 information technology contracts awarded during the period 1 July 1997 and 1 July 2001. These contracts included IT software, hardware, application development, systems development, systems support and other significant IT related consultancy contracts.

In the context of 153 contracts reviewed, 6 significant policy and contract management issues were identified as requiring improvement or better management by the public authorities reviewed:

- Contract variation management - some significant variations between estimated contract values and actual expenditure were identified
- Sole suppliers - a need for stronger controls in approval processes for the direct engagement of sole suppliers in some public authorities
- Contracting competencies – the competencies of staff developing and managing contracts was identified as an issue in 7 of the 14 public authorities
- Compliance with internal public authority and State Supply Commission approval requirements
- WA Government Contracting Information Bulletin Board and transparency - the use of the bulletin board was inconsistent in some public authorities
- Contract documentation management - contract documentation and contract file management was not always of a high standard.

Risk Management, Competencies and Compliance Framework

The Commission undertook a review of the purchasing and contracting functions in 83 public authorities using the Risk Management, Competencies and Compliance Framework. This framework assesses the risk management infrastructure, the public authority and officer's competencies and the purchase and contract award process compliance with supply policies and guidelines.

The review provided the Commission with an assessment of the purchasing and contracting functions at an individual agency level as well as providing an overall view of Government purchasing and contracting.

As a result of the Risk Management Review program partial exemptions were assessed with the following results:

- 64 public authorities' partial exemptions were confirmed at the current levels
- 8 public authorities' partial exemptions were recommended for an increase;
- 3 public authorities' partial exemptions were recommended for a decrease;
- 3 public authorities are being assessed for an initial partial exemption.
- 4 public authorities – no partial exemption
- 1 public authority – total exemption

The results of the review highlighted a range of purchasing models within Government and a diverse range of purchasing. While the Risk Management Review identified substantial compliance with individual State Supply Commission supply policies, the following findings are of concern to the State Supply Commission:

1. Inadequate and out of date internal purchasing and contracting policies, templates and procedures in some public authorities;

³ At the time of printing, this Health Check had not been tabled in Parliament.



2. The application of the *Open and Effective Competition* policy requirements and the quality of record keeping for purchases valued below \$5,000 were found to be consistently inadequate;
3. Significant variations in the quality of contract and procurement record keeping in some public authorities;
4. Significant variations in the level of purchasing and contracting competencies in some public authorities;
5. Contract management procedures and systems were identified as significant issues that need to be addressed by public authorities.

Output 3 : Complaints Management Service

The management of an independent supplier complaint process, to enhance accountability and public confidence in public authority procurement.

EFFICIENCY INDICATOR

Performance Measure	2001/02 Target	2001/2002 Actual	Reason for Significant Variation
QUANTITY			
Complaints/concerns not requiring formal review.	30	37	Increased number of complaints received were referred back to public authority or not under the jurisdiction of the SSC
Complaints/concerns requiring formal review.	20	24	Increase in the number of complaints received
QUALITY			
Public Authority acceptance of recommendations	95%	100%	
TIMELINESS			
Complaint/Concern Review completed within 45 working days	85%	69%	Significant delays occurred in receiving feedback from public authorities in regard to complaints
COST			
Average cost of Complaints/Concerns not requiring formal review.	\$1,540	\$1,541	
Average cost of Complaints/Concerns requiring formal review.	\$9,240	\$9,919	

The Commission finalised sixty (60) complaints/concerns during the year. Twenty eight (28) were not sustained, six (6) were resolved between the agency and supplier following Commission intervention, six (6) were outside the jurisdiction of the Commission and twenty (20) resulted in forty four (44) recommendations being made to agencies. The agencies have accepted thirty eight (38) recommendations, which have been implemented. The remaining eight (8) recommendations are as a result of two (2) complaints finalised late in the year and the agencies are yet to respond to the Commission in regard to their implementation.

The Commission conducted Complaints Handling Awareness Sessions for agencies throughout the year to assist them to understand the process and create an awareness of which complaints the Commission can review under its jurisdiction.



Output 4 : Management Of The Funding And Leasing Of The State's Vehicle Fleet

Management of the "funding and leasing" of the State's vehicle fleet.

EFFICIENCY INDICATOR

Performance Measure	2001/02 Target	2001/2002 Actual	Reason for Significant Variation
QUANTITY			
Number of leased vehicles	8,900	8,632	Number of vehicles determined by client agencies
QUALITY			
Achieve a seamless transition from the old to the new financial arrangement.	n/a	Yes	
TIMELINESS			
Timing requirements for wholesale financing obligations are met.	100%	100%	
COST			
Average cost of leased vehicle.	\$7,792	\$13,732	Refer Note below.

Note:

The 2001-02 year was significantly impacted by termination of the Matrix transaction which makes comparison between target and actuals difficult. In particular State Fleet acquired, at termination, bailment rights that are expensed as vehicles are sold. The bailment expense is transitional and will cease to feature in the accounts as the relevant vehicles are replaced. The bailment expense for the year was \$63.5 million and there was also an asset revaluation of \$20.6 million. After allowing for the revaluation of bailment rights the value of bailment rights expensed was offset by revenue from bailment rental and sales proceeds.



**CERTIFICATION OF PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2002**

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the State Supply Commission's performance, and fairly represent the performance of the State Supply Commission for the financial year ended 30 June 2002.



JENNIFER BALLANTYNE

CHAIRMAN

9 December 2002



DAVE ROBINSON

MEMBER

9 December 2002



Opinion of the Auditor General



AUDITOR GENERAL

To the Parliament of Western Australia

STATE SUPPLY COMMISSION PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2002

Matters Relating to the Electronic Presentation of the Audited Performance Indicators

This audit opinion relates to the performance indicators of the State Supply Commission for the year ended June 30, 2002 included on the State Supply Commission's web site. The Commission is responsible for the integrity of the State Supply Commission's web site. I have not been engaged to report on the integrity of this web site. The audit opinion refers only to the performance indicators named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these performance indicators. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance indicators to confirm the information included in the audited performance indicators presented on this web site.

Scope

I have audited the key effectiveness and efficiency performance indicators of the State Supply Commission for the year ended June 30, 2002 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, 2002.

D D R PEARSON
AUDITOR GENERAL
December 13, 2002



Performance Indicators

Legislative Outcome

The Legislative Outcome of the State Supply Commission is currently being developed by the Commission.

Outcome

A Policy Framework for the Supply of Goods and Services and the Disposal of Goods

Effectiveness Indicator 1

Performance Measure	2001/2002
The extent to which Public Authorities comply with the purchasing and disposal framework – Tenders >\$10,000 & Formal Complaints	99%

The effectiveness of the supply and disposal framework of the State Supply Commission is demonstrated by the extent to which Public Authorities comply with the purchasing and disposal framework, and the extent of substantiated complaints received, relative to the number of tenders awarded. These show the Commission's policy objectives of accountability, transparency, open effective competition and the maximisation of opportunities for local business have been achieved.

For the year 2001/2002 the WA Government Contracting Information Bulletin Board recorded approximately 3,028 awarded contracts valued over \$10,000. In the same period the Commission received 60 Complaints/Concerns of which only 17 Complaints/Concerns were sustained.

The number of sustained Complaints/Concerns divided by the number of awarded contracts valued over \$10,000 equals the percentage of the extent to which public authorities comply with the purchasing and disposal framework.

No comparative data can be provided for 1999/00 and 2000/01 as this Outcome was only introduced in 2001/02. Prior to 2001/02 a Customer Satisfaction Survey was conducted and reported.

Effectiveness Indicator 2

Effectiveness of the Commission's supply and disposal framework in relation to public authorities' compliance with supply policies.

