



STATE SUPPLY COMMISSION

2002/2003 ANNUAL REPORT

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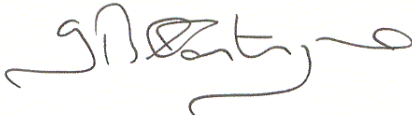


COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

HON NICK GRIFFITHS LLB 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 2003.



Jennifer Ballantyne
CHAIRMAN

8 October 2003



Julie Faulkner
MEMBER

8 October 2003



CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT

During 2002/2003 the State Supply Commission has moved forward with a number of key issues on the government contracting agenda.

Following Cabinet endorsement of the revised *Buy Local* Policy, the Commission set to work with an implementation program around Western Australia introducing the new Policy.

Following a series of risk management reviews of public authorities' contracting, the Commission was pleased to be able to offer direct assistance to a number of public authorities. Officers from the Commission spent some time giving guidance and advice on how to improve their contracting processes and documentation. As part of the Commission's commitment to assisting public authorities with their contracting, a Supply Policies and Procedures manual has been developed and piloted across a number of public authorities.

In February 2003 the government procurement landscape changed with a shift in responsibility for government goods and services contracting to the Department of Treasury and Finance. The latter portion of the year has seen the State Supply Commission working with the Department and the Functional Review Implementation Team to realise cost savings and increased efficiencies in government procurement whilst maintaining the integrity of the process.

The State Supply Commission will be progressing a number of strategic initiatives in 2003/2004. This includes leading a review of its policies and guidelines, formulating education strategies in collaboration with the Department of Treasury and Finance. It will also develop and implement new policies including a Sustainability Policy and Guideline and a Transparency Policy.

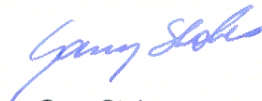
The Commission wishes to recognise the contributions of outgoing State Supply Commission Board Members Ms Ricky Burges, Mr Greg Joyce and Dr Paul Schapper to the work of the Commission.

In addition, the commitment of the Hon Tom Stephens MLC, the former Minister for Housing and Works, particularly to the review of the *Buy Local Policy* is acknowledged. The Commission looks forward to working with the Hon Nick Griffiths LLB MLC as Minister for Housing and Works.



Jenni Ballantyne
Chairman

8 October 2003



Gary Stokes
Chief Executive Officer

8 October 2003



TABLE OF CONTENTS

COMPLIANCE STATEMENT FOR YEAR ENDING 30 JUNE 2003.....	2
CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT.....	3
TABLE OF CONTENTS	4
CORPORATE PROFILE	5
LEGISLATION	6
ROLE OF THE STATE SUPPLY COMMISSION	7
MAJOR ACHIEVEMENTS 2002/2003.....	8
MAJOR INITIATIVES FOR 2003/2004.....	9
OPERATIONS REPORT 2002/2003.....	10
REPORTS ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES	15
OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION	19
STATE SUPPLY COMMISSION CERTIFICATION OF PERFORMANCE INDICATORS.....	27
AUDIT OPINION - PERFORMANCE INDICATORS 30 JUNE 2003.....	28
PERFORMANCE INDICATORS	29
STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003.....	36
STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2003.....	37
STATE SUPPLY COMMISSION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003	38
STATE SUPPLY COMMISSION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003.....	39
STATE SUPPLY COMMISSION OUTPUT SCHEDULE OF EXPENSES AND REVENUE FOR THE YEAR ENDED 30 JUNE 2003.....	58



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 2003:

Ms Jennifer Ballantyne (Chairman) is the Chief Executive Officer, Second Skin, and was re-appointed as Chairman on 1 July 2002 for one year.

Ms Ricky Burges is the Chief Executive Officer, Western Australian Local Government Association and was re-appointed as a Member on 1 July 2002 for one year.

Mr Jim Coles is the Managing Director, Westwools Carpets Pty Ltd and was re-appointed as a Member on 1 July 2002 for one year.

Ms Julie Faulkner is a Director of AOT Consulting Pty Ltd and was appointed as a Member on 1 July 2002 for one year.

Ms Cheryl Gwilliam is the Director General of the Department of Local Government and Regional Development and was appointed as a Member on 1 July 2002 for one year.

Mr Greg Joyce is the Director General of the Department of Housing and Works and was appointed as a Member on 1 July 2002 for one year.

Mrs Vickie Petersen is Director of BOSS Transport and Mayor of the City of Geraldton and was re-appointed as a Member on 1 July 2002 for one year.

Mr Dave Robinson is the Assistant Secretary, Unions WA and was re-appointed as a Member on 1 July 2002 for one year.

Dr Paul Schapper was the former Acting Director General, Department of Industry and Technology, and was re-appointed as a Member on 1 July 2002 for one year.

Mr Gary Stokes is the Chief Executive Officer of the State Supply Commission and by virtue of his holding this position is an ex-officio member of the State Supply Commission Board in accordance with section 8(b) of the *State Supply Commission Act 1991*.

Mr Michael Anderson is the Principal of Strategic Avenues and was appointed as a Substitute Member on 1 July 2002 for one year.

During 2002/2003 the State Supply Commission Board held six Ordinary Meetings and three Special Meetings.



LEGISLATION

GOVERNING 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*.

The *State Supply Commission Act 1991* provides a framework for the supply of goods and services, and the 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 1991*, compliance with supply policies and reviews of public authority procurement conducted by the Commission.

RESPONSIBLE MINISTER

For the period 1 July 2002 to 26 June 2003 the Hon Tom Stephens MLC was the Minister responsible for the *State Supply Commission Act 1991*. From 26 June 2003 the Hon Nick Griffiths LLB MLC was the responsible Minister.

DIRECTIONS BY THE MINISTER RESPONSIBLE FOR THE STATE SUPPLY COMMISSION ACT 1991

Neither Minister gave any directions to the State Supply Commission under section 7(1) of the *State Supply Commission Act 1991* during 2002/2003.

LEGISLATIVE COMPLIANCE

On 18 August 2003 and 24 September 2003 the Minister for Housing and Works granted the State Supply Commission extensions of time to 30 September 2003 and 10 October 2003 respectively in which to submit the Annual Report, under section 70 of the *Financial Administration and Audit Act 1985*. The extensions were to allow for the appointment of the State Supply Commission Board.

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.



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.

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.

STATE SUPPLY COMMISSION FUNCTIONS

Policy - Develop, implement and review supply and disposal policies.

Co-ordination - Arrange and co-ordinate the efficient supply of goods and services.

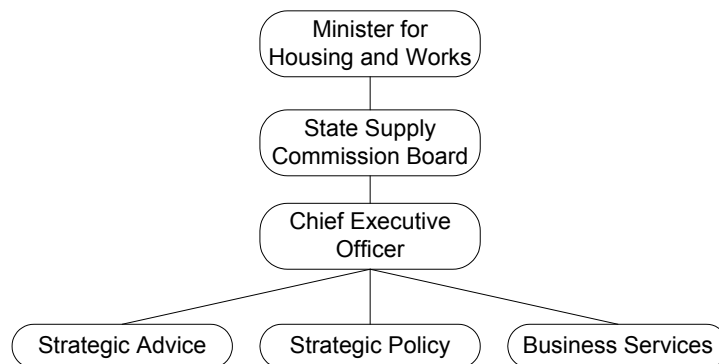
Sale of Government Businesses - Effect sales as required.

Monitoring - Monitor supply and disposal activities and conduct compliance audits.

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

State Fleet - Manage the funding and leasing of the State's vehicle fleet - delegated to the Department of Treasury of Finance.

ORGANISATIONAL STRUCTURE



MAJOR ACHIEVEMENTS 2002/2003

- Developed a Minimum Standards and Conditions of Employment policy that must be applied to all Government procurement.
- Implemented the revised *Buy Local Policy*.
- Developed and piloted a model Supply Policies and Procedures manual.
- Provided direct assistance to public authorities in implementing Risk Management Review recommendations.
- Completed Health Check 4 - Report on Information Technology Purchasing and Contracting in the Public Sector.
- Adopted the Funding and Purchasing of Community Services as part of its policy set.
- In 2002-03 State Fleet undertook a major review of lease rental settings, recognising movements in the vehicle market, to ensure that rentals more accurately reflect the true cost of leasing vehicles and that rentals are on a commercial basis. On average, rentals reduced by around \$40 a month providing a potential saving to agencies, on a fully implemented basis, of \$4 million per annum.
- During the year refinements were made to State Fleet business rules to improve flexibility for vehicles with high levels of accessories/fit-out and for commercial vehicles. By increasing lease terms on high fit-out vehicles, the cost of the fit-out can be amortised over a longer period providing further savings to agencies.
- State Fleet restructured its debt portfolio so that borrowing terms better matched the expiry of existing vehicle lease terms. Matching the term of the borrowing to the term of the lease reduces State Fleet's exposure to future interest rate movements.
- State Fleet has commenced a review of fleet related contracts with a view to restructuring arrangements to better match State Fleet's business operating model.



