



Government of
**Western
Australia**

STATE SUPPLY COMMISSION
ANNUAL REPORT
2005-2006

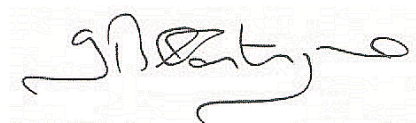
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HON ERIC RIPPER BA DipEd MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR GOVERNMENT ENTERPRISES;
MINISTER ASSISTING THE MINISTER FOR
PUBLIC SECTOR MANAGEMENT

Annual Report 2005-2006

Dear Minister

In accordance with the *Financial Administration and Audit Act 1985* (Section 66), 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 2006.



Jennifer Ballantyne
CHAIRMAN

22 September 2006



Cheryl Gwilliam
MEMBER

22 September 2006

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Chairman and Chief Executive Officer's Overview

This year the State Supply Commission has reiterated its commitment to achieving universal adoption of best practice in government procurement and disposals.

It has placed a high priority on ensuring that the Government's procurement reform targets are met. In particular, the impact of government supply policies and guidelines on procurers and suppliers has been carefully monitored. The results of this monitoring will enable further fine-tuning to reduce 'red tape' in Government procurement, resulting in savings to both public authorities and suppliers.

The excellent feedback the Commission continues to receive reinforces the value of having in place simple and practical government supply policies that support a strong commitment to open and transparent contracting.

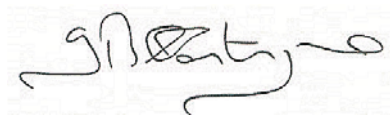
During the year the Commission has actively participated in the Review of the Procurement Governance and Legislative Framework. The Commission has the strategic role of a policy maker, compliance monitor and independent supplier complaints reviewer. Participating in the governance review has provided the Commission with a valuable opportunity to focus on this strategic role.

A major initiative of 2005-06 has been to increase the accountability that is delegated to Accountable Officers in undertaking their authority's procurement. To ensure sufficient checks and balances underpin these delegations, a major focus for 2006-07 will be enhancing the scope of the Commission's procurement audit role.

We thank the Hon Eric Ripper BA DipEd MLA, Treasurer, for his strategic direction, particularly with his leadership in driving the procurement reform.

The contribution of the State Supply Commission Board in meeting the challenges during the reform process is most appreciated. We thank Board members for their efforts and the high degree of professionalism that they have maintained. This has been a major factor in the Commission achieving successful outcomes.

This Annual Report provides an overview of the Commission's performance and objectives for the year.



Jennifer Ballantyne
CHAIRMAN

22 September 2006



Phill Turner
ACTING CHIEF EXECUTIVE OFFICER

22 September 2006

Corporate Profile

The Minister responsible for the *State Supply Commission Act 1991* appoints members to the State Supply Commission Board. There are currently ten Members of the Board and two Substitute Members. A former Minister for Housing and Works appointed these Members on 15 September 2003, with their terms expiring on 30 June 2006.

Ms Jennifer Ballantyne (Chairman) is the Director of Second Skin.

Mr Michael Anderson is the Principal of Strategic Avenues.

Mr Jim Coles is the Managing Director, Westwools Carpets Pty Ltd.

Ms Julie Faulkner is the Director of AOT Consulting Pty Ltd.

Mr Jock Ferguson is the State Secretary, Australian Manufacturing Workers Union (WA Branch).

Ms Cheryl Gwilliam is the Director General of the Department of Local Government and Regional Development.

Mrs Vickie Petersen is the Director of BOSS Transport and Mayor of the City of Geraldton.

Mr Dave Robinson is the Secretary, Unions WA.

Ms Lyn Sherwood is the Principal of Lyn Sherwood Enterprises Pty Ltd.

The Chief Executive Officer of the State Supply Commission 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 Phill Turner is currently the Commission's A/Chief Executive Officer and holds the ex-officio position.

Mr Clyde Bevan (Substitute Member) is the proprietor of Friends Restaurant.

Mr John Warren (Substitute Member) is the National Manager of Supply at St John of God Health Care.

During 2005-06 the State Supply Commission Board held six Ordinary Meetings and one Special Meeting.

Legislation

GOVERNING LEGISLATION

The State Supply Commission is a statutory body established in 1991 under the *State Supply Commission Act 1991*.

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

The Commission co-ordinates the procurement of goods and services across Western Australian public authorities. The Commission grants exemptions under the *State Supply Commission Act 1991* and issues supply policies and 'best practice' guidelines. Public authorities manage and conduct their own purchasing subject to these exemptions and to the policies and guidelines.

The Commission monitors public authorities' compliance with its supply policies. Accountability is reinforced through conditions attached to exemptions granted, compliance with supply policies and reviews of public authority procurement that the Commission conducts.

MINISTERIAL RESPONSIBILITY

The Hon Eric Ripper BA DipEd MLA is the Minister responsible for administration of the *State Supply Commission Act 1991*.

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

The Minister did not give any directions to the State Supply Commission under section 7(1) of the *State Supply Commission Act 1991* during 2005-06.

Role of the State Supply Commission

The role of the State Supply Commission is to co-ordinate the procurement of goods and services across Western Australian public authorities. It is a policy maker, regulator and umpire in public sector procurement, promoting best practice through policies and guidelines.

MISSION

To achieve universal adoption of best practice in government procurement and disposals.

OUTCOME

All public authorities use State Supply Commission procurement and disposal processes.

STATE SUPPLY COMMISSION FUNCTIONS

POLICY

Develop, implement and review supply and disposal policies. To assist with the implementation of these policies, guidelines are published.

STRATEGIC ADVICE

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

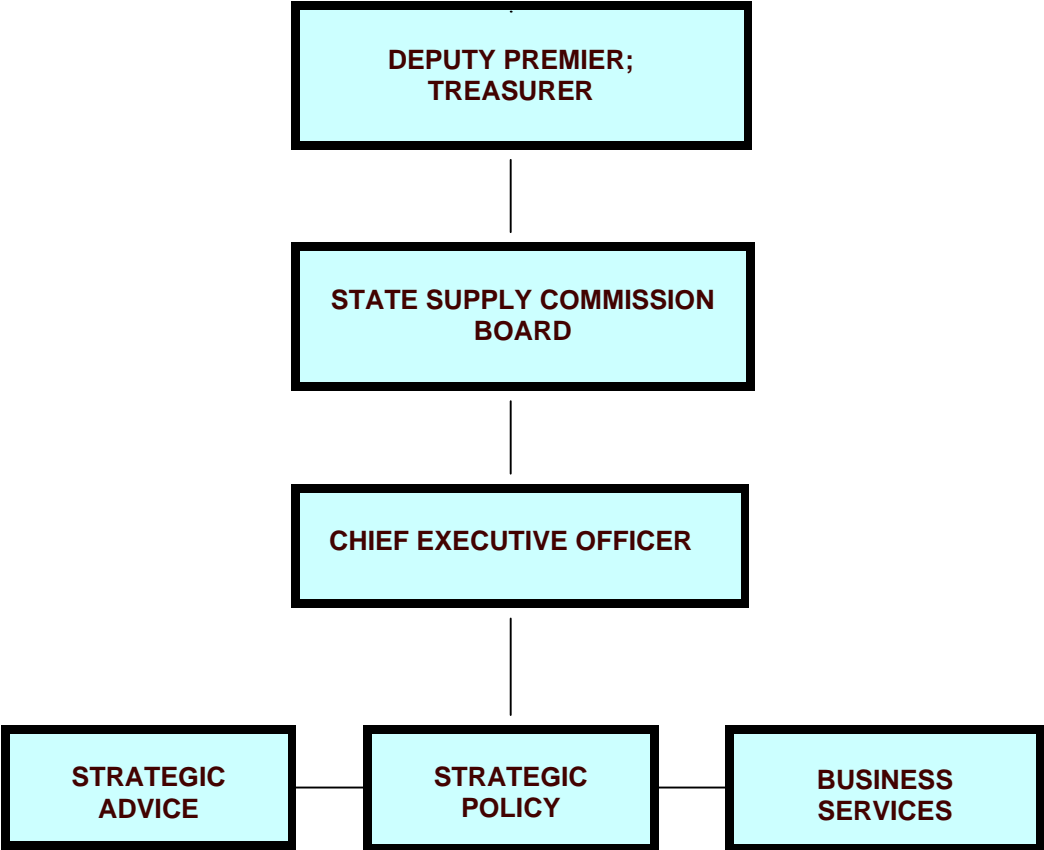
MONITORING AND COMPLIANCE

Monitor supply and disposal activities and conduct compliance audits.