Performance Measure	2001/02
Health Checks	
Health Check 3	100%
Health Check 4	96%
Risk Management Reviews	
- Current Levels	64 (77%) ¹
- Recommended for Increase	8 (9%) ¹
- Recommended for Decrease	3 (4%) ¹
- Recommended for Initial partial exemption	3 (4%) ¹
- No partial Exemption	4 (5%) ¹
- Total Exemption	1 (1%) ¹

¹ Refer to Risk Management Reviews – Recommendations for explanation of the figures



The effectiveness indicator of the supply and disposal framework of the State Supply Commission is also demonstrated by Health Checks and Risk Management Competencies and Compliance Framework reviews of public authorities.

Health Checks

Health Check 3 was a compliance review of the application of the Buy Local Policy in the tender process and the ongoing contract management of each of the contracts selected for review. This health check was undertaken in 17 locations within 11 government public authorities.

Overall the findings were positive. Of the 190 Government contracts reviewed, 158 contracts were identified as having a regional point of contract delivery with the remainder being metropolitan deliveries. Of the 158 regional contracts 81% were awarded to businesses local (within the prescribed distance) to the point of delivery, 15% were awarded to metropolitan businesses and 4% were awarded to non-Western Australian businesses.

In summary, positive findings included:

- All public authorities reviewed mandated the application of the relevant *Buy Local Policy* requirements to the purchase and contract process.
- For the majority of contracts reviewed, the relevant *Buy Local Policy* requirements were applied.
- The majority of public authorities reviewed maintained good contract documentation enabling the efficient recovery of key information and facilitating sound contract management.
- A significant majority of public authorities reviewed gained an understanding of the local market prior to issuing tender documents.
- The majority of public authorities reviewed undertook advertising in accordance with supply policies and, where appropriate, conducted regional advertising for tenders exceeding \$50,000.
- A significant majority of public authorities reviewed ensured a minimum of three quotes were requested for all purchases priced below \$50,000.
- On all occasions, where a local business was unsuccessful in being awarded a contract exceeding \$50,000, the government public authority CEO approved the evaluation report justifying the award.
- On all occasions where price preferences were applicable to the tender evaluation process, the price preferences were correctly applied.
- For a significant majority of the contracts reviewed, the tender or quotation was structured in a manner to encourage local or regional businesses to bid.
- On all occasions, where a contract was awarded to a regional business, the contractor, as claimed in the tender, managed the contract from the regional location.

The Health Check also identified some issues that in general were limited to specific contracts, incidences or locations.

Health Check 4 was a compliance review of the information technology purchasing and contracting activities in government public authorities. This Health Check was undertaken in 14 government public authorities.

It focused on 153 information technology contracts awarded during the period 1 July 1997 and 1 July 2001. These contracts included IT software, hardware, application development, systems development, systems support and other significant IT related consultancy contracts.

In the context of the 153 contracts reviewed, 6 significant policy and contract management issues were identified as requiring improvement or better management by the public authorities reviewed:

- Contract variation management – some significant variations between estimated contract values and actual expenditure were identified.
- Sole suppliers – a need for stronger controls in approval processes for the direct engagement of sole suppliers in some public authorities.
- Contracting competencies – the competencies of staff development and managing contracts was identified as an issue in 7 out of the 14 public authorities reviewed.
- Compliance with internal public authority and State Supply Commission approval requirements.



- WA Government Contracting Information Bulletin Board and transparency – the use of the Bulletin Board was inconsistent in some public authorities.
- Contract documentation management – contract documentation and contract file management was not always of a high standard.

Risk Management Reviews

The Risk Management Review is a review mechanism to assess the risk management infrastructure, the public authority and individual officer's competencies and the purchase and contract award process compliance with supply policies and guidelines. Each review is undertaken in accordance with the Commission's Risk Management, Competencies and Compliance Framework.

The Commission undertook a review of the purchasing and contracting functions in 83 public authorities using the Risk Management, Competencies and Compliance Framework.

This framework assesses the risk management infrastructure, the public authority and officer's competencies and the purchase and contract award process compliance with supply policies and guidelines.

The review provided the Commission with an assessment of the purchasing and contracting functions at an individual public authority level as well as providing an overall view of Government purchasing and contracting.

The Commission undertook a review of the purchasing and contracting functions in 83 public authorities. Of the 83 public authorities, 78 were assessed for their level of partial exemption and the remaining five were assessed for their level of risk management, compliance and competencies.

Range of Partial & Other Exemption Levels for Public Authorities Reviewed

No partial exemption -	3 public authorities
Up to \$50,000 -	50 public authorities
Up to \$100,000 -	1 public authority
Up to \$250,000 -	14 public authorities
Up to \$500,000 -	4 public authorities
Up to \$1 million -	4 public authorities
Up to \$5 million -	1 public authority
Up to \$10 million -	1 public authority
Any Limit -	4 public authorities
Total Exemption -	1 public authority

The Commission uses the Risk Management, Competencies and Compliance Framework to determine each public authority's partial exemption level.

Findings

The results of the review highlighted a range of purchasing models within Government and a diverse range of purchasing. While the Risk Management Review identified substantial compliance with individual State Supply Commission supply policies, the following findings are of concern to the State Supply Commission:

1. Inadequate and out of date internal purchasing and contracting policies, templates and procedures in some public authorities;
2. The application of the *Open and Effective Competition* policy requirements and the quality of record keeping for purchases valued below \$5,000 were found to be consistently inadequate;
3. Significant variations in the quality of contract and procurement record keeping in some public authorities;
4. Significant variations in the level of purchasing and contracting competencies in some public authorities;
5. Contract management procedures and systems were identified as significant issues that need to be addressed by public authorities.



Recommendations

- 64 public authorities' partial exemptions were confirmed at the current levels. This is mainly because the public authority's purchasing and contracting infrastructure and the public authority and officer competencies were considered to be appropriate for the purchasing profile of the public authority taken over a two year period.
- 8 public authorities' partial exemptions were recommended for an increase. This is mainly because generally the public authority's purchasing and contracting infrastructure and the public authority and officer competencies were considered to be appropriate for the public authority to purchase at a higher level. The threshold of the higher partial exemption level was determined by the purchasing profile of the public authority taken over a two year period.
- 3 public authorities' partial exemptions were recommended for a decrease. This is generally because the public authority's purchasing and contracting infrastructure and the public authority and officer competencies were considered to be appropriate for the public authority to purchase at a level lower than the public authority already had. In all the cases the partial exemption level was decreased from a level above \$50,000 to a level of \$50,000. The threshold of the partial exemption level was determined by the purchasing profile of the public authority taken over a two year period as well as comparisons with other public authorities of a similar size, budget and purchasing profile.
- 3 public authorities are being assessed for an initial partial exemption. There are some public authorities that have not been assessed for a partial exemption. These public authorities operate with an exemption level of \$5,000 enabling access to credit card purchasing only. The Risk Management, Compliance and Competencies Framework is being used to assess these public authorities for an initial partial exemption level.
- 4 public authorities with legislated powers to purchase to any limit were reviewed. There are 4 public authorities that are exempt from having a partial exemption through legislated powers.
- 1 public authority with a total exemption was reviewed. There are 5 public authorities with a total exemption.

Future Program

As an integral part of the Risk Management Review program the Commission advised public authorities that it would follow up on the implementation of the Review recommendations for each public authority.

Public authorities were provided with a period of immediate, one month, three months or six months to complete each individual recommendation. The Commission will complete a review of the recommendation implementation status of each public authority that was subject to a Risk Management Review.

The results of the findings from this process will be reported.



Efficiency Indicators

Output 1

Supply Policies and Guidelines and Policy Advice

Provision of policy advice and to develop, implement, maintain and review effective policies and guidelines for the supply of goods and services and for disposal of goods

Cost	1999/00	2000/01	2001/02
Average cost per hour of policy development and advice	\$66	\$55	\$66

Policies and Guidelines

In total 8 policies and guidelines were reviewed and the changes implemented. Major pieces of work included the *Sponsorship in Government Guidelines* and the *Contract Process Guidelines*. Substantial work was undertaken for the Review of the *Buy Local Policy* which is effective from 1 July 2002 and therefore has not been accounted for in these figures.