MAJOR INITIATIVES FOR 2003/2004

- Undertake a complete review of the State Supply Commission's Policies and Guidelines with a view to achieving greater efficiencies whilst maintaining the integrity of the policy framework.
- Develop and implement a Sustainability Procurement policy and guidelines.
- Develop and implement a Transparency in Procurement policy and guidelines.
- Implement the findings of the Functional Review Taskforce as they relate to supply policy in collaboration with the Department of Treasury and Finance.
- Review the role of the State Tenders Committee with a view to instigating a more strategic approach to procurement activities.
- Review the Risk Management, Compliance and Competencies Framework.
- Formulate and implement procurement education and training strategies in collaboration with the Departments of Education and Training and Treasury and Finance.
- Undertake two Health Checks of public authorities' procurement.
- Implement the Funding and Purchasing Community Services policy for procuring services from the not-for-profit sector by developing standard documentation across government.
- Continue (through the delegation arrangement with the Department of Treasury and Finance) the development of State Fleet as an economically viable business operation.
- In particular it is proposed to implement a revised business structure that addresses outsourced functions, including fleet management and vehicle disposal, so that they better suit the contemporary operating environment.



OPERATIONS REPORT 2002/2003

MODEL SUPPLY POLICIES AND PROCEDURES.

The Commission has responsibility for the development and implementation of Supply Policies and Procedures.

Currently, the Commission provides draft templates to public authorities upon request. A draft Supply Policies and Procedures Manual template has been developed and piloted in a number of public authorities on a trial basis. The Commission, Department of Treasury and Finance and the Crown Solicitor's Office have formed a Steering Committee to expedite the development of a suite of standard purchasing and contracting documents.

BUY LOCAL POLICY

The State Government's *Buy Local Policy* requires government entities to adopt procurement practices that actively encourage participation by Western Australian businesses in government service delivery. The Policy, which the State Supply Commission administers, applies to all State Government purchasing of goods, services and works undertaken by public authorities, government departments and agencies and government trading enterprises unless specifically exempt by Cabinet.

A revised Policy came into effect on 1 July 2002 following an extensive review of the Policy by the State Supply Commission that included public consultation forums held throughout the State. The revised policy focuses on maximising local and regional business opportunities by increasing the opportunities for these businesses to bid for government work.

Following the publication of the revised *Buy Local Policy*, the State Supply Commission, in collaboration with the former Department of Industry and Technology conducted a series of Policy Information and Awareness Sessions throughout the State.

Sixteen Information and Awareness Sessions were held in the Perth region with 329 attendees. Fifteen Information and Awareness Sessions were also held in regional centres with a total of 249 attendees. Over 5000 copies of the revised *Buy Local Policy* have been distributed since June 2002.

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 for goods and services. 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 may undertake a formal review.

During the year, the Commission finalised 24 complaints raised by suppliers.

HEALTH CHECKS

As part of the State Supply Commission's monitoring role it conducts compliance reviews of public authorities' procurement activities.



During the year the Commission completed Health Check 4 and commenced preparatory work for Health Check 5.

Health Check 4

The key objective of the review was to assess the performance of public authorities in undertaking the purchasing and contracting of information technology associated goods and services. Health Check 4 focused on high risk, complex information technology contracts awarded during the period 1 July 1997 to 1 July 2001 in 14 public authorities.

The review focused on a sample of 153 contracts across 14 public authorities that the State Supply Commission selected. Contracts reviewed had an estimated contract price of \$100,000 or more, based on information provided by the public authorities. The Minister for Housing and Works tabled Health Check 4 in Parliament on 24 September 2002.

Health Check 5

Health Check 5 was placed on hold until the Functional Review Implementation Team review of government procurement had progressed and this Health Check will progress in 2003/2004. It will focus on the skills of all procurement staff across the sector.

RISK MANAGEMENT REVIEW PROGRAM

The Risk Management Review program that the Commission conducted in 2001/2002 identified a number of public authorities that were required to implement State Supply Commission recommendations. The majority of these public authorities report that they have completed the implementation of the recommendations and have reported positive improvements to their purchasing and contracting functions.

The Commission provided direct assistance to 13 public authorities to implement recommendations. This direct assistance took place through the development and implementation of a draft Purchasing and Contracting Policies and Procedures Manual (specific to the particular public authority) and the implementation of a suite of draft purchase and contract documents. It also made Commission officers available to agencies on a secondment basis for specific periods of time to assist them with their procurement practices.

The Commission sought feedback from these public authorities on the assistance that the Commission provided Commission and the implementation of the Risk Management Review recommendations and their effect/improvement to the public authorities' purchasing and contracting processes. Feedback on the effectiveness of this strategy has been very positive.

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, 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 statutory account.

State Fleet was set up as an operating entity under these powers. While it operates under 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 State Fleet began purchasing and leasing vehicles to agencies. In November 2001 the Matrix motor vehicle fleet lease transaction under which vehicles were leased to agencies was terminated. As part of the termination State Fleet acquired the rights to rental and sale proceeds on the 6651 vehicles in the transaction at termination. These vehicles are progressively being run-off and replaced by State Fleet vehicles. 1,495 Matrix vehicles remain in the fleet at 30 June 2003.

During 2002/03 State Fleet acquired 3,749 passenger and light commercial vehicles and sold 642 of its vehicles to bring the number of vehicles owned by State fleet to 7,112 vehicles.

The number of vehicles leased by State Fleet to agencies at the end of the year was 8,287 up from 8,251 vehicles at the start of the year.

The termination of the Matrix arrangements provided State Fleet with the opportunity to review a number of arrangements. A review of lease setting arrangements to better reflect market expectations resulted in a substantial revision of the basis for lease pricing and the development of a new rental schedule. The new rental schedule offered average rental reductions of \$40 a month for new vehicles and a saving, when fully implemented, of approximately \$4 million per year for agencies.

In November 2002, State Fleet restructured WATC borrowings so that the terms of borrowings broadly matched the lease payments received from vehicle lease payments and vehicle sale proceeds. Matching the term of the borrowing to the lease reduces State Fleet's exposure to future interest rate movements.

During the year refinements were made to State Fleet business rules to improve flexibility for vehicles with high levels of accessories/fit-out and for commercial vehicles. By increasing lease terms on high fit-out vehicles, the cost of the fit-out can be amortised over a longer period providing opportunities for further savings to agencies.

State Fleet is also reviewing the business structure relating to vehicle contracts. The new business model aims to address issues identified with the current structure and identify potential cost savings to government in overall fleet costs.

State Fleet is required, in the normal course of events, to be financially self-sufficient - without recourse to budget funding – and it aims to be financially viable over time. State Fleet reported a \$13.0 million profit in 2002/03. This was the first year of normal operations as the previous year had been 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 remain profitable, albeit at a lower level due to rental reductions, and other factors, going forward.

STATE TENDERS COMMITTEE

The State Tenders Committee considered 216 tender submissions and 159 procurement plan submissions for the 2002-2003 year. This compares with 175 tender submissions and 113 procurement plan submissions for the previous year.

The State Supply Commission wishes to thank State Tenders Committee members for their commitment and energy during 2002-2003. Members of the 2002-2003 State Tenders Committee: Michael Wallwork (Chair, Main Roads WA); Greg Beange (Deputy Chair, Department of Conservation and Land Management); Adrian Duca (Department of Treasury and Finance); Kerry Fijac (Department of Housing and Works); Steve Grocott (Department of Industry and Resources); Athol Jamieson (Department for Planning and Infrastructure); Neil Logan (Department of the Premier and Cabinet); Rod Scott (HealthSupply WA); Alex Taylor (WA Police Service).



The role of the State Tenders Committee will change in 2003-2004 to take a more strategic view of procurement. In particular the Committee will assist with the identification of smarter buying strategies and aggregation opportunities.

SUSTAINABILITY

Each year the Western Australian Government spends around \$5 billion on goods and services, construction and building related services. This is a significant contribution to Western Australia's economy. Government purchasing and procurement can be a powerful driver to support more sustainable behaviours as well as the emergence and establishment of sustainable behaviors in businesses and industries that supply goods and services to government.

Government agencies are therefore significant resource consumers in their own right and will be required to embed sustainability considerations into their purchasing and procurement.

To support this outcome, the Premier established an Interdepartmental Committee on Sustainability Procurement in 2001 to develop a comprehensive approach to sustainability procurement in government.

The Committee recognised that the development of sustainability procurement needed to address more than the lowest price offered, that a single policy alone would not deliver the desired outcome and that government buying is diverse and can be very complex. It also noted that approximately 80% of government expenditure is for purchasing services.

The development of a sustainability procurement policy framework recognises that government procurement can have a positive impact on meeting the needs of current and future generations through simultaneous environmental, social and economic improvement.