STATE FLEET

Manage the funding and leasing of the State's vehicle fleet – this function is delegated to the Department of Treasury of Finance.

Organisational Structure



Commitment to Our Customers

The State Supply Commission commits to providing a quality and responsive service to its customers. This is achieved by:

- welcoming customers to our agency in a friendly manner;
- introducing ourselves and clearly identifying our agency;
- complying with building security requirements;
- listening to our customers, discussing issues fully and agreeing on an outcome;
- taking personal responsibility for customer enquiries;
- answering telephone calls in a friendly, courteous and professional manner;
- returning, where possible, telephone enquiries within one hour;
- writing to customers in a friendly tone and style that can be easily understood;
- responding, where possible, to letters within five working days;
- including a correspondence number and contact name on all outgoing correspondence; and
- sending out corporate information on the day requested.

CUSTOMER FEEDBACK

It is important to the State Supply Commission that it meets the needs of its customers in their interaction with the Commission. The Commission ensures that customers' comments and suggestions are handled in a prompt, professional and confidential manner. Feedback is welcomed and can be given using email facility enquiries@ssc.wa.gov.au

The Commission's Customer Service Charter is available at www.ssc.wa.gov.au

CUSTOMER COMPLAINTS

The State Supply Commission's management system incorporates a process for dealing with complaints received from clients or the general public regarding the Commission's activities or actions of the Commission's staff. Further details about lodging a complaint with the Commission's Manager, Business Services, are available at www.ssc.wa.gov.au

During 2005-06 the Commission received no formal complaints about its services from clients or the general public.

Major Achievements 2005-06

SERVICE 1 – ADMINISTRATION OF GOODS AND SERVICES PROCUREMENT POLICIES FOR PUBLIC AUTHORITIES

- Undertook a review of the State Supply Commission supply policies and guidelines.
- Published a Procurement Users' Guide for goods and services procurement.
- Introduced a procurement officers' awareness program for newly appointed procurement officers from across government. This program provides a sound understanding of the role, functions and supply policies of the State Supply Commission.
- In conjunction with the Department of Treasury and Finance, introduced a better buying program on key processes to follow prior to making a purchase.
- In conjunction with the Department of Treasury and Finance, revised the classification system to report on the annual supply statistics.
- Developed a Western Australian Government procurement guideline to reflect the requirements of the Australia-United States Free Trade Agreement government procurement chapter.
- Provided executive support to the State Tenders Committee.

SERVICE 2 – MANAGEMENT OF THE FUNDING AND LEASING OF THE STATE'S VEHICLE FLEET

- Implemented, in conjunction with:
 - the Departments of Environment and Conservation and Land Management, an emissions offset program to make the government's light vehicle fleet 'carbon neutral'; and
 - the Office of Road Safety and WorkSafe, an enhanced safety policy for the government's light vehicle fleet.

Major Initiatives 2006-07

SERVICE 1 – ADMINISTRATION OF GOODS AND SERVICES PROCUREMENT POLICIES FOR PUBLIC AUTHORITIES

- Develop and implement guidelines in relation to the government procurement chapters of negotiated Free Trade Agreements.
- Monitor public authorities' compliance with goods and services procurement policy.
- Assist public authorities to introduce a new classification system for the preparation of annual supply statistics.
- In conjunction with the Department of Treasury and Finance, ensure public authorities' procurement practitioners are suitably skilled.

SERVICE 2 – MANAGEMENT OF THE FUNDING AND LEASING OF THE STATE'S VEHICLE FLEET

- Advance the restructure of outsourced vehicle facility management arrangements to further streamline State Fleet operations and reduce administration costs.

Operations Report 2005-06

REVIEW OF PROCUREMENT GOVERNANCE AND LEGISLATIVE FRAMEWORK

In October 2005 the Treasurer established a Steering Committee to oversee a high level review of the procurement governance and legislative framework.

The review's terms of reference were:

1. to consider opportunities for, and barriers to, improved transparency, accountability and efficiency in the procurement of goods and services (excluding public works) by public authorities;
2. to make recommendations in relation to the most appropriate governance model for procurement of goods and services by public authorities, that simplifies the current procurement arrangements; and
3. to make recommendations in relation to improving the legal framework under which the procurement of goods and services by State Government public authorities is governed.

The final meeting of the Steering Committee is scheduled for August 2006.

REVIEW OF GAZETTED SUPPLY POLICIES

In March 2006, the State Supply Commission Board endorsed a planned review of the Commission's gazetted supply policies. The policies under review were gazetted on 30 July 2004. It was considered that sufficient time has passed for public authorities and suppliers to thoroughly understand them and identify potential areas for improvement or clarification.

The review's objectives were to ensure that the supply policies:

- are clearly and unambiguously written;
- can be implemented without complication in public authorities;
- are clearly understood by suppliers;
- are reviewed and amended to address problematic and contentious areas; and
- incorporate, where appropriate, new information and decisions arising from:
 - the procurement legislation review; and
 - public authority and supplier feedback.

The Commission consulted with industry bodies and all public authorities to identify changes to the policies that would clarify requirements and reduce bureaucratic processes.

The review is scheduled for completion in August 2006.

PROCUREMENT USERS' GUIDE

In light of the 2004 review of the State Supply Commission's supply policies, the Commission redrafted one of its major supporting guidelines, the Contract Process Guidelines. These extensive Guidelines provided an effective 'how to' framework for public sector contracting.

In the course of the redraft, the Guidelines were renamed the Procurement Users' Guide. This name change avoids confusion with the individual policy guidelines and is more descriptive of the document's content and function.

The Guide provides step-by-step assistance to procurement officers to achieve good procurement outcomes that comply with the Commission's supply policies.

An attempt has been made to reduce the size and complexity of the document, and to make it more user-friendly.

The Procurement Users' Guide is available at www.ssc.wa.gov.au/procurement

WHO BUYS WHAT

The State Supply Commission publishes this report annually. It provides industry with a tool to recognise Western Australian Government agencies' expenditure in the local procurement market.

Overall expenditure on goods and services, construction and related services reported for the year 2004-05 was \$7.27 billion.

The *Who Buys What* report is available at www.ssc.wa.gov.au/publications

WHO BUYS WHAT - UNITED NATIONS STANDARD PRODUCTS AND SERVICES CODES CLASSIFICATION SYSTEM IMPLEMENTATION STRATEGY

The 2004-05 *Who Buys What* report used two classification systems to categorise and report agency purchases. For expenditure on goods, the classification system was the North Atlantic Treaty Organisation (NATO) Supply Codes and, for services, the Provisional Supply Services Classification (PSSC). These classification systems no longer meet our needs. With about 85% of government expenditure relating to services and only about 15% on goods, the coding is no longer useful.

The Commission, in consultation with the Department of Treasury and Finance, supports the replacement of the current NATO and PSSC codes with a new, single commodity classification system.

Research shows that the United Nations Standard Products and Services Code (UNSPSC) is the best commodity classification system for government agency expenditure reports. The Australian Procurement and Construction Council has endorsed the use of this coding system across all government jurisdictions. Future *Who Buys What* reports will use the UNSPSC classification system.

Comprehensive training was provided to public authorities.

BUY LOCAL POLICY

The State Supply Commission administers the Buy Local Policy, which covers all State government purchasing of goods, services and works, including housing and public buildings. Unless Cabinet approves an exemption, the Policy applies to all State Government agencies, as well as government trading enterprises.

To ensure that Government agencies actively apply the intent of the policy, Chief Executive Officers are required to report on their agency's degree of local purchasing undertaken. The policy requires agencies to achieve, where practical, a minimum 80% buy local target.

For the 2004-05 financial year, 103 agencies provided *Buy Local Policy* reports. Of these agencies, 92% achieved the buy local purchasing target. The Commission has liaised with the agencies that did not achieve the buy local purchasing target to assist them in meeting the target in 2005-06.