All policies and guidelines provided to the Minister were endorsed.

As the State Supply Commission amended all of its Output Measures in 2001/02, the 1999/00 and the 2000/01 comparative data have been based on the 2001/02 budgeted hours for policy development and advice.

Output 2 : Compliance and Risk Management Assessment Reports

The assessment of public authority's compliance with Supply Policies, and Risk Management Reviews of authorities contracting capabilities.

Cost	1999/00	2000/01	2001/02
Average cost per hour for risk management and compliance reviews.	\$84	\$73	\$93

As the State Supply Commission amended all of its Output Measures in 2001/02, the 1999/00 and the 2000/01 comparative data have been based on the 2001/02 budgeted hours for risk management and compliance reviews.

The cost in 2001/02 is higher than the previous two years mainly due to increased consultancy costs from carryover funding for the inaugural Risk Management Reviews program.

Output 3

Complaints Management Service

The management of an independent supplier complaint process, to enhance accountability and public confidence in public authority procurement.

Cost	1999/00	2000/01	2001/02
Average cost of Complaints/Concerns not requiring formal review.	\$Nil	\$964	\$1,541
Average cost of Complaints/Concerns requiring formal review.	\$Nil	\$6,168	\$9,919



The Commission finalised sixty (60) complaints/concerns during the year. Twenty eight (28) were not sustained, six (6) were resolved between the public authority and supplier following Commission intervention, six (6) were outside the jurisdiction of the Commission and twenty (20) resulted in forty four (44) recommendations being made to public authorities. The public authorities have accepted thirty eight (38) recommendations, which have been implemented. The remaining eight (8) recommendations are as a result of two (2) complaints finalised late in the year and the public authorities are yet to respond to the Commission in regard to their implementation.

The Commission conducted Complaints Handling Awareness Sessions for public authorities throughout the year to assist them to understand the process and create an awareness of which complaints the Commission can review under its jurisdiction.

As the State Supply Commission amended all of its Output Measures in 2001/02, the 2001/02 and the 2000/01 comparative data have been based on the actual number of Complaints/Concerns requiring and not requiring formal review.

No figures can be provided for 1999/00 as no data was kept for Complaints/Concerns requiring and not requiring formal review.

Increase in cost of Complaints/Concerns in 2001/02 are mainly due to the complexity of the Complaints/Concerns.

**Output 4
Management of the Funding and Leasing of the State's Vehicle Fleet**

Effectiveness Indicator

Cost	1999/00	2000/01	2001/02
Average administrative financing cost per vehicle	\$Nil	\$Nil	\$224

The 2001-02 year was significantly impacted by legal and actuarial costs associated with the termination of the Matrix transaction.

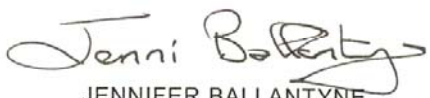
No comparative figures have been provided for 1999/00 and 2000/01 as this function was not undertaken by the State Supply Commission prior to the 2001-2002 financial year.



Certification Of Financial Statements For The Year Ended 30 June 2002

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 2002 and the financial position as at 30 June 2002.

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



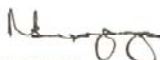
JENNIFER BALLANTYNE
CHAIRMAN

9 December 2002



DAVE ROBINSON
MEMBER

9 December 2002



MARTIN BRAGANZA

MANAGER BUSINESS SERVICES

PRINCIPAL ACCOUNTING OFFICER

9 December 2002



Opinion of the Auditor General



AUDITOR GENERAL

To the Parliament of Western Australia

STATE SUPPLY COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2002

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit opinion relates to the financial statements of the State Supply Commission for the year ended June 30, 2002 included on the State Supply Commission's web site. The Commission is responsible for the integrity of the State Supply Commission's web site. I have not been engaged to report on the integrity of this web site. The audit opinion refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to or from these statements. If users of this opinion are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Scope

I have audited the accounts and financial statements of the State Supply Commission for the year ended June 30, 2002 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 and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Commission's financial position, its financial performance and its cash flows.

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



State Supply Commission
Financial statements for the year ended June 30, 2002

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 Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission at June 30, 2002 and its financial performance and its cash flows for the year then ended.



D D R PEARSON
AUDITOR GENERAL
December 13, 2002

4th Floor Dumas House 2 Havelock Street West Perth 6005 Western Australia Tel: 08 9222 7500 Fax: 08 9322 5664



Statement of Financial Performance
For The Year Ended 30 June 2002

	Note	2002 \$	2001 \$
COST OF SERVICES			
Expenses from ordinary activities			
Vehicle fleet lease expenses	2(g)	15,018,860	0
Vehicle fleet contract costs	2(s)	20,277,791	20,000,000
Vehicle fleet bailment rights write down	2(t)	20,600,000	0
Employee expenses	3	1,009,999	797,686
Supplies and services	4	1,622,560	386,790
Depreciation and amortisation expense	5	71,118,669	62,138
Administration expenses	6	1,270,123	107,425
Accommodation expenses	7	105,749	123,962
Other expenses from ordinary activities	8	21,274	52,546
Net loss on disposal of non current assets	9	2,846	0
Capital user charge on equity	11	37,381	0
Interest expense		9,980,091	151,918
Total cost of services		141,065,343	21,682,465
Revenue from ordinary activities			
<i>Revenue from operating activities</i>			
Vehicle fleet lease rentals	2(n)	47,918,004	0
Vehicle bailment revenues	2(n)	49,818,484	0
<i>Revenue from non operating activities</i>			
Interest revenue		1,091,794	23,290
Other revenues from ordinary activities	10	30,545	41,065
Total revenue from ordinary activities		98,858,827	64,355
NET COST OF SERVICES		42,206,516	21,618,110
REVENUES FROM GOVERNMENT			
Output appropriations (1)	12	1,492,000	36,426,000
Liabilities assumed by the Treasurer		0	64,814
Resources received free of charge	12	36,966	63,000
Total revenues from Government		1,528,966	36,553,814
Change in net assets before restructuring		(40,677,550)	14,935,704
Net expenses from restructuring	25	(1,780,877)	0
Change in net assets after restructuring		(42,458,427)	14,935,704
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS	24	(42,458,427)	14,935,704

(1) Appropriations included Capital in 2001

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



Statement of Financial Position

As At 30 June 2002

	Note	2002	2001
		\$	\$
Current Assets			
Cash assets	26(a)	3,291,961	39,456,768
Receivables	14	23,780,592	733,996
Inventories	15	13,588	0
Amounts receivable for outputs		6,000	0
Other assets	16	27,271	150,040,485
Total Current Assets		27,119,412	190,231,249
Non-Current Assets			
Property, plant, equipment and vehicles	17	99,919,518	6,613,435
Intangible assets	18	90,829,063	0
Total Non-Current Assets		190,748,581	6,613,435
Total Assets		217,867,993	196,844,684
Current Liabilities			
Payables	19	20,019,344	35,888
Interest-bearing liabilities	20	200,000,000	27,000,000
Interest payable	21	2,512,197	4,128,075
Provisions	22	257,141	164,078
Other liabilities	23	2,051,069	58,712
Total Current Liabilities		224,839,751	31,386,753
Non-Current Liabilities			
Interest-bearing liabilities	20	0	150,000,000
Provisions	22	19,115	5,377
Total Non-Current Liabilities		19,115	150,005,377
Total Liabilities		224,858,866	181,392,130
NET ASSETS		(6,990,873)	15,452,554
Equity			
Contributed equity	24	20,015,000	0
Accumulated surplus (deficit)	24	(27,005,873)	15,452,554
TOTAL EQUITY		(6,990,873)	15,452,554