The Government's sustainability procurement framework will be a comprehensive approach to achieving progressive change across all purchasing in all departments. This approach be phased in over time and involve a learning-by-doing approach within government and with the suppliers to government. The process will begin with selected areas of government purchasing including consumable supplies such as paper, as well as construction of new government infrastructure etc.

The task is complex given the balancing act between procurement outcomes and other government policy initiatives. As a consequence, the consultation process has taken longer than anticipated.

SUPPLY POLICIES

During the year the State Supply Commission amended two of its supply policies. In accordance with the State Supply Commission Act all amendments were gazetted. The more substantive amendments are outlined below.

Open and Effective Competition Policy

This policy now limits contract terms to up to 5 years. The Commission has responsibility for approving exemptions from this policy, on request from public authorities that can justify a contract term that is longer than 5 years. In addition, the existing policy statement on avoiding bias in the development of specifications now requires public authorities not to name proprietary products as part of their specification. These changes are effective from 14 February 2003.



Supporting Other Government Policies and Initiatives

This policy was amended with effect from 1 November 2002 to include a section titled 'Minimum Standards and Conditions of Employment'. The inclusion of this section requires public authorities to include specific contractual terms in contracts relating to remuneration and terms and conditions of employment.

FUNDING AND PURCHASING COMMUNITY SERVICES

In conjunction with the Department of the Premier and Cabinet the State Supply Commission has responsibility for administering this whole of government policy for procuring services from the not-for-profit sector. In the coming year the Commission be working towards implementing the policy and associated guidelines and documents.



REPORTS ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES

ADVERTISING AND SPONSORSHIP

In accordance with section 175E of the *Electoral Act 1907*, the State Supply Commission incurred the following expenditure in advertising, market research, polling, direct mail and media advertising:

1. Total expenditure for 2002/2003 was \$31,436
2. Expenditure was incurred in the following areas:

Description	Supplier	Description	Amount
Media - Advertising agencies	Marketforce Productions		394
	Office of the Public Standards Commissioner	Recoup of cost of advertising the CEO position	16,179
Advertising agencies	Dataflow Business Systems	Design and printing of letterheads and business cards	1,863
Market research organisations	Colmar Brunton	Collation and analysis of 2001-02 Annual Supply Report	13,000
Polling organisations	-	-	0
Direct mail organisations	-	-	0

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. 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. The Code of Conduct was updated in December 2002.



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
Chief Executive Officer

CULTURAL DIVERSITY AND LANGUAGE SERVICES OUTCOMES

While the State Supply Commission employees a number of staff from a variety of ethnic and cultural backgrounds, only 7.1% of its staff meet the Public Sector Management Office definition of 'culturally diverse backgrounds' as "People from a first generation non-English speaking background. People who have migrated to Australia and whose first language is a language other than English."

DISABILITY SERVICES PLAN

The Commission is continually 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.

The Commission is updating and reviewing its website. The update will be done in accordance with W3C Accessibility Standards and Guidelines.



ENERGY SMART GOVERNMENT POLICY

The Energy Smart Government policy objective is to achieve a 12% reduction in energy consumption by 2006/07. Participation is mandatory for general government sector agencies with 25 or more FTE's and therefore the State Supply Commission's participation was voluntary.

The State Supply Commission achieved a 31% decrease in consumption and a 30% decrease in cost compared to its 2001/2002 figures.

To achieve these savings, the State Supply Commission adopted limited usage of internal lighting. The Commission is on the south side of Dumas House and its offices receive plenty of natural light. As a consequence, most staff chose to use natural light for their offices. In addition, staff at the Commission became far more conscious about turning lights out when leaving the office and when not in the office, turning computers off at night and generally being more conscientious about energy use within the office.

EQUAL EMPLOYMENT OPPORTUNITY OUTCOMES

The percentage of women employed at the State Supply Commission has increased from 35.7% as at 30 June 2002 to 42.9% at 30 June 2003. The Equity Index does not apply to agencies with less than 10 women employees.

The State Supply Commission has made a commitment towards the achievement of the EEO/Diversity Management Plan from 2003-2005.

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

FREEDOM OF INFORMATION STATEMENT AS AT 30 JUNE 2003

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



WASTE PAPER RECYCLING

The State Supply Commission uses predominantly recycled paper and recycles its waste paper.

YOUTH OUTCOMES

The State Supply Commission is a small agency with a low staff turnover and continues to support the principles of equal opportunity and diversity in employment.



OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

The State Supply Commission was provided with an amount of \$1.550 million to meet recurrent and capital services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.539 million. The Commission received services free of charge to the extent of \$47,000.

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	2002/03 Target	2002/2003 Actual	Reason for Significant Variation
The extent to which Public Authorities comply with the purchasing and disposal framework	99%	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 2002-2003 there were approximately 3865 Tenders/Contracts over \$10,000 awarded and the Commission received 26 Complaints/Concerns. Twelve (12) of the complaints were substantiated.

The remaining six (6) Complaints were still under review at the end of the financial year.

The number of Complaints/Concerns sustained divided by the number of Tenders/Contracts Awarded equals the percentage of the extent to which Public Authorities comply with the purchasing and disposal framework.



EFFECTIVENESS INDICATOR 2

Performance Measure	2000/01	2001/02	2002/03
Health Checks			
Health Check 3	Nil	100%	N/A ²
Health Check 4	Nil	96%	N/A ²
Risk Management Reviews¹			
Effect on partial exemption levels:	Nil	64 (77%)	Nil
- Retain Current Levels	Nil	8 (9%)	2
- Recommended for Increase	Nil	3 (4%)	1
- Recommended for Decrease	Nil	3 (4%)	Nil
- Recommended for Initial partial exemption.	Nil	4 (5%)	Nil
- No partial Exemption	Nil	1 (1%)	Nil
- Total Exemption			

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.

Government Procurement Function

In 2002/2003 the Government engaged PriceWaterhouseCoopers to undertake a report on government procurement as part of the Functional Review of Government Priorities.

Later in 2002/2003 the Functional Review Implementation Taskforce was established to look more closely into the government procurement and corporate services functions. Deloitte Touche Tohmatsu was engaged to undertake analysis working alongside the Functional Review Implementation team. The State Supply Commission has been intensively involved with this work, which has meant that key Commission resources have been engaged with it.

These reviews have the potential to fundamentally change the government procurement landscape in Western Australia. It has therefore been necessary to re-prioritise Health Checks and Risk Management reviews, as they would be inappropriate in the current environment.

Health Checks

The key objective of the Health Check 4 review was to assess the performance of public authorities in undertaking the purchasing and contracting of information technology associated goods and services. Health Check 4 focused on high risk, complex information technology (IT) contracts awarded during the period 1 July 1997 to 1 July 2001 in 14 public authorities.

¹ Refer to Risk Management Reviews for an explanation of the number of agencies reviewed in 2002/03.

² N/A=Not applicable. Health Checks 3 and 4 were completed in 2001/02. Health Check 5, which was planned for 2002/03, was deferred to 2003/04.



The review focused on a sample of 153 contracts across 14 public authorities that the State Supply Commission selected and had an estimated contract price of \$100,000 or more, based on information provided by the public authorities.

The results of Health Check 4 were tabled in Parliament on 22 September 2002.

Health Check 5 was placed on hold until the Functional Review Implementation Team review of government procurement had progressed. The Department of Treasury and Finance has now agreed for Health Check 5 to proceed. This Health Check will focus on the skills of all procurement staff across the sector.

Risk Management Reviews

A comprehensive program of reviews was carried out across 83 agencies under the Risk Management, Competencies and Compliance Framework in 2001/2002.

The State Supply Commission then worked extensively with agencies in 2002/2003 to implement the recommendations from those reviews. State Supply Commission officers provided direct assistance to 13 of those agencies by working with them to improve their purchasing processes and reduce the risk to the State.

The Risk Management Review program also identified key areas needing to be addressed by the Commission and public authorities. Outlined below are the achievements to address the key areas.

1. Internal management and control of purchasing documentation to promote compliance with current policies and guidelines
 - The Commission has developed a Supply Policy and Procedures manual and has piloted it in 13 public authorities. It will be made available on the State Supply Commission web site when it is launched.
 - The development of an up to date version of the General Conditions of Contract, and purchasing templates for quotations and tenders is being progressed through the Procurement Leaders Council.
 - State Supply Commission officers have provided direct assistance to 13 public authorities in the implementation of procedures and documents.
2. Records Management
 - Discussions with the State Records Office have progressed on the development of a government standard for record keeping. It is expected that a steering committee will need to be established to progress this matter in 2003/2004.
3. Procurement competencies and training
 - Health Check 5 is designed to target the levels of competencies across agencies.
4. Monitoring and measurement of State Supply Commission performance
 - The Commission reviewed its Outcome and Output statements and measures to better align with State Supply Commission Act and Board expectations. The Department of Treasury and Finance has agreed to proposed changes to the State Supply Commission outputs from 2003/2004.