The Buy Local Policy is available at www.ssc.wa.gov.au/procurement

FUNDING AND PURCHASING COMMUNITY SERVICES

The Funding and Purchasing Community Services policy implements a Government undertaking to the not-for-profit sector. This undertaking was to review the use of competitive tendering and introduce greater flexibility in funding arrangements made in the public interest.

The State Supply Commission chairs the Funding and Purchasing Community Services Policy Implementation Committee.

The Committee has developed a standardised framework for funding or purchasing the provision of community-based services. This standardised framework encompasses both a standard Service Agreement (for purchasing services) and standard grant documentation (for funding services).

In 2005-06 the Committee has considered feedback from agencies and suppliers on the implementation and operation of some reporting and insurance provisions within the Service Agreement. As a result, the Committee will amend the service agreement to introduce less repetitive reporting regimes. The amendments will also enable agencies to cooperate with service providers in making risk assessments of the level of insurance required for each contracted service.

SUPPLIER COMPLAINTS

The State Supply Commission's role of umpire involves the review of supplier complaints in relation to government procurement. In 2005-06, 27 complaints were finalised, including one from 2004-05.

WAIVER OF POLICY REQUESTS

In 2005-06 the State Supply Commission processed a total of 305 requests for waivers of a supply policy.

Overall, 77% of the requests related to the waiver of the public tender and quotation processes.

PROCUREMENT AUDITS

The State Supply Commission undertakes a series of Health Checks and Reviews on selected aspects of Government procurement. These procurement audits assist in identifying procurement policy improvement opportunities and assess the level of compliance of public authorities.

Procurement Health Checks

In 2005-06 the Commission undertook two procurement Health Checks, namely:

Health Check 8: Review of the publication of all awarded contracts valued at \$10,000 and above on the WA Government Contracting Information Bulletin Board for 2004/05

After the initial review of the 4,306 contracts against the records published on the WA Government Contracting Information Bulletin Board, there were 294 contracts recorded on the public authorities' contracts registers that were not published on the Bulletin Board.

To confirm the findings, the Commission requested the relevant public authorities to verify the outcome of the Health Check. Consequently having discovered the oversight, the relevant public authorities published the outstanding awarded contract details on the Bulletin Board.

This resulted in a final outcome of all 4,306 contracts recorded on the public authorities' contracts registers being published on the Bulletin Board.

The results of Health Check 8 have been tabled in Parliament.

Health Check 9: Review of public authorities' compliance with the maximum five-year contract term for awarded contracts awarded between 1 January 2005 and 31 December 2005

Overall, 61 public authorities awarded goods and services period contracts in 2005 that were within the scope of the review. The Commission reviewed 271 contracts selected from the contracts registers.

After the relevant documents had been reviewed, all period contracts were found to be compliant with the maximum five-year contract term.

The results of Health Check 9 are to be tabled in Parliament.

Compliance Reviews

Review 04 – Review of Rottnest Island Authority’s Procurement Processes

The State Supply Commission, in liaison with the Department of Treasury and Finance, undertook a review of Rottnest Island Authority’s procurement processes in July 2005.

This review outlined a number of recommendations to ensure Rottnest Island Authority’s compliance with procurement processes.

Review 05 – Review of Information Technology Contracts

The State Supply Commission conducted a review of 53 Information Technology contracts valued at above \$1million. The review examined the variance between the approved pre-tender estimate nominated in the procurement plan and the total awarded contract price from the recommendation report. The review also included a comparison of the actual expenditure to the total contract price and an assessment of the contract variation process.

The review highlighted six contracts that indicated a likelihood to be over-expended. The Commission referred the over-expenditure matter to the Department of Treasury and Finance so that it could assist public authorities to help manage the six contracts.

Review 06 – Review of Public Authorities’ Compliance with the Buyers’ Guide for Mobile Telecommunications Services and Equipment

The State Supply Commission reviewed whether public authorities were procuring Global System for Mobile (GSM) airtime services and fixed to mobile airtime services in accordance with the Buyers’ Guide for the current common use arrangement (CUA) for mobile telecommunications services and equipment.

Overall, 85% of public authorities complied with the GSM airtime services and 66% complied with the fixed to mobile airtime services components of the CUA.

The Commission has liaised with the non-compliant public authorities to assist them in complying with the CUA’s Buyers’ Guide.

Review 07 – Check that the award details of advertised tenders listed in ‘The West Australian’ newspaper ‘Government Tenders’ page from 1 October 2005 to 31 December 2005 are published on the Western Australian Government Contracting Information Bulletin Board

Overall, 171 advertised tenders were identified from the ‘Government Tenders’ page for the period. As of 30 June 2006, 116 awarded contracts have been published on the Western Australian Government Contracting Information Bulletin Board.

The State Supply Commission is currently confirming with the relevant public authorities the progress of the remaining 55 tenders that are still listed as ‘under evaluation’ on the Bulletin Board.

This review is ongoing and is dependent on the final awarded contract date of the advertised tenders.

Review 08 – Review of Public Authorities’ Compliance with the State Supply Commission’s Conditions of Waivers

The review focussed on all public authorities that had requested a waiver of supply policy for the period 1 January 2005 to 31 December 2005. The State Supply Commission reviewed 292 contracts across 42 public authorities.

Overall, the Commission identified that 91% of public authorities complied with the conditions of waivers.

The Commission has reinforced with the relevant public authorities the importance of complying with the conditions of waivers.

Review 09 – Review of Membership of Evaluation Panels

The review assessed the membership of evaluation panels across public authorities. Concerns had been raised regarding the membership of panels and the review was undertaken to determine:

- the number of people being appointed to quotation and tender evaluation panels;
- the expertise of the people on the quotation and tender evaluation panels; and
- if specifics of membership of quotation and tender evaluation panels should be included in supply policy.

Overall, the recommendation was for greater clarity being provided in the *Open and Effective Competition Policy* guidelines and in the *Procurement Users’ Guide* regarding specifics of membership of procurement evaluation panels.

STATE TENDERS COMMITTEE

The State Tenders Committee is an administrative committee. The Committee's Constitution provides for the Treasurer to appoint up to ten members on the recommendation of the State Supply Commission. Professor Robert Harvey (Executive Dean, Faculty of Business and Public Management, Edith Cowan University) chairs the Committee. Public sector employees are appointed as members. A relevant criterion for the appointment of members is experience with procurement practices in the public sector. A diverse range of agencies is represented on the Committee, especially from those agencies undertaking large amounts of public expenditure on goods and services.

In accordance with the State Supply Commission's *Contracting Approvals Policy*, public authorities are required to submit specified procurement plans and tender recommendations to the Committee for endorsement.

The Committee has an important strategic role to play in the government tendering process. The Committee's major roles are:

- to strategically assess procurement plans with a view to identifying savings and smarter buying methods as part of a broader procurement reform agenda across government; and
- to make recommendations to Chief Executive Officers in relation to procurement plans and tenders recommendations.

Generally, the values for submission to the Committee are:

- \$1 million for procurement plans; and
- \$500,000 for tender recommendations.

The Committee raised a number of issues with the State Supply Commission for consideration and referral to the appropriate public authority including:

- changes to the procurement plan template to ensure that any risks identified during the planning stages are managed throughout the life of the contract; and
- establishing a benchmark for the minimum requirement for the number of members on an evaluation panel.

The Commission thanks Committee members for their commitment and enthusiasm during 2005-06.

STATE FLEET

On 30 May 2001 the State Supply Commission, through a Notice of Delegation and other legal documents, delegated powers to the Under Treasurer and the Director of Financial Operations, Department of Treasury and Finance. The delegation related 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 1991* 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.

During 2005-06 State Fleet acquired 4,883 passenger and light commercial vehicles and sold 4,202 of its vehicles to bring the number of vehicles owned by State Fleet to 10,279 vehicles.

Excluding vehicles in the commissioning and disposal process, the number of vehicles that State Fleet leased to agencies at the end of the year was 10,082. This represents an increase on the 9,423 vehicles leased at the start of the year. A majority of the increase is attributable to State Fleet now leasing vehicles to agencies that previously used other arrangements.