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



Statement of Cash Flows
For The Year Ended 30 June 2002

	Note	2002 \$	2001 \$
CASH FLOWS FROM GOVERNMENT			
Output appropriations		1,486,000	36,401,000
Capital appropriations		15,000	25,000
Equity contribution		20,000,000	0
Net cash provided by Government		21,501,000	36,426,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(889,400)	(940,729)
Suppliers, services, administration and accommodation services		(3,390,642)	(610,958)
Vehicle fleet lease payments		(16,939,084)	0
Vehicle fleet contract payments		(20,277,791)	(20,000,000)
GST on payments on purchases		(18,776,265)	(710,557)
Capital User Charge		(32,548)	0
Interest payments		(11,595,968)	0
Receipts			
Vehicle Fleet Lease Receipts		47,547,773	58,628
Interest received		1,096,146	591
Other receipts		9,065	5,229
GST receipts		19,519,003	0
Net cash (used in)/generated operating activities	26(c)	(3,729,712)	(22,197,796)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of fleet owned vehicles		52,216,051	0
Proceeds from the sale of fleet bailment vehicles		40,846,563	0
Purchase of non-current physical assets		(102,872,583)	(6,651,273)
Contractual obligations and purchase of bailment rights		(65,737,525)	(150,000,000)
Net cash used in investing activities		(75,547,494)	(156,651,273)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		475,000,000	177,000,000
Cash transfer from Department of Treasury and Finance		4,611,399	3,976,157
Repayment of borrowings		(458,000,000)	0
Net cash provided by/(used in) financing activities		21,611,399	180,976,157
Net increase/(decrease) in cash held		(36,164,807)	38,553,088
Cash assets at the beginning of the financial year		39,456,768	903,680
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	26(a)	3,291,961	39,456,768

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



Notes to the Financial Statements

For The Year Ended 30 June 2002

1. COMMISSION'S MISSION AND FUNDING

The Commission's mission is to provide leadership, support and services to ensure that Western Australian Government agencies have:

- An effective policy framework across all buying activities;
- Promote and facilitate the adoption of best practice to achieve improvements in the public sector performance and accountability;
- Maintain systems and processes for the assessment of agency buying performance and practice;
- Operate an independent, compliant grievance facility to address anti-competitive behaviour and procedural areas by agencies aimed at enhancing accountability and public confidence in public sector procurement; and
- Management of the funding and operation of the State's Vehicle Fleet.

The Commission is predominantly funded by Parliamentary appropriations. The exception is State Fleet, which is required to be predominately self funded. The financial statements encompass all funds through which the Commission controls resources to carry on its functions.

In the process of reporting on the Commission as a single entity, all intra-entity transactions and balances have been eliminated.

2. 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 that has been prepared in accordance with Australian Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, 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, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, 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 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.

Although the operation of State Fleet is a significant and material operation within the State Supply Commission, the predominant activity of the Commission is the development and implementation of an effective policy framework across all Government buying activities.

Furthermore, the Commission's 12 employees are all engaged in policy and associated activities, while the administration of the day-to-day affairs of the State Fleet are out sourced to the Department of Treasury and Finance.

Accordingly, for these reasons, the Commission is not wholly or largely engaged in business or trading and the State Supply Commission has opted to report on a cost of service basis rather than a commercial basis under the Accounting Standards.

(a) Contributed Equity

Under UIG 38 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" transfers in



the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions in the financial statements.

Capital contributions (appropriations) have been designated as contributions by owners and have been credited directly to Contributed Equity in the Statement of Financial Position. All other transfers have been recognised in the Statement of Financial Performance. Prior to the current reporting period, capital appropriations were recognised as revenue in the Statement of Financial Performance. Capital appropriations that are repayable to the Treasurer are recognised as liabilities.

(b) Comparative Figures

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

(c) Rounding

Amounts in the financial statements have been rounded to the nearest dollar.

(d) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Assets acquired at no cost or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

(e) Amortisation and or Depreciation of Non-Current Assets

Amortisation

The bailment rights acquired on vehicles at termination of the Matrix arrangement are amortised as individual vehicles come to the end of their useful lives.

Depreciation

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.

State Fleet vehicles are depreciated on a straight-line basis taking account of the residual values and terms of the vehicle leases.

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

- Computer Equipment and Software 3 Years
- Office Equipment 5 Years
- Leasehold Improvements 5 Years

(f) Employee Entitlements

Annual Leave

This entitlement is recognised at current remuneration rates and is measured at the amount unpaid at the reporting date in respect of employees' service up to that date.

Long Service Leave

Leave entitlements are calculated at current remuneration rates. A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave undertaken in 1997 determined that the liability measured using the short hand method was not materially different from the liability method using the present value of expected future payments.

The method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements".

Superannuation

Some staff 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 this scheme become non-



contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. The Government Employees Superannuation Board (GESB) administers all of these schemes.

The superannuation expense comprises the following elements:

- (i) Employer contributions paid to the Gold State Superannuation Scheme and the West State Superannuation Scheme.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided by the Commission in the current year.

From 1 July 2001 employer contributions were paid to the GESB in respect of the Gold State Superannuation Scheme and the West State Superannuation Scheme. Prior to 1 July 2001, the Treasurer assumed the unfunded liability in respect of these schemes. An amount equivalent to the employer contributions that would have been paid to the Gold State Superannuation Scheme and the West State Superannuation Scheme if the Commission has made concurrent employer contributions to those Schemes was included in the superannuation expense. This amount was also included in the revenue item "Liabilities Assumed by the Treasurer".

(g) Leases

The Commission's rights and obligations under finance leases, which are leases that effectively transfer to the Commission substantially all of the risks and benefits incident to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated to the Statement of Financial Performance over the period during which the Commission is expected to benefit from use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease.

The Commission has entered into a number of operating lease arrangements for the rent of the office building where the lessor effectively retains the entire risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(h) Receivables

Receivables are recognised at the amounts receivable, as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of accounts receivable is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

(i) 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. Accrued salaries are settled within a few days of the financial year-end. The Commission considers the carrying amount of accrued salaries to be equivalent to the net fair value.

(j) Payables

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

(k) Interest Bearing Liabilities

Western Australian Treasury Corporation borrowings are recorded at an amount equal to the net proceeds received. Borrowing costs expense is recognised on an accrual basis.

(l) State Fleet

On 30 May 2001 the State Supply Commission through a Notice of Delegation delegated to the Under Treasurer and the Director, Financial Operations at the Department of Treasury and Finance, broad powers relating to the existing fleet lease transaction and the future funding, management and operation of the vehicle fleet.



State Fleet was set up as an operating entity under these powers. While it operates under the delegation from the State Supply Commission, and uses the powers of the State Supply Commission Act, it operates quite separately from the Commission's other operations. In recognition of this arms-length relationship, the Commission and its board and employees are protected by indemnities in relation to State Fleet and accountability is met by quarterly and exception reporting arrangements

(m) 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.

(n) Revenue

General

Revenue from the sale of goods and disposal of other assets and the rendering of services is recognised when the Commission has passed control of the goods or other assets or delivery of the services to the customer.

Other revenue is fully described in the Statement of Financial Performance. Interest revenues are recognised as they are accrued.

Vehicle Fleet Lease Rentals

Rental revenue is received from State Government agencies, statutory authorities and other State Government entities.

Vehicle Bailment Revenues

Revenue is received on the sale of vehicles held under bailment rights.

(o) Output Appropriations

Output appropriations are recognised as revenues in the period in which the Commission gains control of the appropriated funds. The Commission gains control of appropriated funds at the time those funds are deposited into the Commission's bank account or credited to the holding account held at the Department of Treasury and Finance.

(p) 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 received interest on the balance. The value of this interest has no material effect on the operations of the Commission.

The State Supply Commission – State Fleet Bank Account is a sub-account of the Government of Western Australia Bank Account and interest is received on this account.

For the purpose of the Statement of Cash Flows, cash resources include cash assets but not restricted cash assets. Cash resources include short-term deposits that are readily convertible to cash on hand and are not subject to significant risk of changes in value.

(q) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in first-out basis.

(r) 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,
- Lease 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 2002.