EFFECTIVENESS INDICATOR 3 – STATE FLEET

This is a new effectiveness indicator for the 2002/2003 year.

Performance Measure	2002/03 Target (\$000)	2002/2003 Actual (\$000)	Reason for Significant Variation
Economic Sustainability: Accounting profit four in every five years	(\$6,250)	\$13,026	Reduced amortisation cost for bailment vehicles and additional revenue.

This indicator relates to the State Supply Commission's management of the funding and operation of the State's Vehicle Fleet. The Commission's objective is for the State Vehicle Fleet to have no financial impact on the Commission.



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	2002/03 Target	2002/2003 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 (EFFICIENCY)			
Average cost per hour of policy development and advice	\$63	\$62	

Policies and Guidelines

In total four (4) policies and guidelines were reviewed and the changes implemented. Major pieces of work included the Policy on the *Funding and Purchasing Community Services and Supporting Other Government Policies and Initiatives Supply Policy*. Substantial work was also undertaken for the Review of the *Buy Local Policy and Open and Effective Competition Policy*.

All policies and guidelines provided to the Minister were endorsed.



OUTPUT 2: COMPLIANCE AND RISK MANAGEMENT ASSESSMENT REPORTS

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

EFFICIENCY INDICATOR

Performance Measure	2002/03 Target	2002/2003 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%	
TIMELINESS			
Successful completion with agreed timeframes of scheduled compliance reviews.	100%	100%	
COST (EFFICIENCY)			
Average cost per hour for risk management and compliance reviews.	\$62	\$61	

Health Check 4

The key objective of the Health Check 4 review was to assess the performance of public authorities in undertaking the purchasing and contracting of information technology associated goods and services. Health Check 4 focused on high risk, complex information technology (IT) contracts awarded during the period 1 July 1997 to 1 July 2001 in 14 public authorities.

The review focused on a sample of 153 contracts across 14 public authorities that the State Supply Commission selected and had an estimated contract price of \$100,000 or more, based on information provided by the public authorities. The results of Health Check 4 were tabled in Parliament on 22 September 2002.

Health Check 5

Health Check 5 was placed on hold until the Functional Review Implementation Team review of government procurement had progressed. The Department of Treasury and Finance has now agreed for Health Check 5 to proceed. This Health Check will focus on the skills of all procurement staff across the sector.

Risk Management, Competencies and Compliance Framework

A comprehensive program of reviews was carried out across 83 agencies under the Risk Management, Competencies and Compliance Framework in 2001/2002. The State Supply Commission then worked with agencies in 2002/2003 to implement the recommendations from those reviews. State Supply Commission officers provided direct assistance to 13 of those agencies by working with them to improve their purchasing processes and reduce the risk to the State.



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	2002/03 Target	2002/2003 Actual	Reason for Significant Variation
QUANTITY			
Complaints/Concerns requiring formal review.	20	6	2 Complaints received are still under review
Complaints/concerns not requiring formal review.	30	18	4 Complaints received are still under review
QUALITY			
Public Authority acceptance of recommendations	100%	100%	
TIMELINESS			
Complaint/Concern Review completed within 45 working days	100%	54%	Delay in consultants, CSO, & agency feedback due to the increasing complexity of complaints.
COST (EFFICIENCY)			
Average cost of Complaints/Concerns requiring formal review.	\$9,378	\$34,267	Increased complexity of complaints and reduced number of complaints actually received against estimate.
Average cost of Complaints/Concerns not requiring formal review.	\$1,563	\$2,705	Reduced number of complaints actually received against estimate.

COMPLAINTS 2002/2003

The Commission finalised 24 complaints during the year. The Commission reviewed eighteen (18) of the complaints internally and the Supplier Complaints Process Review Panel undertook the reviews for the remaining six (6). The Process Review Panel comprises private sector consultants experienced in private and public sector procurement and contracting. The Panel provides an independent mechanism to agencies and the Commission for reviewing supplier complaints relating to Government procurement and contracting. Twelve (12) of the complaints were substantiated.



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	2002/03 Target	2002/03 Actual	Reason for Significant Variation
QUANTITY			
Number of leased vehicles	8,800	8,287	Number of vehicles determined by client agencies
QUALITY			
Achieve a seamless transition from the old to the new financial arrangement.	N/a	N/a	Transition completed
Errors per 100,000 vehicles invoiced	N/a	3	New Operation
TIMELINESS			
Timing requirements for wholesale financing obligations are met.	100%	100%	
COST (EFFICIENCY)			
Average cost of leased vehicle.	\$13,574	\$12,564	Refer Note below.

Note: The reduction in the average cost of vehicles for 2002/03 is due to the 2001/02 figure including a number of one-off costs associated with the termination of the Matrix fleet leasing arrangements.



STATE SUPPLY COMMISSION CERTIFICATION OF PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2003

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 2003.



Jennifer Ballantyne
CHAIRMAN

8 October 2003



Julie Faulkner
MEMBER

8 October 2003





AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2003

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the State Supply Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2003.

Scope

The Commission's Role

The Commission is responsible for developing and maintaining proper records and systems for preparing performance indicators.

The performance indicators consist of key indicators of effectiveness and efficiency.

Summary of my Role

As required by the Financial Administration and Audit Act 1985, I have independently audited the performance indicators to express an opinion on them. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the performance indicators is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the performance indicators.

D D R PEARSON
AUDITOR GENERAL
December 4, 2003



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	2002/03	2001/02
The extent to which Public Authorities comply with the purchasing and disposal framework – Tenders >\$10,000 & Formal Complaints	99%	99%

The effectiveness of the State Supply Commission supply and disposal framework 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 2002/2003 year the WA Government Contracting Information Bulletin Board recorded approximately 3,865 awarded contracts valued over \$10,000. In the same period the Commission finalised 24 complaints. The Commission reviewed eighteen (18) of the complaints internally and the Supplier Complaints Process Review Panel undertook the reviews for the remaining six (6). The Process Review Panel comprises private sector consultants experienced in private and public sector procurement and contracting. The Panel provides an independent mechanism to agencies and the Commission for reviewing supplier complaints relating to Government procurement and contracting.

Twelve (12) of the complaints were substantiated.

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	2002/03	2001/02
Health Checks	N/A ²	100%
Health Check 3	N/A ²	96%
Health Check 4		
Risk Management Reviews¹	Nil	64 (77%)
- Current Levels	2	8 (9%)
- Recommended for increase	1	3 (4%)
- Recommended for decrease	Nil	3 (4%)
- Recommended for initial partial exemption.	Nil	4 (5%)
- No partial exemption	Nil	1 (1%)
- Total exemption		

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.

Government Procurement Function

In 2002/2003 the Government engaged PriceWaterhouseCoopers to undertake a report on procurement activities as part of the Functional Review of Government Priorities.

Later in 2002/2003 the Functional Review Implementation Taskforce was established to look more closely into the government procurement and corporate services functions. Deloitte Touche Tohmatsu were engaged to undertake analysis working alongside the Functional Review Implementation team. The State Supply Commission has been intensively involved with this work, which has meant that key Commission resources have been engaged with it.

These reviews have the potential to fundamentally change the government procurement landscape in Western Australia. It has therefore been necessary to re-prioritise Health Checks and Risk Management reviews, as they would be inappropriate in the current environment.

¹ Refer to Risk Management Review for an explanation of the number of agencies reviewed in 2002/03.

² N/A = Not applicable. Health Checks 3 and 4 were completed in 2001/02. Health Check 5, which was planned for 2002/03, was deferred to 2003/04.



Health Checks

The key objective of the Health Check 4 review was to assess the performance of public authorities in undertaking the purchasing and contracting of information technology associated goods and services. Health Check 4 focused on high risk, complex information technology (IT) contracts awarded during the period 1 July 1997 to 1 July 2001 in 14 public authorities.

The review focused on a sample of 153 contracts across 14 public authorities that the State Supply Commission selected and had an estimated contract price of \$100,000 or more, based on information provided by the public authorities.

The results of Health Check 4 were tabled in Parliament on 22 September 2002.

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A comprehensive program of reviews was carried out across 83 agencies under the Risk Management, Competencies and Compliance Framework in 2001/2002.

The State Supply Commission then worked extensively with agencies in 2002/2003 to implement the recommendations from those reviews. State Supply Commission officers provided direct assistance to 13 of those agencies by working with them to improve their purchasing processes and reduce the risk to the State.

The Risk Management Review program also identified key areas needing to be addressed by the Commission and public authorities. Outlined below are the achievements to address the key areas.

1. Internal management and control of purchasing documentation to promote compliance with current policies and guidelines
 - The Commission has developed a Supply Policy and Procedures manual and has piloted it in 13 public authorities. It will be made available on the State Supply Commission web site when it is launched.
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 - State Supply Commission officers have provided direct assistance to 13 public authorities in the implementation of procedures and documents.
2. Records Management
 - Discussions with the State Records Office have progressed on the development of a government standard for record keeping. It is expected that a steering committee will need to be established to progress this matter in 2003/2004.
3. Procurement competencies and training
 - Health Check 5 is designed to target the levels of competencies across agencies.