State Fleet is required to be financially self-sufficient, without recourse to budget funding, and aims to be financially viable over time. State Fleet reported a profit of \$6.85 million in 2005-06. Based on current market conditions State Fleet is projected to remain profitable. Profits are used to reduce general government debt levels.

State Fleet has played a key leadership role in shaping whole-of-government policy on greenhouse emissions for the government's vehicle fleet.

The integrated policy involves:

- a requirement to use four-cylinder cars unless there is a business need for a bigger engine;
- where a six-cylinder car is required, 25% of eligible vehicles are required to be LPG powered; and
- a carbon emissions offset program that will offset the emissions of the government's fleet and make it "carbon neutral".

In addition to offsetting the fleet's greenhouse gas emissions, the carbon neutral program has several other benefits including fighting salinity, encouraging biodiversity, re-establishing native habitats and managing nutrient run-off. Also, it is financially sustainable in that the overall program - particularly the move to four-cylinder cars - is saving millions of dollars in fleet costs as well as helping to protect the environment.

The quality of this program was recently recognised by winning the National Environment Award for 2006, presented by the Australasian Fleet Managers' Association, which saw it as not only an excellent program in its own right, but also an example to others that being environmentally responsible does not have to cost a lot of money.

PUBLICATIONS

The following publications that the State Supply Commission has produced are available at www.ssc.wa.gov.au

ANNUAL REPORTS

In line with State Government requirements, the State Supply Commission Annual Reports are published in an electronic format (replacing the previous printed publications), with limited use of graphics and illustrations to help minimise download times. The Commission encourages people to use recycled paper if they print a copy of the reports.

BUY LOCAL REPORTS

The Western Australian Government's Buy Local Policy promotes a "Buy Local" approach to State Government buying. The policy aims to maximise supply opportunities for competitive Australian businesses when bidding for Government work. Information in Buy Local Reports is based on information that individual Government agencies supply.

WHO BUYS WHAT

This is an annual supply statistics report that provides industry with a tool to recognise Western Australian Government agencies' expenditure in the local procurement market.

BUYER ALERTS

- Use of Mandatory Common Use Arrangements - July 2005
- Procurement Documentation – September 2005
- Mandatory Use of Common Use Arrangements – November 2005

STATE SUPPLY COMMISSION POLICIES AND GUIDELINES

Suppliers and public authorities refer to these policies and associated guidelines for direction.

PROCUREMENT USERS' GUIDE

The Procurement Users' Guide provides step-by-step assistance to procurement officers in achieving good purchasing outcomes that comply with the State Supply Commission's supply policies. It also provides more detail on procurement processes other than public tenders.

MAJOR PROMOTIONAL, PUBLIC RELATIONS OR MARKETING ACTIVITIES

PROCUREMENT POLICY INTRODUCTORY AWARENESS SESSIONS

The State Supply Commission has continued to conduct sessions that inform new public sector employees on the role of the Commission. The sessions particularly benefit existing employees who have recently become involved in procurement.

The awareness sessions cover:

- how government purchases;
- the State Supply Commission's role;
- the Department of Treasury and Finance's role;
- the relationship between the State Supply Commission and public authorities;
- the procurement policies;
- how government procurement is monitored, and;
- how supplier procurement complaints are managed.

UNITED NATIONS STANDARD PRODUCTS AND SERVICES CODES CLASSIFICATION SYSTEM

In March 2006 the State Supply Commission, in conjunction with the Department of Treasury and Finance, held awareness sessions to assist agencies to make the transition to the United Nations Standard Products and Services Codes (UNSPSC) classification system.

Further training sessions and workshops were held in May and June 2006 to:

- provide an overview of UNSPSC;
- explain why UNSPSC was adopted as a procurement standard;
- provide hands-on training in using the UNSPSC Look-Up Tool;
- explain the classification principles for UNSPSC and agency Chart of Accounts; and
- explain the recommended format for future *Who Buys What* agency submissions.

BETTER PLANNING: BETTER SERVICES

Goal 1: People and Communities

To enhance the quality of life and wellbeing of all people throughout Western Australia

DISABILITY ACCESS AND INCLUSION PLAN OUTCOMES

The State Supply Commission's Disability Services Plan is aimed at improving access to services and facilities for its officers and customers with disabilities.

Accordingly, the Commission continues its commitment to providing optimum access and service to people with disabilities. This service is also extended to their families and carers.

The Commission has continually updated its Disability Services Plan. The expert assistance that the Disability Services Commission has provided to the Commission has been appreciated.

Importantly, the Commission promotes buying practices in government agencies that enable access for people with disabilities.

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

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, has made changes to its offices to provide access and facilities for people with disabilities.

The Commission is currently working on its Disability Access and Inclusion Plan to ensure that it complies with the amendments to the *Disability Services Act 1993*. The Plan is scheduled for completion in December 2006.

CULTURAL DIVERSITY AND LANGUAGE SERVICES OUTCOMES

The State Supply Commission is committed to ensuring differing language or cultural backgrounds are not a barrier to providing services to its clients. When the occasion arises, relevant specialists and services are utilised to assist people in their dealings with the Commission.

A diversity questionnaire forms part of the Commission's induction program for new officers. The information derived from the questionnaire ascertains the Commission's internal translation resource.

The Commission deals with a diverse range of people. When it is recognised that a person cannot read English, the Commission uses the appropriate language in its written communication. In all other instances plain English is applied.

YOUTH OUTCOMES

Given the nature of its business, the State Supply Commission does not have activities specifically targeted to youth. Nonetheless, Commission officers acknowledge the need to deal appropriately with young people when they approach the Commission.

The Commission has received a number of requests for copies of the Contracts Process Guidelines from university students for assignments on Western Australian government procurement.

BETTER PLANNING: BETTER SERVICES

Goal 2: The Economy

To develop a strong economy that delivers more jobs, more opportunities and greater wealth to Western Australians by creating the conditions required for investment and growth

Public authorities must comply with State Supply Commission Supply Policies. These policies are framed to ensure that the Government obtains best value for its dollar. They provide public authorities with direction and guidance on all aspects of procurement for goods and services. These policies assist in ensuring universal adoption of best practice in government procurement and disposals.

The Commission is continually reviewing and fine-tuning its policies to ensure that 'red tape' is minimised, resulting in cost savings to both public authorities and suppliers.

BETTER PLANNING: BETTER SERVICES

Goal 3: The Environment

To ensure that Western Australia has an environment in which resources are managed, developed and used sustainable, biological diversity is preserved and habitats protected

WASTE PAPER RECYCLING

The State Supply Commission has a strong commitment to paper recycling through the proper use of recycling providers. Commission officers are encouraged to recycle paper. All officers follow the guidelines for recycling as set out in the WA Waste Reduction and Recycling Policy.

The Commission uses the whole of government common use contract for recycling waste paper. Where possible, electronic communication of documents is encouraged.

ENERGY SMART GOVERNMENT POLICY

In 2005-06, the State Supply Commission achieved a 9% reduction in energy against a target of 10%. Increased operational activities in the Commission contributed to the 1% variance.

Energy Smart Government program	Baseline 2001-02 (GJ)	2005-06 (GJ)	Target %	Actual %
Energy Consumption	99	90	10	9
Energy Costs	\$3,566	\$3,112		
Greenhouse Gas Emissions (tonnes of CO ₂)	25	23		
Performance Indicators: Office – Tenant light and power				
MJ/sqm	244	223		
MJ/Person	8,226	6,933		

The Commission will continue to adopt the following initiatives to reduce its energy usage to meet the 12% target for 2006-07:

- Utilise the adoption of natural light for some areas, as the Commission is on the south side of Dumas house and receives enough natural light for most offices.
- Encourage staff to turn off lights when leaving their offices and turn off computers at night.
- Undertake staff awareness programs and monitor energy consumption every three months.

As the State Supply Commission has only 13 FTEs, it participates in the Energy Smart Government Program on a voluntary basis.

BETTER PLANNING: BETTER SERVICES

Goal 4: The Regions

To ensure that regional Western Australia is strong and vibrant

REGIONAL DEVELOPMENT POLICY

The Department of Local Government and Regional Development (DLGRD) is responsible for the *Regional Development Policy*. The State Supply Commission has reported to DLGRD on implementation of a number of strategies under the policy. On behalf of all public authorities, the Commission will report on the continued implementation and monitoring of the *Buy Local Policy*, which forms part of the *Fair Pricing for Regional Residents and Businesses* strategy. Agencies are required to report to the Commission annually on their adherence to the *Buy Local Policy*.