(s) **Vehicle Fleet and Contract Costs**

Contractual payments consist of payments made to Matrix and Investors and defeasance costs on debt instruments associated with the wind-down of the Matrix funding arrangement, and GST expenses paid on the sale of bailment vehicles and on vehicles prior to termination.

(t) **Intangible Assets**

(i) *Bailment Rights*

Bailment rights valued at fair market value (originally at cost) and are amortised over the useful lives of the vehicles to which the rights relate.

Devaluation of Bailment Rights

In November 2001 the Commission terminated the Matrix Agreement. As part of the termination process the State Supply Commission acquired the rights to the use of, and the rental and sale proceeds (collectively the bailment rights) of the 6651 vehicles that remained in the fleet at termination for \$174.9 million.

In reviewing the position 7 months after termination, the Commission was of the opinion that, due to changes in the second-hand vehicle market and other factors, the current book value of the bailment rights was somewhat above fair market value. In the light of this analysis, it was considered appropriate, in the interests of transparency, to write down the value of the Bailment Rights by \$20.6 million to \$90.8 million.

	<u>2002</u>	<u>2001</u>
	\$	\$
3. EMPLOYEE EXPENSES		
Wages and salaries	861,982	819,426
Superannuation	72,770	64,814
Long service leave	43,853	(85,307)
Annual leave	14,816	(23,887)
Other related expenses	16,578	22,640
	<u>1,009,999</u>	<u>797,686</u>
4. SUPPLIES AND SERVICES		
Consultants and contractors	1,482,553	259,056
Government agencies	36,966	63,000
Repairs and maintenance	2,522	6,932
Travel	36,425	17,383
Other	64,094	40,419
	<u>1,622,560</u>	<u>386,790</u>
5. DEPRECIATION AND AMORTISATION EXPENSE		
<u>Depreciation</u>		
Computer equipment and software	18,062	7,198
Leasehold equipment	2,734	1,151
Office equipment	5,040	10,102
Motor vehicles	7,630,933	43,687
Total depreciation	<u>7,656,769</u>	<u>62,138</u>
<u>Amortisation</u>		
Intangible assets-Bailment Rights	63,461,900	0
Total amortisation	<u>63,461,900</u>	<u>0</u>
Total depreciation and amortisation expense	<u>71,118,669</u>	<u>62,138</u>



	2002	2001
	\$	\$
6. ADMINISTRATION EXPENSES		
Bad debts expense	366	(5,600)
Communication	63,988	66,776
Consumables	33,599	41,952
Other staff costs	8,177	4,297
State Fleet management	1,163,993	0
	<u>1,270,123</u>	<u>107,425</u>
7. ACCOMMODATION EXPENSES		
Lease rentals	105,749	123,962
	<u>105,749</u>	<u>123,962</u>
8 OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Capital acquisitions less than \$1000	2,259	29,967
Motor vehicle expenses	18,759	22,579
State taxes & stamp duties	256	0
	<u>21,274</u>	<u>52,546</u>
9. NET PROFIT/(LOSSES) ON DISPOSAL OF NON CURRENT ASSETS		
<u>Loss on Sale of Non Current Assets</u>		
Motor Vehicles	2,697,038	0
Gross Proceeds on disposal of motor vehicles	2,694,192	0
Net profit/(loss)	<u>(2,846)</u>	<u>0</u>
10. OTHER REVENUES FROM ORDINARY ACTIVITIES		
Sale of Publications	1,490	2,314
Expense Recoveries	7,757	38,626
Other	21,298	125
	<u>30,545</u>	<u>41,065</u>
11. CAPITAL USER CHARGE		
	<u>37,381</u>	<u>0</u>
<p>A capital user charge rate of 8% has been set by the Government for 2001-2002 and represents the opportunity cost of capital invested in the net assets of the Commission used in the provision of outputs. The charge is calculated on the net assets adjusted to take account of exempt assets. Payments are made to the Department of Treasury and Finance on a quarterly basis. The net assets attributable to the State Fleet operations have been made exempt from the capital user charge. The net assets subject to the capital user charge are shown below:</p>		
Net assets/(Liabilities) attributed to the State Fleet Operations	(7,232,331)	14,827,122
Net assets attributed to other activities and subject to the capital user charge	241,458	625,432
Total net assets of the State Supply Commission	<u>(6,990,873)</u>	<u>15,452,554</u>
12. REVENUES (TO) FROM GOVERNMENT		
Appropriation revenue received during the year:		
Output appropriation	1,492,000	36,401,000
Capital	0	25,000
	<u>1,492,000</u>	<u>36,426,000</u>
The following Liabilities have been assumed:		
State Government Superannuation Board		
Superannuation Contributions	0	64,814
	<u>0</u>	<u>64,814</u>



	2002	2001
	\$	\$
<u>Resources received free of charge</u>		
Determined on the basis of the following estimates provided by agencies:		
Office of the Auditor General-Auditing Services	7,000	15,000
Crown Solicitor's Office-Legal Services	29,966	43,000
Contract and Management Services-IT Services	0	5,000
Treasury Commission-Financial & Banking Services	0	0
	<u>36,966</u>	<u>63,000</u>
Total revenues from Government	<u><u>1,528,966</u></u>	<u><u>36,553,814</u></u>

13. RESTRICTED CASH

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:

Balance as at 1 July	1,200	21,416
Interest received	36	1,316
Less: Deposits and interest paid from the trust account	<u>608</u>	<u>21,532</u>
Balance as at 30 June	<u><u>628</u></u>	<u><u>1,200</u></u>

Cash held in the account is to be used only for the purpose of repaying retention monies withheld from suppliers subject to their final claims

14. RECEIVABLES

Trade debtors	4,240,130	8,113
Provision for doubtful debts	(395)	(7,400)
GST receivable	19,509,659	710,557
Interest receivable	18,374	22,726
Sundry Debtors	<u>12,824</u>	<u>6,197</u>
	<u><u>23,780,592</u></u>	<u><u>740,193</u></u>

15. INVENTORIES

Inventory (at cost)	<u>13,588</u>	<u>0</u>
	<u><u>13,588</u></u>	<u><u>0</u></u>

16. OTHER ASSETS

Prepayments-operating expenses	27,271	34,288
Prepaid Contractual Obligations	<u>0</u>	<u>150,000,000</u>
	<u><u>27,271</u></u>	<u><u>150,034,288</u></u>

Prepaid Contractual Obligations

As part of the renegotiation of the Vehicle Fleet Funding Facility a prepayment of \$150,000,000 was made of the debt related to the facility in June 2001.



	2002	2001
	\$	\$
17. PROPERTY, PLANT, EQUIPMENT AND VEHICLES		
<u>Leasehold Improvements</u>		
At cost	13,671	13,671
Accumulated depreciation	(3,885)	(1,151)
	<u>9,786</u>	<u>12,520</u>
 <u>Computer Hardware & Software</u>		
At cost	163,540	121,165
Accumulated depreciation	(133,541)	(115,177)
	<u>29,999</u>	<u>5,988</u>
 <u>Office Equipment & Furniture & Fittings</u>		
At cost	68,758	61,009
Accumulated depreciation	(53,900)	(48,860)
	<u>14,858</u>	<u>12,149</u>
 <u>Motor Vehicles</u>		
At cost	107,360,509	6,626,465
Accumulated depreciation	(7,495,634)	(43,687)
	<u>99,864,875</u>	<u>6,582,778</u>
 Total	 <u>99,919,518</u>	 <u>6,613,435</u>

Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current and previous financial year are as follows:

	Computer Equipment, Software and Furniture & Fittings	Lease-hold Improvements	Office Equipment , Furniture & Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Carrying amount at start of the year	5,988	12,520	12,149	6,582,778	6,613,435
Additions	42,073	0	7,749	102,564,789	102,614,611
Disposals	0	0	0	1,830,745	1,830,745
Depreciation	18,062	2,734	5,040	7,451,947	7,477,783
Carrying amount at end of year	<u>29,999</u>	<u>9,786</u>	<u>14,858</u>	<u>99,864,875</u>	<u>99,919,518</u>

18. INTANGIBLE ASSETS

Bailment Rights	174,890,963	0
Less Accumulated Amortisation	(63,461,900)	0
Less Bailment Decrement	(20,600,000)	0
	<u>90,829,063</u>	<u>0</u>

19. PAYABLES

Trade payables	64,078	35,888
GST payable	19,955,266	0
	<u>20,019,344</u>	<u>35,888</u>



	<u>2002</u>	<u>2001</u>
	\$	\$
20. INTEREST-BEARING LIABILITIES		
Amount due to the Western Australian Treasury Corporation	200,000,000	177,000,000

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

-Current	200,000,000	27,000,000
-Non-current	0	150,000,000
Total	<u>200,000,000</u>	<u>177,000,000</u>

The State Supply Commission has a facility agreement in place with the Western Australian Treasury Corporation to borrow up to \$250,000,000 to meet contractual requirements, to purchase vehicles and to provide working capital.