4. Monitoring and measurement of State Supply Commission performance

- The Commission reviewed its Outcome and Output statements and measures to better align with State Supply Commission Act and Board expectations. The Department of Treasury and Finance has agreed to proposed changes to the State Supply Commission outputs from 2003/2004.

Effectiveness Indicator 3

Cost	2000/01 (000's)	2001/02 (000's)	2002/03 (000's)
Economic Sustainability: Accounting profit four in every five years	-\$14,512	-\$40,278	-\$13,026

This indicator relates to the State Supply Commission's management of the funding and operation of the State's Vehicle Fleet. The Commission's objective is for the State Vehicle Fleet to have no financial impact on the Commission.

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	2000/01	2001/02	2002/03
Average cost per hour of policy development and advice	\$55	\$66	\$62

Policies and Guidelines

In total only four (4) policies and guidelines were reviewed and the changes implemented. Major pieces of work included the Policy on the *Funding and Purchasing Community Services* and *Supporting Other Government Policies and Initiatives Supply Policy*. Substantial work was also undertaken for the Review of the *Buy Local Policy* and *Open and Effective Competition Policy*.

All policies and guidelines provided to the Minister were endorsed.

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	2000/01	2001/02	2002/03
Average cost per hour for risk management and compliance reviews.	\$73	\$93	\$61

The cost in 2002/03 is significantly lower than the previous year. During 2002/03 the Commission did not engage consultants to undertake work in this area as it had done in 2001/02. The Commission focused on providing staff assistance to public authorities to implement recommendations from reviews conducted in 2001/02.



Output 3: Complaints Management Service

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

Cost	2000/01	2001/02	2002/03
Average cost of Complaints/Concerns not requiring formal review.	\$964	\$1,541	\$2,593
Average cost of Complaints/Concerns requiring formal review.	\$6,168	\$9,919	\$31,113

Increase in costs of Complaints/Concerns in 2002/03 is mainly due to the complexity of the Complaints/Concerns.

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

Efficiency Indicator

Cost	2000/01	2001/02	2002/03
Average cost of leased vehicle.	\$7,537	\$16,119	\$12,653

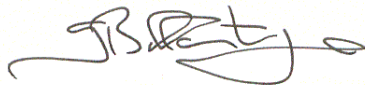
The reduction in the average cost of vehicles for 2002/03 is due to the 2001/02 figures including a number of one-off costs associated with the termination of the Matrix fleet leasing arrangements.



STATE SUPPLY COMMISSION CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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 2003 and the financial position as at 30 June 2003.

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



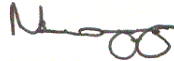
Jennifer Ballantyne
CHAIRMAN

8 October 2003



Julie Faulkner
MEMBER

8 October 2003



Martin Braganza
PRINCIPAL ACCOUNTING OFFICER

8 October 2003



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2003

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, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) 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, 2003 and its financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing the financial statements, and complying with the Financial Administration and Audit Act 1985 (the Act) and other relevant written law.

The financial statements consist of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and the Notes to the Financial Statements.

Summary of my Role

As required by the Act, I have independently audited the accounts and financial statements to express an opinion on the controls and financial statements. This was done by looking at a sample of the evidence.

An audit does not guarantee that every amount and disclosure in the financial statements is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements.

D D R PEARSON
AUDITOR GENERAL
December 4, 2003

STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
COST OF SERVICES			
Expenses from ordinary activities			
Vehicle fleet lease expenses		-	15,018,860
Vehicle fleet contract costs		-	20,277,791
Vehicle fleet bailment rights write down		-	20,600,000
Employee expenses	3	1,009,313	1,009,999
Supplies and services	4	496,300	1,622,560
Depreciation and amortisation expense	5	79,805,388	71,118,669
Administration expenses	6	4,774,644	1,270,123
Accommodation expenses	7	134,195	105,749
Other expenses from ordinary activities	8	87,220	21,274
Written down value of vehicles sold	9	13,327,479	2,697,038
Capital user charge	11	23,259	37,381
Borrowing costs		10,156,356	9,980,091
Total cost of services		109,814,154	143,759,535
Revenue from ordinary activities			
<u>Revenue from operating activities</u>			
Vehicle fleet lease rentals		52,539,140	47,918,004
Vehicle bailment revenues		52,382,783	49,818,484
Sale of vehicles	9	12,599,045	2,694,192
<u>Revenue from non operating activities</u>			
Contract Supply Fees		3,397,394	-
Interest revenue		345,789	1,091,794
Other revenues from ordinary activities	10	36,859	30,545
Total revenue from ordinary activities		121,301,010	101,553,019
NET COST OF (SURPLUS FROM) SERVICES		(11,486,856)	42,206,516
REVENUES FROM STATE GOVERNMENT			
Output appropriations	12	1,514,000	1,492,000
Resources received free of charge	12	47,361	36,966
Total revenues from State Government		1,561,361	1,528,966
Change in net assets before restructuring	23	13,048,217	(40,677,550)
Net expenses from restructuring	24	-	(1,780,877)
Change in net assets after restructuring		13,048,217	(42,458,427)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS		13,048,217	(42,458,427)

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



STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
Note	\$	\$
Current Assets		
Cash assets	25(a) 7,240,713	3,291,961
Receivables	13 4,566,164	23,780,592
Amounts receivable for outputs	14 6,000	6,000
Inventories	15 -	13,588
Other assets	16 16,000	27,271
Total Current Assets	<u>11,828,877</u>	<u>27,119,412</u>
Non-Current Assets		
Property, plant, equipment and vehicles	17 167,181,566	99,919,518
Intangible assets	18 30,720,663	90,829,063
Total Non-Current Assets	<u>197,902,229</u>	<u>190,748,581</u>
Total Assets	<u>209,731,106</u>	<u>217,867,993</u>
Current Liabilities		
Payables	19 1,098,885	20,019,344
Interest-bearing liabilities	20 97,508,044	200,000,000
Provisions	21 215,430	257,141
Other liabilities	22 3,937,708	4,563,266
Total Current Liabilities	<u>102,760,067</u>	<u>224,839,751</u>
Non-Current Liabilities		
Interest-bearing liabilities	20 100,776,305	-
Provisions	21 101,390	19,115
Total Non-Current Liabilities	<u>100,877,695</u>	<u>19,115</u>
Total Liabilities	<u>203,637,762</u>	<u>224,858,866</u>
NET ASSETS	<u>6,093,344</u>	<u>(6,990,873)</u>
Equity		
Contributed equity	23 20,051,000	20,015,000
Accumulated deficiency	23 (13,957,656)	(27,005,873)
TOTAL EQUITY	<u>6,093,344</u>	<u>(6,990,873)</u>

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



STATE SUPPLY COMMISSION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
	\$	\$
	Note	
CASH FLOWS FROM STATE GOVERNMENT		
Output appropriations	1,514,000	1,486,000
Capital contributions	36,000	20,015,000
Net cash provided by State Government	1,550,000	21,501,000
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee costs	(962,712)	(889,400)
Suppliers, services, administration and accommodation services	(4,595,179)	(3,390,642)
Vehicle fleet lease payments	-	(16,939,084)
Vehicle fleet contract payments	-	(20,277,792)
GST payments on purchases	(10,457,525)	(18,776,265)
Capital user charge	(28,092)	(32,548)
Borrowing costs	(12,295,346)	(11,595,968)
Receipts		
Vehicle fleet lease receipts	53,533,488	47,547,773
Contract supplier fee receipts	2,796,198	-
Interest received	343,379	1,096,146
Other receipts	17,348	9,065
GST receipts from State Government Agencies and ATO	10,830,162	19,519,003
Net cash provided by/(used in) operating activities	25(b) 39,181,721	(3,729,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of fleet owned vehicles	12,313,271	52,216,051
Proceeds from the sale of fleet bailment vehicles	52,919,428	40,846,563
Purchase of non-current physical assets	(100,300,017)	(102,872,583)
Contractual obligations and purchase of bailment rights	-	(65,737,525)
Net cash used in investing activities	(35,067,318)	(75,547,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	228,462,064	475,000,000
Cash transfer from Department of Treasury & Finance	-	4,611,399
Repayment of borrowings	(230,177,715)	(458,000,000)
Net cash provided by/(used in) financing activities	(1,715,651)	21,611,399
Net increase/(decrease) in cash held	3,948,752	(36,164,807)
Cash assets at the beginning of the financial year	3,291,961	39,456,768
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	25(a) 7,240,713	3,291,961

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



STATE SUPPLY COMMISSION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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 public sector performance and accountability;
- Maintain systems and processes for the assessment of agency buying performance and practice;
- Operate an independent, complaint grievance facility to address anti-competitive behaviour and procedural errors 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.