The Commission also reported to the DLGRD on a number of strategies that were identified for the whole of government to action in relation to the review of the Commission's policies and guidelines, including the following:

- Outcome 2 – Planning in Partnership for a Sustainable Future; and
- Outcome 3 – Effective Government Service Delivery to Regions.

The State Supply Commission accepted an invitation to participate in the DLGRD's Regional Policy Implementation Committee.

BETTER PLANNING: BETTER SERVICES

Goal 5: Governance

To govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future

EVALUATIONS

The State Supply Commission has revised its Strategic Planning Framework to identify those goals and priorities that will enhance the Commission's performance. In 2005-06 the Commission's strategic plan was modified as a result of the Strategic Planning Framework analysis. This included the revision of the Commission's outcomes and key performance indicators.

The Commission is responsible for coordinating the procurement of goods and services across Western Australian public authorities. The Commission's role encompasses that of policy maker, regulator and umpire in all public sector procurement, to ensure that best practice is met.

As such, the Commission has two primary stakeholders to which it provides its services: accountable officers and procurement officers in each public authority.

This is the first year that the Commission has undertaken a client satisfaction survey. This followed a review of the Commission's key performance indicators as a result of the introduction of the outcomes based management framework. As such, this year's results will act as a benchmark for subsequent years.

Given the broad overall goal of measuring client satisfaction, the specific objectives of the survey was to measure:

satisfaction with the Commission's timeliness in responding to queries in the key functions of requests for waivers of supply policy and advice on supply policy for Accountable Officers and Procurement Officers.

The survey found that, overall, accountable officers and procurement officers are positive about the Commission. All respondents surveyed rated the Commission highly in all three areas examined:

- In terms of overall satisfaction, 80% of the surveyed respondents indicated that they were satisfied with the Commission's timeliness in responding to requests.
- In relation to requests for waivers of supply policy, 90% of the surveyed respondents were satisfied with the Commission's timeliness in responding to requests.
- For advice on supply policy, 94% of the surveyed respondents were satisfied with the Commission's timeliness in responding to requests.

The survey results will be used as feedback to Commission staff to reinforce the high level benchmark set for customer satisfaction.

INFORMATION STATEMENT

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

Information pertaining to documents the State Supply Commission holds and how they can be accessed under the *Act* is contained in the Commission's Information Statement. The Information Statement is reviewed annually and is available on the Commission's website.

During 2005-06 the Commission received one application for access to information under the provisions of the *Act*. Edited access was provided for this application. The time to process the application from receipt to the Commission's notice of decision was eight days.

RECORDKEEPING PLANS

The State Records Office approved the State Supply Commission's five-year Record Management Plan in August 2004.

The Records Management process is incorporated in the Commission's third party certified management system that is reviewed and updated on a continual basis.

As part of the Commission's induction program, new Commission officers are informed of recordkeeping requirements.

The opportunity for external training in records management is provided to Commission officers.

The Commission has developed Records Management Key Performance Indicators. These are being implemented, in conjunction with the State Records Office, in compliance with the minimum requirements of *State Records Commission Standard 2*.

ADVERTISING

In compliance with section 175ZE of the *Electoral Act 1907*, the State Supply Commission reports that it incurred the following expenditure in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations:

Expenditure with Advertising Agencies Corporate Express The Digital Document Co (WA) Pty Ltd	\$1,194
Expenditure with Market Research Organisations Patersen Market Research Research Solutions	\$14,883
Expenditure with Polling Organisations	Nil
Expenditure with Direct Mail Organisations	Nil
Expenditure with Media Advertising Organisations Marketforce Productions The West Australian	\$349
Total Expenditure	\$16,426



Phill Turner
A/ACCOUNTABLE OFFICER

22 September 2006

SUSTAINABILITY

The State Supply Commission strongly supports the inclusion of sustainability principles and practices in the performance of its core activities.

The aim of the Commission's Sustainability Action Plan is to embed sustainability into the day-to-day activities of the Commission. The Commission has taken the following action to meet the objectives of the Sustainability Code of Practice for Government Agencies:

Planning, reporting and decision-making are conducted in accordance with sustainability principles

- Ensured the State Supply Commission's 2005 to 2008 Strategic Plan reflects the principles of sustainability.
- Ensured the State Supply Commission's supply policies represent a holistic and sustainable policy approach to procurement of goods and services.
- Implemented an Environmental Procurement Policy and associated Environmental Purchasing Guide.
- Appointed a senior staff member as the key person responsible for sustainability issues.
- Implemented a management system to manage and monitor the Commission's projects and day-to-day operations.
- Included regional stakeholders and communities in developing a strategic approach to sustainable procurement policies.

Agency operations support sustainability

- Updated existing policies for recycling, energy and vehicle purchased to incorporate sustainability considerations.
- Reviewed and updated existing environmental performance plans to ensure compliance with Sustainability Code of Practice for Government Agencies.
- Implemented the Energy Smart Government 'Ten Steps to Implement' guide to energy management.
- Recycled printer and toner cartridges.
- Purchased recycled toner cartridges.

Public sector employees are empowered and encouraged to support sustainability

- Ensured the State Supply Commission's supply policies and internal policies encourage employees to adopt sustainable practices.

EQUAL EMPLOYMENT OPPORTUNITY OUTCOMES

The State Supply Commission's Equal Opportunity Management Plan takes into account the objectives of the Government's Equity and Diversity Plan 2006-2008.

The Commission continues to support the principles of equal opportunity and diversity in employment. In 2005-06 the Commission's workforce, as it relates to equal opportunity and diversity, was represented as follows:

Women	40%
Culturally Diverse Backgrounds	30%
Indigenous Australians	0%
People with Disabilities	10%

Achievement of diversity objectives exceeds levels established in both the Management Plan and Government Objectives outlined in the Equity and Diversity Plan for the Public Sector Workforce.

COMPLIANCE WITH PUBLIC SECTOR STANDARDS AND ETHICAL CODES

The State Supply Commission has complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the Commission's Code of Conduct.

In 2005-06 two recruitment processes for permanent positions were completed. There were no breach-of-standard applications lodged.

CORRUPTION PREVENTION

The State Supply Commission's induction process ensures that new staff members are made aware of their responsibilities under the Commission's Code of Conduct. The Code provides employees with clear and practical guidelines on ethical behaviour in the workplace.

Breaches of the Commission's Code of Ethics represent breaches of discipline pursuant to Section 80 of the *Public Sector Management Act* and will, at the discretion of the Chief Executive Officer, be dealt with pursuant to the procedures detailed in Division 3 of the *Public Sector Management Act*.

Allegations relating to a Commission employee's improper conduct, corruption or criminal activity will be reported to either the Corruption and Crime Commission or the police for investigation.

Staff meetings are used to reinforce the necessity for employees to comply with the Commission's Code of Conduct.

PUBLIC INTEREST DISCLOSURES

The State Supply Commission has complied with its obligations under the *Public Interest Disclosure Act*, Section 23(1).

The Commission is committed to the aims and objectives of the *Public Interest Disclosure Act 2003*. It recognises the value and importance of contributions of its officers to enhance administrative and management practices. Commission officers are encouraged to make disclosures regarding any corrupt or improper conduct identified.

Corrupt or improper conduct is not tolerated. This includes any mismanagement of public resources in the exercise of the public functions of the Commission and its officers, employees and contractors. All reasonable steps are taken to provide disclosers with protection from any detrimental action or reprisal for the making of a public interest disclosure.

The Commission does not tolerate any of its officers, employees or contractors engaging in acts of victimisation or reprisal against disclosers.

The person holding or acting in the position of Executive Officer is designated as the Public Interest Disclosure Officer of the Commission. The Public Interest Disclosure Officer is responsible for receiving disclosures of public interest information relating to matters falling within the sphere of responsibility of the Commission.