21. INTEREST PAYABLE

Amount due to Western Australian Treasury Corporation	<u>2,512,197</u>	<u>4,128,075</u>
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This amount represents the interest payable to the Western Australian Treasury Corporation.

22. PROVISIONS

Current

Annual leave	86,560	62,034
Long service leave	170,581	102,044
	<u>257,141</u>	<u>164,078</u>

Non-current

Long service leave	19,115	5,377
	<u>19,115</u>	<u>5,377</u>

Employee Entitlements

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

Provision for employee entitlements:

Current	257,141	164,078
Non-current	19,115	5,377
	<u>276,256</u>	<u>169,455</u>

23. OTHER LIABILITIES

Current

Accrued expenses	58,205	45,388
Accrued salaries	22,671	13,324
Accrued capital user charge	4,833	
Unearned revenue	1,965,360	
	<u>2,051,069</u>	<u>58,712</u>

24. EQUITY

Accumulated Surplus

Opening balance	15,452,554	516,850
Change in net assets	(42,458,427)	14,935,704
Closing balance	<u>(27,005,873)</u>	<u>15,452,554</u>

Contributed Equity

Contributions Made	<u>20,015,000</u>	<u>0</u>
Closing balance	<u>20,015,000</u>	<u>0</u>



25. NET EXPENSES FROM RESTRUCTURING

Consequent to the restructuring of State Fleet, the Commission has recognised expenses in respect of assets & liabilities transferred from the Department of Treasury and Finance on July 1, 2001.

	2002	2001
	\$	\$
<u>Assets</u>		
Cash	4,611,400	0
Receivables	3,840,083	0
Inventory	208,997	0
Computer Hardware & Software	8,846	0
<u>Liabilities</u>		
Payables	404,418	0
Accrued Expenses	1,920,223	0
Vehicle Rehires	3,956	0
Receipts Suspense	149,215	0
Unearned Revenue	1,972,391	0
Treasurer's Advance	6,000,000	0
Net expenses from restructuring	<u>(1,780,877)</u>	<u>0</u>

26. 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 at Bank	3,291,961	39,456,768
Total cash assets in the Statement of Financial Position	<u>3,291,961</u>	<u>39,456,768</u>

(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 provided by/(used in) operating activities

Net cost of providing services	42,206,516	21,618,110
Non-cash items:		
Depreciation and amortisation expense	71,118,669	62,138
Doubtful debt expense	366	(5,600)
Liabilities assumed by the Treasurer		64,814
Net loss on disposal of vehicles	2,846	
Resources received free of charge	36,966	63,000
Vehicle fleet bailment revenue-(investment activity)	(49,818,484)	0
Vehicle fleet bailment rights devaluation	20,600,000	0
	41,940,363	184,352
(Increase)/decrease in assets:		
Current receivables	(19,854,614)	(714,185)
Current inventories	195,409	0
Other current assets	389	(30,231)
	<u>(19,658,816)</u>	<u>(744,416)</u>



	2002	2001
	\$	\$
Increase/(decrease) in liabilities:		
Current accounts payable	(17,988,391)	125,519
Other Current Liabilities	20,288	25,985
Current provisions	(2,234,641)	(176,502)
Non-current provisions	421,219	5,377
	(16,195,257)	(19,622)
Net cash used in operating activities	3,729,712	22,197,796

27. COMMITMENTS FOR EXPENDITURE

(a) Commitments (not longer than one year)

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2002:

Consultancies and management agreements let or in progress	485,041	7,838
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(b) Non-cancellable operating lease commitments

Not later than 1 year	137,944	41,150,339
Later than 1 year and not later than 5 years	500,629	24,795,472
Later than 5 years	123,216	256,432
	761,789	66,202,243

At 30 June 2001 there were 8654 vehicles leased under the Vehicle Fleet Lease Agreement with Matrix Finance Group Pty Ltd. During the year the State Supply Commission exercised its rights under the Agreement to terminate the leases. Accordingly, the ongoing vehicle lease commitments were also terminated.

28. 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% and \$500,000

	2002	2001	Variance	Note
	Actual	Actual		
	\$	\$	\$	
Expenses				
Vehicle fleet lease expenses	15,018,860	0	15,018,860	2
Vehicle fleet bailment rights write down	20,600,000	0	20,600,000	3
Supplies and services	1,622,560	386,790	1,235,770	4
Depreciation and amortisation expense	71,118,669	62,138	71,056,531	5
Administration expenses	1,270,123	107,425	1,162,698	1
Revenues				
Vehicle fleet lease revenues	47,918,004	0	47,918,004	1
Vehicle bailment revenues	49,818,484	0	49,818,484	6
Interest revenue	1,091,794	23,290	1,068,504	7

1. General

In June 2001 State Fleet began purchasing vehicles to lease to agencies. The results for 2001 include two weeks of operation.

The year ended 30 June 2002 represents the first full year of operation of the State Fleet under the control of the State Supply Commission. Accordingly the variances noted represent the impact of the operations of the State Fleet. The operations of State Fleet were previously reported by the Department of Treasury and Finance. During the year the



Matrix leasing transaction was terminated and the costs of acquiring the rights to the fleet are being amortised. Vehicle bailment revenues represent the proceeds from the sale of vehicles subject to the bailment rights.

State Fleet leasing operations were reported for the first time under the State Supply Commission in 2001/02. In the previous year the State Fleet operation was reported under Treasury (now Treasury and Finance).

2. Vehicle Fleet Expenses

Actual termination occurred in late November 2002. Consequently, a further 5 further lease payments were made.

3. Vehicle Fleet Bailment Rights Write Down

In reviewing the position 7 months after termination, the Commission was of the opinion that, due to changes in the second-hand vehicle market and other factors, the current book value of the bailment rights was somewhat above fair market value. In the light of this analysis, it was considered appropriate, in the interests of transparency, to write down the value of the Bailment Rights by \$20.6 million to \$90.8 million as at 30 June 2002.

4. Supplies and Services

Supplies and services includes consultancy and legal costs of \$788,000 associated with termination of the Matrix transaction as well as vehicle disposal costs of \$194,000 up to the time of termination in November 2001.

In addition the Commission undertook a number of Risk Management and Compliance Framework accreditation programs of Government Agencies, worth approximately \$343,000. These programs were deferred from prior years and were funded from the accumulated surplus of the Commission.

5. Depreciation and amortisation expense

The bailment arrangement that was incorporated in the termination of the Matrix transaction. The higher amortisation expense was offset by vehicle bailment revenues (note 15).

6. Vehicle Bailment Revenues

The vehicle bailment revenues offset the higher amortisation expense in note 13.

7. Interest Revenue

Interest revenue for 2000/01 was earned within the final two weeks of June 2001, while interest revenue for 2001/02 was earned for the whole year.