Basis of Accounting

The statements have been prepared on the accrual basis of accounting using the historical cost convention, except for certain assets and liabilities, which, as noted, are measured at fair value.

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 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 Treasurer's Instructions.

(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. Capital appropriations that are repayable to the Treasurer are recognised as liabilities.

(b) 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.

(c) 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 are sold at the end of their lease term.

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. Lease terms generally range from 6 months to 5 years.

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

(d) Employee Benefits

Annual Leave

This benefit is recognised at reporting date in respect to employee's services up to that date, and is measured at the nominal amounts expected to be paid when the liabilities are settled.



Long Service Leave

Leave benefits are calculated at remuneration rates expected to be paid when the liabilities are settled. 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.

Superannuation

Some staff contributes 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 liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by payment of employer contributions to the GESB.

Employee Benefit On-Costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses.

(e) Leases

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.

(f) 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.

(g) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. 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.

(h) 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.

(i) 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.



(j) 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.

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

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

(l) Revenue Recognition

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.

Interest revenues are recognised as they are accrued.

Vehicle Fleet Lease Rentals

Rental revenue is recognised in accordance with lease agreements entered into with State Government agencies, statutory authorities and other State Government entities.

Vehicle Bailment Revenues

Revenue is recognised on receipt of sale proceeds of vehicles held under Bailment Rights.

Supplier Fees (Volume Rebates)

The Commission is entitled to receive volume rebates on the purchase of goods and services. These rebates range from 1% to 2.5% of the total value of goods and services supplied. The Commission reviews the value and volume of goods and services purchased annually. It then bills the applicable supplier for the rebate in accordance with the purchasing agreement between the supplier and the State Government.

These supplier fees are brought to account as revenue of the Commission in the period in which they are billed.

(m) 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.

(n) Cash Resources

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



For the purpose of the Statement of Cash Flows, 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.

(o) 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.

(p) Net Fair Values of Financial Assets and Liabilities

The carrying values of financial assets and liabilities are considered to approximate their net fair value.

(q) Vehicle Fleet and Contract Costs

Vehicle fleet contract costs 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.

(r) Intangible Assets

(i) *Bailment Rights*

Bailment rights are valued at fair value based on the market value of the vehicles to which the rights relate. Bailment rights are amortised as individual vehicles are sold at the end of their lease term.

(ii) *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 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.

(s) Comparative Figures

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

(t) Rounding

Amounts in the financial statements have been rounded to the nearest dollar, or in certain cases to the nearest thousand dollars.



	2003	2002
	\$	\$
3. EMPLOYEE EXPENSES		
Wages and salaries	878,696	861,982
Superannuation	90,503	72,770
Long service leave	8,132	43,853
Annual leave	31,982	14,816
Other related expenses	-	16,578
	<u>1,009,313</u>	<u>1,009,999</u>
4. SUPPLIES AND SERVICES		
Consultants and contractors	352,745	1,482,553
Audit and legal fees free of charge	47,361	36,966
Repairs and maintenance	12,699	2,522
Travel	20,261	36,425
Other	63,234	64,094
	<u>496,300</u>	<u>1,622,560</u>
5. DEPRECIATION AND AMORTISATION EXPENSE		
<u>Depreciation</u>		
Computer equipment and software	11,908	18,062
Leasehold improvements	2,999	2,734
Office equipment	4,056	5,040
Motor vehicles	19,678,025	7,630,933
Total depreciation	<u>19,696,988</u>	<u>7,656,769</u>
<u>Amortisation</u>		
Intangible assets-Bailment Rights	60,108,400	63,461,900
Total amortisation	<u>60,108,400</u>	<u>63,461,900</u>
Total depreciation and amortisation expense	<u>79,805,388</u>	<u>71,118,669</u>



	2003	2002
	\$	\$
6. ADMINISTRATION EXPENSES		
Bad debts expense	-	366
Communications	31,478	63,988
Consumables	6,970	33,599
Other staff costs	27,029	8,177
Contract management fee	3,397,394	-
Facility management fee	900,000	900,000
State Fleet management fee	411,773	263,993
	<u>4,774,644</u>	<u>1,270,123</u>
7. ACCOMMODATION EXPENSES		
Lease rentals	<u>134,195</u>	<u>105,749</u>
	<u>134,195</u>	<u>105,749</u>
8. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Capital acquisitions less than \$5000	27,684	2,259
Motor vehicle expenses	59,536	18,759
State taxes & stamp duties	-	256
	<u>87,220</u>	<u>21,274</u>
9. NET PROFIT/(LOSSES) ON DISPOSAL OF NON CURRENT ASSETS		
<u>Loss on Sale of Non Current Assets</u>		
Written down value motor vehicles	13,327,479	2,697,038
Gross proceeds on disposal of motor vehicles	12,599,045	2,694,192
Net profit/(loss)	<u>(728,434)</u>	<u>(2,846)</u>
10. OTHER REVENUES FROM ORDINARY ACTIVITIES		
Sale of publications	151	1,490
Expense recoveries	18,564	7,757
Other	18,144	21,298
	<u>36,859</u>	<u>30,545</u>



	2003	2002
	\$	\$
11. CAPITAL USER CHARGE	<u>23,259</u>	<u>37,381</u>

A capital user charge rate of 8% has been set by the Government for 2002-2003 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.

Net assets/(Liabilities) attributed to the State Fleet Operations	5,793,735	(7,232,331)
Net assets attributed to other activities and subject to the capital user charge	<u>299,609</u>	<u>241,458</u>
Total net assets of the State Supply Commission	<u><u>6,093,344</u></u>	<u><u>(6,990,873)</u></u>

12. REVENUES FROM STATE GOVERNMENT

Appropriation revenue received during the year:

Output appropriations (i)	<u>1,514,000</u>	<u>1,492,000</u>
	<u><u>1,514,000</u></u>	<u><u>1,492,000</u></u>

Resources received free of charge (ii)

Determined on the basis of the following estimates provided by agencies:

Office of the Auditor General-Auditing Services	29,500	7,000
Crown Solicitor's Office-Legal Services	<u>17,861</u>	<u>29,966</u>
	<u><u>47,361</u></u>	<u><u>36,966</u></u>

Total revenues from State Government	<u><u>1,561,361</u></u>	<u><u>1,528,966</u></u>
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(i) Output appropriations are accrual amounts reflecting the full cost of outputs delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(ii) Where assets or services have been received free of charge or for nominal consideration, the Commission recognises revenue equivalent to the fair value of the services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as expenses, as applicable.

13. RECEIVABLES

Trade debtors	988,566	7,981
Provision for doubtful debts	-	(395)
Vehicle lease receivables	3,295,996	4,232,149
GST receivable	260,817	19,509,659
Interest receivable	20,785	18,374
Sundry Debtors	<u>-</u>	<u>12,824</u>
	<u><u>4,566,164</u></u>	<u><u>23,780,592</u></u>



	2003	2002
	\$	\$

14. AMOUNTS RECEIVABLE FOR OUTPUTS

Current	6,000	6,000
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This asset represents the non-cash component of output appropriations. It is restricted in that it can only be used for asset replacement.

15. INVENTORIES

Inventory (at cost)	-	13,588
	-	13,588

16. OTHER ASSETS

Prepayments	16,000	27,271
	16,000	27,271

17. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

Leasehold Improvements

At cost	18,931	13,671
Accumulated depreciation	(6,885)	(3,885)
	12,046	9,786

Computer Hardware & Software

At cost	167,475	163,540
Accumulated depreciation	(145,448)	(133,541)
	22,027	29,999

Office Equipment & Furniture & Fittings

At cost	68,758	68,758
Accumulated depreciation	(57,956)	(53,900)
	10,802	14,858

Motor Vehicles Under Lease

At cost	190,668,036	107,360,509
Accumulated depreciation	(23,531,345)	(7,495,634)
	167,136,691	99,864,875

Total	167,181,566	99,919,518
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Reconciliations

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

	Computer Hardware	Leasehold Improvements	Office Equipment, Furniture & Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Carrying amount at start of the year	29,999	9,786	14,858	99,864,875	99,919,518
Additions	3,936	5,259	-	100,277,320	100,286,515
Disposals	-	-	-	(13,327,479)	(13,327,479)
Depreciation	(11,908)	(2,999)	(4,056)	(19,678,025)	(19,696,988)
Carrying amount at end of year	<u>22,027</u>	<u>12,046</u>	<u>10,802</u>	<u>167,136,691</u>	<u>167,181,566</u>

Motor Vehicle Operating Leases

The Commission leases vehicles to various State Government Agencies. The leases are non-cancellable operating leases.