The Commission has published *Guidelines for Internal Procedures* which provide for the manner in which the Commission will comply with its obligations under the *Public Interest Disclosure Act 2003* as follows:

- Disclosures of public interest information shall be made to the Public Interest Disclosure Officer.
- The Public Interest Disclosure Officer shall investigate the information disclosed, or cause that information to be investigated.
- The Public Interest Disclosure Officer may take action following the completion of the investigation.
- The Public Interest Disclosure Officer shall report to the discloser as to the progress and outcome of that investigation and the action taken as a consequence.
- The confidentiality of the discloser, and any person who may be the subject of a public interest disclosure, shall be maintained.
- Records as to public interest disclosures shall be maintained and reporting obligations complied with.

The Commission received no public interest disclosures in 2005-06.

Outcomes, Services and Performance Information

The State Supply Commission was provided with an amount of \$1.610 million inclusive of services received free of charge to meet recurrent services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.665 million.

The following outcome, services and performance information is the subject of a Resource Agreement that the Treasurer and the State Supply Commission’s Chairperson and Chief Executive Officer signed.

OUTCOME 1

All public authorities use State Supply Commission procurement and disposal processes.

Effectiveness Indicator 1

Performance Measure	2005-06 Budget	2005-06 Actual	Reasons for Significant Variance
All public authorities use State Supply Commission procurement and disposal processes.	96%	99%	See note below.

The effectiveness indicator measures public authorities’ compliance with State Supply Commission supply policies. This ensures that public authorities apply best practice with procurement and disposal processes.

In 2005-06 the State Supply Commission achieved an overall compliance rate of 99%.

The indicator is based on a review of nominated public authorities which awarded contracts in 2005 and 2006.

Overall, 60 public authorities under the jurisdiction of the *State Supply Commission Act 1991* participated in this review.

The estimated population was 5,500 contracts from the Government Bulletin Board. The sample size was 433 contracts.

Following the review of 433 contracts ranging from \$50,000 to over \$10 million, it was found that the overall compliance was 99%.

The 1% represents a partial non compliance of supply policies for contracts from four public authorities.

The adoption of the Department of Treasury and Finance templates and the standardisation of procurement processes contributed to the increase in the overall satisfaction rate of 99%.

The outcome of the non compliances is used as feedback to public authorities for improvement.

OUTCOME 2

Vehicles for the State's light vehicle fleet are provided in a manner that is commercially viable over time.

Effectiveness Indicator 2

Performance Measure	2005-06 Budget (000s) Profit	2005-06 Actual (000s) Profit	Reasons for Significant Variance
Extent to which State Fleet operations are commercially sustainable.	\$1,896	\$6,849	See note below.

The above effectiveness indicator relates to the management of the funding and leasing of the State's vehicle fleet.

In 2005-06 the profit achieved by State Fleet was stronger than initially forecast in the 2005-06 Budget for several key reasons.

The budget estimate for profit was made on the back of several years of declining second hand vehicle prices, and it was anticipated that this market would continue to decline in 2005-06. Whilst the second hand vehicle market did decline in 2005-06, this decline was less than forecast.

In addition, the revenue from lease payments was greater than anticipated, attributed to a strong growth in the number of vehicles leased by State Fleet during the year. In 2005-06, State Fleet leased on average 9,710 vehicles per month – compared to an average 9,220 forecast in the 2005-06 Budget and an average of 9,075 during 2004-05.

EFFICIENCY INDICATORS

Efficiency Indicator 1

Service 1: Administration of Goods and Services Procurement Policies for Public Authorities.

Performance Measure	2005-06 Budget	2005-06 Actual	Reasons for Significant Variance
Public authorities' satisfaction with State Supply Commission's timeliness in responding to their requests.	N/A	80%	N/A

The efficiency indicator has been designed to measure public authorities' satisfaction with the State Supply Commission's timeliness in responding to its requests for procurement information. It is a new indicator. The service that the Commission provides includes policy advice on specific procurement matters and requests to waive policy.

In 2005-06 the State Supply Commission achieved an overall satisfaction rate of 80%.

To arrive at the overall satisfaction rate of 80%, the following data was used:

Survey Group	Population Size	Actual Sample Size	Response Rate	Sampling Precision Error
Accountable Officers	92	58	80.0%	± 7.5%
Purchasing Officers	87	77	88.5%	± 4.0%

The State Supply Commission provided a list of 92 public authorities' Accountable Officers and Purchasing Officers (including telephone number and contact person) that have dealings with the Commission to a consultant.

As this is the first year of conducting this satisfaction survey, there is no comparison available from the previous years.

The Survey results are used as an integral component of the Commission's continual improvement process. This ensures public authorities can expect a commitment to a responsive service from the Commission.

Efficiency Indicator 2

Service 2: Management of the funding and leasing of the State's vehicle fleet.

	2005-06 Budget	2005-06 Actual	Reasons for Significant Variance
Cost Average cost of leased vehicles.	\$6,707	\$6,259	Refer to note below.

The 2005-06 Average Cost of Leased Vehicles has declined moderately in comparison to Budget, in part due to the strong growth in the number of vehicles leased during the year – State Fleet leased on average 9,710 vehicles per month in 2005-06 compared with a 9,220 average projected in the Budget.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION FINANCIAL STATEMENTS AND PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2006

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the State Supply Commission at 30 June 2006 and its financial performance and cash flows for the year ended on that date. They are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions;
- (ii) the controls exercised by the 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
- (iii) the key effectiveness and efficiency performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2006.

Scope

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

The financial statements consist of the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and the Notes to the Financial Statements.

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

Summary of my Role

As required by the Act, I have independently audited the accounts, financial statements and performance indicators to express an opinion on the financial statements, controls and performance indicators. This was done by testing selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

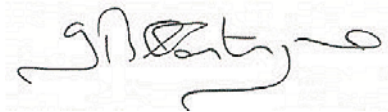
An audit does not guarantee that every amount and disclosure in the financial statements and performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions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

D D R PEARSON
AUDITOR GENERAL
25 September 2006

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

State Supply Commission Certification of Performance Indicators for the Year Ended 30 June 2006

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 2006.



Jennifer Ballantyne
Chairperson

22 September 2006



Cheryl Gwilliam
Member

22 September 2006

Performance Indicators

OUTCOME 1

All public authorities use State Supply Commission procurement and disposal processes.

Effectiveness Indicator 1

Performance Measure	2005-06 Target	2005-06 Actual	2004-05 Actual	2003-04 Actual
All public authorities use State Supply Commission procurement and disposal processes.	96%	99%	97%	96%

The effectiveness indicator measures public authorities' compliance with State Supply Commission supply policies. This ensures that public authorities' apply best practice with procurement and disposal processes.

In 2005-06 the State Supply Commission achieved an overall satisfaction rate of 99%.

The indicator is based on a review of nominated public authorities which awarded contracts in 2005 and 2006.

Overall, 60 public authorities under the jurisdiction of the *State Supply Commission Act 1991* participated in this review.

The estimated population was 5,500 contracts from the Government Bulletin Board. The sample size was 433 contracts.

Following the review of 433 contracts ranging from \$50,000 to over \$10 million, it was found that the overall compliance was 99%.

The 1% represents a partial non compliance of supply policies for contracts from four public authorities.

The adoption of the Department of Treasury and Finance templates and the standardisation of procurement processes contributed to the increase in the overall satisfaction rate of 99%.

The outcome of the non compliances is used as feedback to public authorities for improvement.

OUTCOME 2

Vehicles for the State's light vehicle fleet are provided in a manner that is commercially viable over time.

Effectiveness Indicator 2

Performance Measure	2005-06 Target (000s) Profit	2005-06 Actual (000s) Profit	2004-05 Actual (000s) Profit	2003-04 Actual (000s) Profit
Extent to which State Fleet operations are commercially sustainable.	\$1,896	\$6,849	\$7,328	\$5,068

The above effectiveness indicator relates to the management of the funding and leasing of the State's vehicle fleet.

In 2005-06 the profit achieved by State Fleet was considerably stronger than initially forecast in the 2005-06 Budget for several key reasons.

The budget estimate for profit was made on the back of several years of declining second hand vehicle prices, and it was anticipated that this market would continue to decline in 2005-06. Whilst the second hand vehicle market did decline in 2005-06, this decline was less than forecast.

In addition, the revenue from lease payments was greater than anticipated, attributed to a strong growth in the number of vehicles leased by State Fleet during the year. In 2005-06, State Fleet leased on average 9,710 vehicles per month – compared to an average 9,220 forecast in the 2005-06 Budget and an average of 9,075 during 2004-05.