(ii) Significant variations between actual revenues and expenditures for the financial year and estimated revenues and expenditures for the financial year

Details and reasons for significant variations between estimates and actual results for the financial year are detailed below. Significant variations are considered to be those greater than 10% and \$ 500,000

	Estimate	Actual	Variance	Note
	\$	\$	\$	
Expenses				
Vehicle fleet lease expenses	0	15,018,860	(15,018,860)	1
Vehicle fleet contract costs	12,000,000	20,277,791	(8,277,791)	7
Vehicle fleet bailment rights write down	0	20,600,000	(20,600,000)	2
Supplies and services	333,000	1,622,559	(1,289,559)	3
Depreciation and amortisation expense	45,359,750	71,118,669	(25,758,919)	4
Interest expense	10,600,000	9,980,091	619,909	8
Revenues				
Vehicle bailment revenues	0	49,818,484	(49,818,484)	5
Interest revenue	0	1,091,794	(1,091,794)	6

1. Vehicle Fleet Expenses

It was a budget assumption that the Matrix transaction would be terminated in July 2002, however, actual termination occurred in late November 2002. Consequently, a further 5 further lease payments were made.



2. Vehicle fleet bailment rights write down

The Commission was of the opinion that , due to changes in the second-hand vehicle market and other factors, the current book value of the bailment rights was somewhat above fair market value. In the light of this analysis, it was considered appropriate, in the interests of transparency, to write down the value of the Bailment Rights by \$20.6 million to \$90.8 million as at 30 June 2002.

3. Supplies and services

Supplies and services includes consultancy and legal costs of \$788,000 associated with termination of the Matrix transaction as well as vehicle disposal costs of \$194,000 up to the time of termination in November 2001. In addition, the Commission undertook a number of Risk Management and Compliance Framework accreditation programs of Government Agencies, worth approximately \$343,000. These programs were deferred from prior years and were funded from the accumulated surplus of the Commission.

4. Depreciation and amortisation expense

The bailment arrangement that was incorporated in the termination of the Matrix transaction was, in the event, different from what was anticipated at the time the budget estimate was formulated. The higher amortisation expense was offset by vehicle bailment revenues (note 15).

5. Vehicle bailment revenues

Vehicle bailment revenues were not anticipated at the time the budget estimate was formulated. The vehicle bailment revenues offset the higher amortisation expense in note 13.

6. Interest revenue

Interest revenue was higher than budget as higher cash holdings were maintained to provide flexibility in terminating the Matrix Transaction.

Interest revenue for 2000/01 was earned within the final two weeks of June 2001, while interest revenue for 2001/02 was earned for the whole year.

7. Vehicle Fleet Contract Costs

An allowance was made for termination costs and GST costs to be recouped to parties. As the termination occurred in November rather than as anticipated in July there was an increase in the GST costs to be recouped. In addition, defeasance costs of \$3.9 million were incurred due to the early repayment of a Western Australian Treasury Corporation \$150 million term floating rate loan. The early repayment of this loan was undertaken to reduce future interest costs.

8. Interest Expense

Interest rates on borrowings for the year were lower than anticipated.



29. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

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

Fixed Interest Rate

	Weighted Average Effective Interest Rate %	Variable Interest Rate	Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	Total \$000
2002							
Financial Assets							
Cash assets	4.75%	2,726	0	0	0	566	3,292
Receivables	0.00%	0	0	0	0	23,781	23,781
Other	0.00%	0	0	0	0	47	47
		2,726	0	0	0	24,394	27,119
Financial Liabilities							
Payables	0.00%	0	0	0	0	20,019	20,019
WATC/Bank Loans	4.94%	0	200,000	0	0	0	200,000
		0	200,000	0	0	20,019	220,019
2001							
Financial assets	5.30%	38,639	0	0	0	151,542	190,181
Financial liabilities	5.63%	150,000	27,000	0	0	4,392	181,392

(b) Credit Risk Exposure

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(c) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed notes 1 and 2 to the financial statements.



30. REMUNERATION OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

	<u>2002</u>	<u>2001</u>
	\$	\$
<u>Remuneration of Members of the Accountable Authority</u>		
The number of members of the Accountable Authority, whose total of fees, salaries and other benefits received including superannuation, or due and receivable, for the financial year, fall within the following bands are:		
<u>\$</u>		
\$0-\$10,000	7	6
\$40,000 - \$50,000	1	0
\$70,000 - \$80,000	1	0
\$130,001 – \$140,000	0	1
The total remuneration of the members of the Accountable Authority is:	<u>\$144,982</u>	<u>\$157,156</u>

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 including superannuation, or due and receivable, for the financial year, fall within the following bands are:

<u>\$</u>		
\$20,000-\$30,000	1	0
\$30,000-\$40,000	0	1
\$50,000-\$60,000	1	0
\$60,000-\$70,000	1	1
\$70,000-\$80,000	1	2
\$80,000-\$90,000	0	1
The total remuneration of senior officers is:	\$225,794	\$351,826

31. CONTINGENT LIABILITIES

Taxation Matrix Vehicle Fleet Leasing Transaction

In November 2001 the State Government exercised its contractual rights to terminate the Matrix Vehicle Fleet Leasing Transaction which has become uneconomic for the State. The State has no ongoing contractual payment obligations, however, certain indemnities related to certain potential taxation exposures that remain on termination of the Transaction.

Management Fees

Post balance date the Commission was advised by the Crown Solicitor's Office that revenues earned and collected by the Department of Industry and Technology and the Department of Housing and Works for procurement activities belongs to the Commission. The Department of Industry and Technology and the Department of Housing and Works are operating under a delegation of authority from the Commission. Accordingly, the revenues and expenses associated with that function are shown below. The Commission has not reflected the effect of this transaction through its accounts at the 30 June 2002.

Department of Industry and Technology

Total costs	6,964,000	0
Less revenue earned	2,714,000	0
Services provided free of charge to the Commission	<u>4,250,000</u>	<u>0</u>

Department of Housing and Works

Total costs	100,000	0
Less revenue earned	100,000	0
Services provided free of charge to the Commission	<u>0</u>	<u>0</u>



**OUTPUT SCHEDULE OF EXPENSES & REVENUE
FOR THE YEAR ENDED 30 JUNE 2002**

	Supply Policies & Guidelines and Policy Advice		Compliance		Compliance Management Service		Total Excluding State Fleet		State Fleet		Total All	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST OF SERVICES												
Expenses from ordinary activities												
Vehicle fleet lease expenses	0	0	0	0	0	0	0	0	15,018,860	0	15,018,860	0
Vehicle fleet contract costs	0	0	0	0	0	0	0	0	20,277,791	20,000,000	20,277,791	20,000,000
Vehicle bailment rights write down	0	0	0	0	0	0	0	0	20,600,000	0	20,600,000	0
Employee expenses	493,494	329,430	365,763	441,877	150,742	26,379	1,009,999	797,686	0	0	1,009,999	797,686
Supplies and services	170,208	180,041	385,362	131,060	84,100	75,689	639,670	386,790	982,890	0	1,622,560	386,790
Depreciation and amortisation expense	8,491	8,982	4,985	5,676	3,514	3,794	16,990	18,452	71,101,679	43,687	71,118,669	62,138
Administration expenses	73,628	66,443	16,043	25,808	16,459	15,175	106,130	107,425	1,163,993	0	1,270,123	107,425
Accommodation expenses	52,874	66,620	31,725	34,531	21,150	22,811	105,749	123,962	0	0	105,749	123,962
Other operating expenses from ordinary activities	12,484	29,982	5,194	12,219	3,596	10,344	21,274	52,545	0	0	21,274	52,546
Net profit/(loss) on disposal of non current assets	0	0	0	0	0	0	0	0	2,846	0	2,846	0
Capital charge on equity	18,691	0	13,078	0	5,612	0	37,381	0	0	0	37,381	0
Interest Expense	0	0	0	0	0	0	0	0	9,980,091	151,918	9,980,091	151,918
Total cost of services	829,870	681,498	822,150	651,171	285,173	154,192	1,937,193	1,486,859	139,128,150	20,195,605	141,065,343	21,682,465