Future minimum lease payments that are expected to be received in the following time periods are:

	2003	2002
	\$	\$
(i) not later than one year	43,444,379	39,662,380
(ii) later than one year and not later than 5 years	21,954,815	19,744,986
	<u>65,399,194</u>	<u>59,407,366</u>

18. INTANGIBLE ASSETS

Bailment Rights

At cost	-	174,890,963
At valuation June 30, 2002	90,829,063	-
Less Accumulated Amortisation	(60,108,400)	(63,461,900)
Less Bailment Decrement	-	(20,600,000)
Bailment Rights at Valuation	<u>30,720,663</u>	<u>90,829,063</u>

9. PAYABLES

Trade payables	45,910	64,078
GST payable	1,052,975	19,955,266
	<u>1,098,885</u>	<u>20,019,344</u>



	2003	2002
	\$	\$

20. INTEREST-BEARING LIABILITIES

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. In 2002/03 \$198,284,349 (2001/02 \$200,000,000) was drawn against the facility.

Amount due to the Western Australian Treasury Corporation	198,284,349	200,000,000
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The aggregate carrying amount of borrowings recognised and included in the financial statements is as follows:

- Current	97,508,044	200,000,000
- Non-current	100,776,305	-
Total	198,284,349	200,000,000

21. PROVISIONS

Employee Benefits

Current

Annual leave	118,542	86,560
Long service leave	96,888	170,581
	215,430	257,141

Non-current

Long service leave	101,390	19,115
	101,390	19,115

Employee Benefits

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

Provision for employee entitlements:

Current	215,430	257,141
Non-current	101,390	19,115
	316,820	276,256

22. OTHER LIABILITIES

Current

Accrued expenses	1,459,477	58,205
Accrued salaries	32,071	22,671
Accrued capital user charge	-	4,833
Interest payable to WA Treasury Corporation	373,207	2,512,197
Unearned revenue	2,072,953	1,965,360
	3,937,708	4,563,266



	2003	2002
	\$	\$
23. EQUITY		
<u>Accumulated Deficiency</u>		
Opening balance	(27,005,873)	15,452,554
Change in net assets	13,048,217	(42,458,427)
Closing balance	<u>(13,957,656)</u>	<u>(27,005,873)</u>
<u>Contributed Equity</u>		
Opening balance	20,015,000	-
Capital contributions (i)	36,000	20,015,000
Closing balance	<u>20,051,000</u>	<u>20,015,000</u>

(i) Capital Contributions made by the State Government have been designated as contributions by owners and are credited directly to equity in the Statement of Financial Position.

24. 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.

Assets

Cash	-	4,611,400
Receivables	-	3,840,083
Inventory	-	208,997
Computer Hardware & Software	-	8,846

Liabilities

Payables	-	404,418
Accrued Expenses	-	1,920,223
Vehicle Rehires	-	3,956
Receipts Suspense	-	149,215
Unearned Revenue	-	1,972,391
Treasurer's Advance	-	6,000,000
Net expenses from restructuring	<u>-</u>	<u>(1,780,877)</u>



	2003	2002
25. 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:		
Total cash assets in the Statement of Financial Position	7,240,713	3,291,961
(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net (cost of)/ surplus from services	11,486,856	(42,206,516)
Non-cash items:		
Depreciation and amortisation expense	79,805,388	71,118,669
Doubtful debt expense	-	366
Net loss on disposal of vehicles	728,434	2,846
Resources received free of charge	47,361	36,966
Vehicle fleet bailment revenue - (investment activity)	(52,382,783)	(49,818,484)
Vehicle fleet bailment rights devaluation	-	20,600,000
Insurance Proceeds - (investment activity)	(40,086)	-
	<u>28,158,314</u>	<u>41,940,363</u>
(Increase)/decrease in assets:		
Current receivables	5,084	(19,854,614)
Current inventories	13,588	195,409
Other current assets	11,271	389
	<u>29,943</u>	<u>(19,658,816)</u>
Increase/(decrease) in liabilities:		
Current payable	(628,246)	17,988,391
Other Current Liabilities	(1,162,202)	20,288
Current provisions	(41,711)	(2,234,641)
Non-current provisions	82,275	421,219
	<u>(493,392)</u>	<u>16,195,257</u>
Net cash provided by (used in) operating activities	<u>39,181,721</u>	<u>(3,729,712)</u>

26. COMMITMENTS FOR EXPENDITURE

(a) Commitments

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2003:



	2003	2002
	\$	\$
Consultancies and management agreements let or in progress	-	485,041

(b) Non-cancellable operating lease commitments

Not later than 1 year	135,030	137,944
Later than 1 year and not later than 5 years	508,891	500,629
Later than 5 years	-	123,216
	<u>643,921</u>	<u>761,789</u>

27. 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

	2003 Actual	2002 Actual	Variance	Note
	\$	\$	\$	
<u>Expenses</u>				
Vehicle fleet lease expenses	-	15,018,860	(15,018,860)	2
Vehicle fleet bailment rights write down	-	20,600,000	(20,600,000)	3
Vehicle fleet contract costs	-	20,277,791	(20,277,791)	4
Administration expenses	4,774,644	1,270,123	3,504,521	5
Supplies and services	496,300	1,622,560	(1,126,260)	6
Depreciation and amortisation expense	79,805,388	71,118,669	8,686,719	7
Written down value of vehicles sold	13,327,479	2,697,038	10,630,441	8
<u>Revenues</u>				
Sale of vehicles	12,599,045	2,694,192	9,904,853	8
Vehicle fleet lease revenues	52,539,140	47,918,004	4,621,136	9
Vehicle bailment revenues	52,382,783	49,818,484	2,564,299	10
Interest revenue	345,789	1,091,794	(746,005)	11
Contract Supply Fees	3,397,394	-	3,397,394	12



1. General

In November 2001 the Matrix transaction was terminated and State Fleet acquired the bailment rights to the 6651 vehicles that remained in the fleet. The costs of acquiring the bailment rights to these vehicles are amortised as the vehicles are sold. Since June 2001, State Fleet has purchased vehicles and these vehicles are depreciated over their useful lives.

2. Vehicle Fleet Expenses

In 2001/02 State Fleet made five lease payments prior to the termination of the Matrix leasing transaction in November 2001.

3. Vehicle Fleet Bailment Rights Write Down

In 2001/02 State Fleet took the view that due to changes in the second hand vehicles market and other factors that the book value of bailment rights was above fair market value and subsequently decided to write down the value of bailment rights by \$20.6million. In 2002/03 the book value of bailment rights has been assessed as reflecting fair value.

4. Vehicle Fleet Contract Costs

Vehicle fleet contract costs in 2001/02 included costs associated with the termination of the Matrix leasing transactions and GST payments on the sale of bailment rights.

5. Administration Fees

Administration fees for 2003 include \$3,397,394 of costs to administer procurement activities. (See item 12 below.) The Commission did not reflect this transaction through its accounts last year. The total costs for this activity last year were \$6,964,000, which included \$4,250,000 of services free of charge.

6. Supplies and Services

Supplies and services in 2001/02 included consultancy and legal costs associated with the termination and vehicle disposal costs up to the time of termination.

7. Depreciation and Amortisation Expense

As the proportion of State Fleet owned vehicles increases and the number of bailment vehicles decrease. Accordingly, the depreciation expense increases and the amortisation expense decreases.

8. Sale of Motor Vehicles/Written Down Value of Vehicles Sold

The increase in the net loss on disposal of assets reflects higher numbers of vehicle sales by State Fleet in 2002/03. Net losses on disposal are offset by adjustments charged for early return or overuse of vehicles. These adjustments under fleet lease revenues (refer item 9 below).

9. Vehicle Fleet Lease Revenue

Higher rental revenue in 2002/03 is primarily due to adjustments charged for early return or overuse of vehicles.

10. Vehicle Bailment Revenues

Higher bailment revenue in 2002/03 is due to the higher number of bailment vehicles sold in 2002/03 compared to 2001/02.

11. Interest revenue

Lower interest revenue in 2002/03 is due to lower cash holdings over the year.

12. Contract Supply Fees

Post 30 June 2002 the Commission was advised by the Crown Solicitor's Office that revenues earned and collected by the Department of Industry and Technology (now abolished) and the Department of Housing and Works for procurement activities belong to the Commission. The Department of Industry and Technology and the Department of Housing and Works were operating under a delegation of authority from the Commission. The Commission did not reflect this transaction through its accounts at the 30 June 2002. Total revenues



earned for the year ended 30 June 2002 totalled \$2,714,000.

(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 2003	Actual 2003	Variance	Note
	\$	\$	\$	
Expenses				
Vehicle fleet contract costs	6,094,000	-	(6,094,000)	1
Depreciation and amortisation expense	100,363,000	79,805,388	(20,557,612)	2
Administration expenses	1,400,000	4,774,644	3,374,644	3
Written down value of vehicles sold	-	13,327,479	13,327,479	4
Interest expense	11,600,000	10,156,356	(1,443,644)	5

	Estimate 2003	Actual 2003	Variance	Note
	\$	\$	\$	
Revenues				
Sale of vehicles	-	12,599,045	12,599,045	4
Vehicle fleet lease revenues	46,173,000	52,539,140	6,366,140	6
Vehicle bailment revenues	67,029,000	52,382,783	(14,646,217)	7
Contract Supply Fees	-	3,397,394	3,397,394	8

1. Vehicle Fleet contract Costs

Estimate included a recoup to Westfleet which is now included as part of vehicle bailment revenues (refer Item 7 below).