EFFICIENCY INDICATORS

Efficiency Indicator 1

Service 1: Administration of Goods and Services Procurement Policies for Public Authorities.

Performance Measure	2005-06 Budget	2005-06 Actual	2004-05 Actual	2003-04 Actual
Public authorities' satisfaction with State Supply Commission's timeliness in responding to their requests.	N/A	80%	N/A	N/A

The efficiency indicator has been designed to measure public authorities' satisfaction with the State Supply Commission's timeliness in responding to its requests for procurement information. It is a new indicator. The service that the Commission provides includes policy advice on specific procurement matters and requests to waive policy.

In 2005-06 the State Supply Commission achieved an overall satisfaction rate of 80%.

To arrive at the overall satisfaction rate of 80%, the following data was used:

Survey Group	Actual Sample Size	Response Rate	Sampling Precision Error
Accountable Officers	58	80.0%	$\pm 7.5\%$
Purchasing Officers	77	88.5%	$\pm 4.0\%$

The State Supply Commission provided a list of 92 public authorities' Accountable Officers and Purchasing Officers (including telephone number and contact person) that have dealings with the Commission to a consultant.

As this is the first year of conducting this satisfaction survey, there is no comparison available from the previous years.

The survey results are used as an integral component of the Commission's continual improvement process. This ensures public authorities can expect a commitment to a responsive service from the Commission.

Efficiency Indicator 2

Service 2: Management of the funding and leasing of the State's vehicle fleet.

	2005-06 Target (000s)	2005-06 Actual (000s)	2004-05 Actual (000s)	2003-04 Actual (000s)
Cost Average cost of leased vehicles.	\$6,707	\$6,259	\$12,664	\$15,027

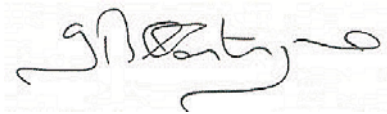
In compliance with International Financial Reporting Standards, the 2005-06 Target and Actual revenues and expenses arising from the sale of vehicles are reported on a net basis. The 2003-04 and 2004-05 Average Cost of Leased Vehicles are reported on a gross basis. On a net basis, the 2003-04 and 2004-05 Average Cost of Leased Vehicles were \$8,780 and \$7,026 on a net basis respectively.

The 2005-06 Average Cost of Leased Vehicles has declined moderately in comparison to the Target. This is in part due to the strong growth in the number of vehicles leased during the year, which increased from an average of 9,075 in 2004-05 to 9,710 in 2005-06. This is considerably greater than the assumed Target average number of vehicles leased in 2005-06 of 9,220 vehicles.

State Supply Commission Certification of Financial Statements for the Year Ended 30 June 2006

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 2006, and the financial position as at 30 June 2006.

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



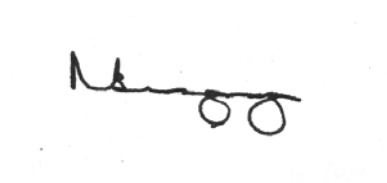
Jennifer Ballantyne
CHAIRMAN

22 September 2006



Cheryl Gwilliam
MEMBER

22 September 2006



Martin Braganza
CHIEF FINANCE OFFICER

22 September 2006

State Supply Commission Income Statement for the Year Ended 30 June 2006

	2006	2005
Note	\$	\$
COST OF SERVICES		
Expenses		
Employee benefits expense	5 1,125,828	964,274
Supplies and services	6 2,432,460	6,826,146
Carbon offset program expense	227,500	-
Depreciation expense	7 44,654,818	37,194,249
Finance costs	8 12,309,465	11,364,275
Accommodation expenses	9 134,976	139,206
Other expenses	10 165,589	186,294
Loss on disposal of non current assets	11 1,684,697	2,229,841
Capital user charge	12 26,942	28,960
Total cost of services	62,762,275	58,933,245
Income		
Revenue		
User charges and fees	14 67,437,390	63,966,971
Interest revenue	15 383,471	324,861
Carbon offset program revenue	96,484	-
Other revenues	16 4,754	50,380
Total Revenue	67,922,099	64,342,212
Gains		
Gain on realisation of non current assets	11 24,328	390,877
Total Gains	24,328	390,877
Total income other than income from State Government	67,946,425	64,733,089
NET SURPLUS FROM SERVICES	5,184,152	5,799,844
INCOME FROM STATE GOVERNMENT		
Service appropriations	13 1,562,000	1,494,000
Resources received free of charge	13 47,655	13,529
Total income from State Government	1,609,655	1,507,529
SURPLUS FOR THE PERIOD	6,793,807	7,307,373

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

State Supply Commission Balance Sheet as at 30 June 2006

	Note	2006 \$	2005 \$
ASSETS			
Current Assets			
Cash and cash equivalents	27	10,111,384	8,604,279
Receivables	17	4,098,642	3,313,407
Amounts receivable for services	18	42,000	30,000
Total Current Assets		14,252,026	11,947,686
Non-Current Assets			
Property, plant, equipment and vehicles	19	240,212,737	218,349,106
Intangible assets	20	13,763	624,263
Total Non-Current Assets		240,226,500	218,973,369
Total Assets		254,478,526	230,921,055
LIABILITIES			
Current Liabilities			
Payables	22	1,216,499	1,746,405
Borrowings	23	82,833,233	86,360,046
Provisions	24	239,159	212,669
Other current liabilities	25	3,484,749	3,198,908
Total Current Liabilities		87,773,640	91,518,028
Non-Current Liabilities			
Borrowings	23	141,272,138	120,812,555
Provisions	24	75,274	68,805
Total Non-Current Liabilities		141,347,412	120,881,360
TOTAL LIABILITIES		229,121,052	212,399,388
NET ASSETS		25,357,474	18,521,667
Equity			
Contributed equity	26	20,112,000	20,070,000
Accumulated surplus/(deficiency)	26	5,245,474	(1,548,333)
TOTAL EQUITY		25,357,474	18,521,667

The Balance Sheet should be read in conjunction with the accompanying notes.

State Supply Commission Cash Flow Statement for the Year Ended 30 June 2006

	2006 \$	2005 \$
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriations	1,540,000	1,473,000
Capital contributions	42,000	19,000
Holding account drawdowns	10,000	12,000
Net cash provided by State Government	1,592,000	1,504,000
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employee benefits	(1,071,710)	(990,524)
Suppliers and services	(2,773,977)	(6,773,653)
Carbon Offset Program	(227,500)	-
Accommodation Services	(135,540)	(139,176)
GST payments on purchases	(14,889,061)	(13,223,534)
Capital user charge	(26,942)	(28,960)
Finance costs	(12,400,601)	(11,314,099)
Other Payments	(172,814)	(176,372)
Receipts		
User charges and fees	66,695,738	65,122,192
Carbon Offset Program	96,484	-
Interest received	319,301	317,297
Other receipts	26,226	75,288
GST receipts from State Government Agencies and ATO	15,047,125	12,819,226
Net cash provided by/(used in) operating activities	50,486,729	45,687,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of non current physical assets - motor vehicles	76,059,169	57,304,997
Proceeds from the realisation of bailment rights	698,753	3,977,177
Purchase of non-current physical assets	(144,262,316)	(115,711,004)
Net cash provided by/(used in) investing activities	(67,504,394)	(54,428,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	19,624,184	13,990,300
Repayment of borrowings	(2,691,414)	(4,525,699)
Net cash provided by/(used in) financing activities	16,932,770	9,464,601
Net increase/(decrease) in cash and cash equivalents	1,507,105	2,227,456
Cash and cash equivalents at the beginning of the period	8,604,279	6,376,823
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10,111,384	8,604,279

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

State Supply Commission Statement of Changes in Equity as at 30 June 2006

	2006	2005
Note	\$	\$
Balance of equity at start of period	18,521,667	11,195,294
CONTRIBUTED EQUITY		
Balance at start of period	20,070,000	20,051,000
Capital Contributions	42,000	19,000
Balance at end of the period	20,112,000	20,070,000
ACCUMULATED SURPLUS (DEFICIT)		
Balance at start of period	(1,548,333)	(8,855,706)
Surplus/(deficit) for the period	6,793,807	7,307,373
Balance at the end of the period	5,245,474	(1,548,333)
Balance of equity at end of period	25,357,474	18,521,667
Total income and expense for the period	6,793,807	7,307,373

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

-

State Supply Commission Notes to the Financial Statements for the Year Ended 30 June 2006

1. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These are the Commission's first published financial statements prepared under Australian equivalents to International Financial Reporting Standards (AIFRS).