Revenue from ordinary services												
Vehicle fleet lease revenues	0	0	0	0	0	0	0	0	47,918,004	0	47,918,004	0
Vehicle bailment revenues	0	0	0	0	0	0	0	0	49,818,484	0	49,818,484	0
Interest revenue	7	0	0	0	0	564	7	564	1,091,787	22,726	1,091,794	23,290
Other revenue from ordinary activities	9,247	40,974	0	0	0	90	9,247	41,065	21,298	0	30,545	41,065
Total revenues from ordinary activities	9,254	40,974	0	0	0	654	9,254	41,629	98,849,573	22,726	98,858,827	64,355
NET COST OF SERVICES	820,615	640,524	820,616	640,523	285,173	153,538	1,927,939	1,445,230	40,278,577	20,172,879	42,206,517	21,618,110
REVENUES FROM GOVERNMENT												
Appropriations	746,000	646,300	518,101	630,140	227,899	149,560	1,492,000	1,426,000	0	35,000,000	1,492,000	36,426,000
Assets assumed/(transferred)		34,626	0	21,527	0	8,661	0	64,814	0	0	0	64,814
Resources received free of charge	16,906	31,500	2,100	18,900	17,960	12,600	36,966	63,000	0	0	36,966	63,000
Total revenues from Government	762,906	712,426	520,201	670,567	245,859	170,821	1,528,966	1,553,814	0	35,000,000	1,528,966	36,553,814
Change in net assets resulting from operations	(57,710)	71,906	(300,416)	19,396	(39,314)	17,283	(398,973)	108,583	(40,278,577)	14,827,121	(40,677,550)	14,935,704



Appendix 1

Public Authorities With Partial and Total Exemptions

As At 30 June 2002

Animal Resources Authority	\$50,000
Anti Corruption Commission	\$20,000
Burswood Park Board	\$50,000
Central TAFE	\$50,000
Central West College of TAFE	\$50,000
Challenger TAFE	\$100,000
Chemistry Centre (WA)	\$5,000
Curriculum Council	\$20,000
CY O'Connor College of TAFE	\$50,000
Department for Community Development	\$250,000
Department for Planning and Infrastructure	\$1 million
Department of Agriculture	\$250,000
Department of Conservation and Land Management	\$250,000
Department of Consumer and Employment Protection	\$50,000
Department of Culture and the Arts	\$250,000
Department of Education	\$5 million
Department of Education Services	\$5,000
Department of Environmental Protection	\$20,000
Department of Fisheries	\$50,000
Department of Health (Administration)	\$50,000
Department of Housing and Works	\$500,000
Department of Indigenous Affairs	\$50,000
Department of Industry and Technology	\$500,000
Department of Justice	\$250,000
Department of Land Administration	\$250,000
Department of Local Government and Regional Development	\$250,000
Department of Mineral and Petroleum Resources	\$1 million
Department of Racing, Gaming and Liquor	\$50,000
Department of Sport and Recreation	\$20,000
Department of the Premier and Cabinet	\$250,000
Department of Training	\$500,000
Department of Treasury and Finance	\$50,000
Disability Services Commission	\$1 million
Dried Fruits Board	\$5,000
Drug and Alcohol Office	\$20,000
East Perth Redevelopment Authority	\$250,000
Eastern Pilbara College of TAFE	\$50,000
Fire and Emergency Services Authority	Total Exemption
Forest Products Commission	\$50,000
Fremantle Cemetery Board	\$5,000
Gascoyne Development Commission	\$50,000
Goldfields Esperance Development Commission	\$50,000
Government Employees Housing Authority	\$5,000
Great Southern Development Commission	\$50,000
Great Southern TAFE	\$250,000
Heritage Council of WA	\$5,000
Insurance Commission of WA	Total Exemption
Kimberley College of TAFE	\$50,000
Kimberley Development Commission	\$50,000
Lotteries Commission	\$1 million
Main Roads Western Australia	Total Exemption
Metropolitan Cemeteries Board	\$50,000
Mid West Development Commission	\$20,000
Midland College of TAFE	\$50,000
Midland Redevelopment Authority	\$50,000
Minister for Health (Government Health Supply Council)	\$10 million
Office of Energy	\$50,000

Office of the Auditor General	\$50,000
Office of the Information Commissioner	\$20,000
Office of the Inspector of Custodial Services	\$50,000
Office of the Public Sector Standards Commissioner	\$50,000
Office of Water Regulation	\$50,000
Parliamentary Commissioner for Administrative Investigation	\$50,000
Peel Development Commission	\$250,000
Perth Dental Hospital and Community Dental Services	\$50,000
Perth Market Authority	\$50,000
Pilbara Development Commission	\$50,000
Rottneet Island Authority	\$500,000
Small Business Development Corporation	\$20,000
South East Metropolitan College of TAFE	\$50,000
South West Development Commission	\$50,000
South West Regional College of TAFE	\$250,000
Subiaco Redevelopment Authority	\$250,000
Totalisator Agency Board	Total Exemption
Tourism Commission of WA	\$50,000
WA Electoral Commission	\$50,000
WA Health Promotion Foundation	\$50,000
Department of the Registrar - WA Industrial Relations Commission	\$50,000
WA Sports Centre Trust	\$50,000
WA Treasury Corporation	\$5,000
Water and Rivers Commission	\$250,000
West Coast College of TAFE	\$50,000
West Pilbara College of TAFE	\$50,000
Western Australia Police Service	\$250,000
Western Australian Government Railways Commission	Total Exemption
Wheatbelt Development Commission	\$50,000
Workcover WA	\$50,000
Zoological Gardens Board	\$50,000

Public Authorities with Special Exemptions [as at 30 June 2002]

Art Gallery of WA—Artworks
Crown Solicitor—Legal Services
Director of Public Prosecution—Legal Services
Anti Corruption Commission—Covert purchases

Public Authorities which can Contract under the Powers of their own Legislation [as at 30 June 2002]

Botanic Gardens and Parks Authority - <i>Botanic Gardens and Parks Authority Act 1998</i>
Government Employees Superannuation Board - <i>State Superannuation Act 2000</i>
WA Land Authority (Landcorp) - <i>Western Australian Land Authority Act 1992</i>



Appendix 2

State Supply Commission Supply Policies and Guidelines and Government Policies and Guidelines

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 and Agency Specific Panel Contracts
- Provision of Supply Information (under review for revocation)
- Delegated Purchasing Authority (under review for revocation))

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.

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

Assists public authorities to grant or obtain sponsorship where it fits their strategic business needs and where the sponsorship is for a contract for services.

Internal Audit Reviews of Agencies Application of Supply Policies

To provide agencies with guidance to ensure that the existing internal audit functions provide a suitable and preferred mechanism for ensuring that the agencies meet their public accountabilities for their purchasing and contracting.

Management of Software Contracts

The Guidelines assist agencies with the contract planning, contract formation and contract management of software contracts.

Government Policies and Guidelines Administered by the State Supply Commission**Buy Local Policy**

This Policy seeks to maximise the use of competitive local businesses in goods, services and works purchased or contracted on behalf of Government.



Appendix 3

Publications List as at 30 June 2002

Annual Reports 1999, 2000

Annual Supply Reports (Who Buys What) - 1998/99, 1999/00; 2000/2001

A Guideline for Internal Audit Reviews of Agencies Application of Supply Policies

Assuring Quality in Government Purchasing – A Risk Based Approach

Buy Local Policy

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

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 - Guideline

Ethical Standards in Government Buying - Guidelines for suppliers to Government

Managing Purchasing Conducted by Private Sector Providers – Guideline

Management of Software Contracts - Guideline

Partnering Guideline

Policies and Guidelines for Buying Wisely Manual

Policies and Guidelines for Buying Wisely Overview for Chief Executive Officers

Sale of Government Businesses - An Overview for Chief and Senior Executives

Sale of Government Businesses - Guidelines

Sponsorship in Government Guideline

State Supply Commission Customer Service Charter

State Supply Commission's Complaints Handling Process