2. Depreciation and Amortisation Expense

Amortisation expense in the budget was estimated prior to bailment vehicle rights write-down of \$20.6 million in June 2002. This resulted in a lower amortisation rate being used for each vehicle sale. In addition fewer bailment vehicles were sold than expected (refer Item 7 below).

3. Administration expenses

The Commission brought to account the administration expenses associated with procurement activities for the first time this year. Previously, these activities were undertaken by and budgeted by the Department of Industry and Technology (now abolished) and the Department of Housing and Works operating under a delegation of authority from the Commission.

4. Sale of Motor Vehicles/Written Down Value of Vehicles Sold



Where a vehicle is returned before the end of the lease term or travels additional kilometres to those specified in the lease then in most cases the resale value of the vehicle will be below the written down value of the vehicle in our books resulting in a net loss on the sale of the vehicle. Following normal commercial arrangements in these situations State Fleet charges adjustments – for early return or overuse - which generally offset the loss on the sale of the vehicle. These adjustments are recorded as part of Fleet Lease Revenues (refer Item 6 below).

5. Interest Expense

In June 2002 State Fleet received an equity injection of \$20 million that reduced borrowings and the associated interest expense.

6. Vehicle Fleet Lease Revenues

The Estimate for 2002/03 was developed prior to the introduction of adjustments (refer Item 4 above).

7. Vehicle Bailment Revenues

Lower number of bailment vehicles sold resulting in lower sale revenue and lower amortisation expense (refer Item 2 and Item 4 above).

8. Contract Supply Fees

The Commission brought to account the Contract Supply Fees associated with procurement activities for the first time this year. Previously these activities were undertaken by and budgeted by the Department of Industry and Technology (now abolished) and the Department of Housing and Works operating under a delegation of authority from the Commission.

28. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

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

	Weighted Average Effective Interest Rate	<u>Fixed Interest Rate Maturity</u>					Non- Interest Bearing	Total
		Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years			
<u>2003</u>	%	\$000	\$000	\$000	\$000	\$000	\$000	
Financial Assets								
Cash assets	4.90%	6,289	-	-	-	951	7,240	
Receivables		-	-	-	-	4,572	4,572	
Other		-	-	-	-	16	16	
		<u>6,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,539</u>	<u>11,828</u>	
Financial Liabilities								
Payables		-	-	-	-	1,099	1,099	
Employee entitlements		-	-	-	-	317	317	
Other		-	-	-	-	3,938	3,938	
WATC/Bank Loans	5.16%	-	97,508	100,776	-	-	198,284	
		<u>-</u>	<u>97,508</u>	<u>100,776</u>	<u>-</u>	<u>5,354</u>	<u>203,638</u>	



2002

Financial assets	4.75%	2,726	-	-	-	24,394	27,120
Financial liabilities	4.94%	-	200,000	-	-	20,019	220,019

(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.

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

Remuneration of Members of the Accountable Authority

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

	<u>2003</u>	<u>2002</u>
\$		
\$0-\$10,000	6	7
\$10,001 - \$20,000	1	-
\$40,001 - \$50,000	-	1
\$70,001 - \$80,000	-	1
\$140,001 – \$150,000	1	-

The total remuneration of the members of the Accountable Authority is:

\$	<u>161,058</u>	\$	<u>144,982</u>
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	2003	2002
	\$	\$

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>			
\$20,001-\$30,000	-	-	1
\$50,001-\$60,000	-	-	1
\$60,001-\$70,000	-	-	1
\$70,001-\$80,000	-	-	1
\$90,001-\$100,000	1	-	-
\$100,001-\$110,000	2	-	-

The total remuneration of senior officers is: \$ 303,664 \$ 225,794

30. DEPOSITS-CONTRACTS-STATE SUPPLY COMMISSION ACCOUNT

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. During the year, the balance of funds was remitted and the account closed.

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

	2003	2002
	\$	\$
Balance as at 1 July	628	1,200
Interest received	7	36
Less: Deposits and interest paid from the trust account	<u>(635)</u>	<u>(608)</u>
Balance as at 30 June	-	628
	=====	=====

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 had become uneconomic for the State. The State has no ongoing contractual payment obligations, however, certain indemnities related to certain potential taxation exposures remain on termination of the Transaction.



STATE SUPPLY COMMISSION OUTPUT SCHEDULE OF EXPENSES AND REVENUE FOR THE YEAR ENDED 30 JUNE 2003

	Suppliers Policies & Guidelines and Policy Advice		Compliance		Complaints Management Service		Total Excluding State Fleet and Supplier Fees				Total All			
	2003	2002	2003	2002	2003	2002	State Fleet		Supplier Fees		State Fleet	2003	2002	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
COST OF SERVICES														
Expenses from ordinary activities														
Vehicle fleet lease expenses	-	-	-	-	-	-	-	-	-	-	-	15,018,860	-	15,018,860
Vehicle fleet contract costs	-	-	-	-	-	-	-	-	-	-	-	20,277,791	-	20,277,791
Vehicle bailment rights	-	-	-	-	-	-	-	-	-	-	-	20,600,000	-	20,600,000
Employee expenses	504,657	493,494	353,260	365,763	151,397	150,742	1,009,313	1,009,999	-	-	-	-	1,009,313	1,009,999
Supplies and services	124,601	170,208	87,220	385,362	37,380	84,100	249,201	639,670	-	-	247,099	982,890	496,300	1,622,560
Depreciation and amortisation expense	9,482	8,491	6,637	4,985	2,844	3,514	18,963	16,990	-	-	79,786,425	71,101,679	79,805,388	71,118,669
Administration expenses	32,739	73,628	22,917	16,043	9,822	16,459	65,477	106,130	3,397,394	-	1,311,773	1,163,993	4,774,644	1,270,123
Accommodation expenses	67,098	52,874	46,968	31,725	20,129	21,150	134,195	105,749	-	-	-	-	134,195	105,749
Other operating expenses from ordinary activities	27,618	12,484	19,333	5,194	8,285	3,596	55,236	21,274	-	-	31,984	-	87,220	21,274
Written down value of vehicles	-	-	-	-	-	-	-	-	-	-	13,327,479	2,846	13,327,479	2,846
Capital charge on equity	11,630	18,691	8,141	13,078	3,489	5,612	23,259	37,381	-	-	-	-	23,259	37,381
Interest Expense	-	-	-	-	-	-	-	-	-	-	10,156,356	9,980,091	10,156,356	9,980,091
Total cost of services	777,822	829,870	544,475	822,150	233,347	285,173	1,555,644	1,937,193	3,397,394	-	104,861,116	139,128,150	109,814,154	141,065,343
Revenue from ordinary services														
Vehicle fleet lease revenues	-	-	-	-	-	-	-	-	-	-	52,539,140	47,918,004	52,539,140	47,918,004
Vehicle bailment revenues	-	-	-	-	-	-	-	-	-	-	52,382,783	49,818,484	52,382,783	49,818,484
Sale of vehicles	-	-	-	-	-	-	-	-	-	-	12,599,045	-	12,599,045	-
Contract Supply Fee	-	-	-	-	-	-	-	-	3,397,394	-	-	-	3,397,394	-
Interest revenue	4	7	2	-	1	-	7	7	-	-	345,782	1,091,787	345,789	1,091,794
Other revenue from ordinary activities	8,213	9,247	5,749	-	2,464	-	16,426	9,247	-	-	20,433	21,298	36,859	30,545
Total revenues from ordinary activities	8,217	9,254	5,752	-	2,465	-	16,433	9,254	3,397,394	-	117,887,183	98,849,573	121,301,010	98,858,827
NET COST OF SERVICES	769,606	820,616	538,724	822,150	230,882	285,173	1,539,211	1,927,939	-	-	(13,026,067)	40,278,577	(11,486,856)	42,206,516
REVENUES FROM GOVERNMENT														
Appropriations	757,000	746,000	529,900	518,101	227,100	227,899	1,514,000	1,492,000	-	-	-	-	1,514,000	1,492,000
Resources received free of charge	23,681	16,906	16,576	2,100	7,104	17,960	47,361	36,966	-	-	-	-	47,361	36,966
Total revenues from Government	780,681	762,906	546,476	520,201	234,204	245,859	1,561,361	1,528,966	-	-	-	-	1,561,361	1,528,966
Change in net assets resulting from operations	11,075	(57,710)	7,753	(301,949)	3,323	(39,314)	22,150	(398,973)	-	-	13,026,067	(40,278,577)	13,048,217	(40,677,550)