Accounting Standard AASB 1 "First-Time Adoption of Australian Equivalents to International Financial Reporting Standards" has been applied in preparing these financial statements. Until 30 June 2005, the financial statements of the Commission had been prepared under the previous Australian Generally Accepted Accounting Principles (AGAAP).

The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing AIFRS which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards and the Urgent Issues Group (UIG) interpretations.

In accordance with the option provided by AASB 1 paragraph 36A and exercised by Treasurer's Instruction 1101 "Application of Australian Accounting Standards and Other Pronouncements" financial instrument information prepared under AASB 132 and AASB 139 will apply from 1 July 2005 and consequently comparative information for financial instruments is presented on the previous AGAAP basis. All other comparative information is prepared under the AIFRS basis.

Early Adoption of Standards

The Commission cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 "Application of Australian Accounting Standards and Other Pronouncements". This TI requires the early adoption of revised AASB 119 "Employee Benefits" as issued in December 2004, AASB 2004-3 "Amendments to Australian Accounting Standards: AASB 2005-3 "Amendments to Australian Accounting Standards (AASB 119), AASB 2005-4 "Amendments to Australian Accounting Standards (AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038) and AASB 2005-6 "Amendments to Australian Accounting Standard (AASB 3) to the annual reporting period beginning 1 July 2005. AASB 2005-4 amends AASB 139 "Financial Instruments: Recognition and Measurement" so that the ability to designate financial assets and financial liabilities at fair value is restricted. AASB 2005-6 excludes business combinations involving common control from the scope of AASB 3 "Business Combinations".

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are provided at Note 36: Reconciliations Explaining the Transition to AIFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board 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 the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented, unless otherwise stated.

The financial statements are presented in Australian dollars rounded to the nearest dollar.

The judgements that have been made in the process of applying the Commission's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 3 "Judgements Made by Management in Applying Accounting Policies".

(c) Reporting Entity

The reporting entity comprises solely of the Commission. The Commission includes the activities of State Fleet.

(d) Contributed Equity

UIG Interpretation 1038 "Contributions by Owners Made to Wholly-Owned Public Sector Entities" requires transfers in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by TI 955 "Contributions by Owners Made to Wholly Owned Public Sector Entities" and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

(e) Income

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

User Charges and Fees

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.

Motor Vehicles Sales

Revenue is recognised on receipt of sale proceeds of State Fleet owned vehicles.

Vehicle Bailment Revenues

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

Supplier Fees

The Commissioner receives volume rebates on the purchase of some goods and services in relation to selected Common Use Contracts. Revenue is recognised when billed.

Interest

Revenue is recognised as the interest accrues.

Service Appropriations

Service appropriations are recognised as revenues at nominal value in the period in which the Commission gains control of the appropriated funds, which is at the time those funds are deposited to the bank account or credited to the holding account held at the Department of Treasury & Finance (see Note 13 Income from State Government).

Grants, Donations and Other Non-Reciprocal Contributions

Revenue is recognised at fair value when the Commission obtains control over the assets comprising the contributions, usually when cash is received.

Other Non-Reciprocal Contributions

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

(f) Borrowing Costs

Borrowing costs are expensed when incurred.

(g) Property, Plant and Equipment and Motor Vehicles

(i) Initial Recognition and Measurement

All items of property, plant and equipment and motor vehicles are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal considerations, the cost is their fair value at the date of acquisition.

Items of property, plant and equipment costing less than \$5,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

(ii) Subsequent Measurement

After recognition as an asset, the cost model is used for the measurement for all property, plant and equipment and motor vehicles. All items of property, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated 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 calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Office Equipment	5 Years
Computer Equipment and Integrated Software	3 Years
Motor Vehicles	6 Months to 5 Years
Leasehold Improvements	5 Years

(h) 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 extinguished as individual vehicles are sold at the end of their lease term.

(ii) *Revaluation 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) on the 6,651 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.

(iii) *Computer Software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

(iv) *Web Site Costs*

Web site costs are charged as expenses when that are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised. Costs less than \$5,000 are expensed in the year of acquisition.

(i) Impairment of Assets

Property, plant and equipment, motor vehicles and intangible assets are tested for any indication or impairment at each reporting date. When there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the Commission is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment. Surplus assets at cost are tested for indications of impairment at each reporting date.

(j) 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 Income Statement over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

(k) Financial Instruments

The Commission has two categories of financial instrument:

- Loans and receivables (cash and cash equivalents, receivables); and
- Non-trading financial liabilities (payables, borrowings).

Initial recognition and measurement of financial instruments is at fair value. Usually the transaction cost or face value is equivalent to fair value and subsequent measurement is at amortised cost using the effective interest method.

Short-term receivables and payables with no stated interest rate are measured at transaction cost or face value and subsequent measurement is not required as the effect of discounting is immaterial.

(l) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalent assets comprise cash on hand and short term deposits with original maturities of 3 months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Accrued Salaries

Accrued salaries (see Note 25 "Other Liabilities") 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.

(n) Amounts Receivable for Services (Holding Account)

The Commission receives funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (holding account receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

(o) Receivables

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amounts (doubtful debts) is raised when collectability is no longer probable. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See Note 2(k): Financial Instruments and Note 17: Receivables.

(p) Payables

Payables are recognised at the amounts payable with the Commission becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See Note 2(k): Financial Instruments and Note 22: Payables.

(q) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

(r) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligations as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance sheet reporting date.

(i) Provisions – Employee Benefits

- Annual Leave and Long Service Leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimate future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 month after the reporting date.

- Superannuation

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme now closed to new members.

The Commission has no liabilities under the GSS Scheme. The liabilities for the unfunded GSS Scheme transfer benefits due to members are assumed by the Treasurer. All other GSS Scheme obligations are funded by concurrent contributions made by the Commission to the GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme objectives.

Employees who are not members of the GSS Scheme become non-contributory members of the West State Superannuation (WSS) Scheme, an accumulation scheme. The Commission makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. The WSS is a defined contributions scheme as these contributions extinguish all liabilities in respect of the WSS Scheme.

The GESB makes all benefit payments and is recouped by the Treasurer for the employer share in respect of the GSS Scheme.

(s) Superannuation Expense

The following element is included in calculating a superannuation expense:

- (i) Defined contribution plans employer contributions paid to the GSS and the West State Superannuation Scheme (WSS).

(t) Resources Received Free of Charge or for Nominal Consideration

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.

(u) Comparative Figures

Comparative figures have been restated on the AIFRS basis except for financial instruments that have been prepared under the previous AGAAP Australian Accounting Standards AAS33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments will be 1 July 2005 in accordance with the exception allowed under AASB 1 paragraph 36A and Treasurer's Instruction 1101.

3. JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- Non-Current Assets Held for Sale

The Commission has determined that the timing between motor vehicles ceasing to be available for lease rentals and the time that they are traded in is minimal. Therefore it is impractical to separately classify these assets.

4. DISCLOSURE OF CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

The Commission cannot early adopt an Australian Accounting Standard or UIG Interpretation unless specifically permitted by TI 1101 "Application of Australian Accounting Standards and Other Pronouncements: As referred to in Note 1, TI 1101 has only mandated the early adoption of revised AASB 119, AASB 2004-3, AASB 2005-3, AASB 2005-4 and AASB 2005-6. Consequently, the Commission has not applied the following Australian Accounting Standards and UIG Interpretations that have been issued but are not yet effective. These will be applied from their application date:

1. AASB 7 "Financial Instruments: Disclosures" (including consequential amendments in AASB 2005-10 "Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]). This Standard requires new disclosures in relation to financial instruments. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007. The Standard is considered to result in increased disclosures of an entity's risks, enhanced disclosure about components of a financial position and performance, and changes to the way of presenting financial statements, but otherwise there is no financial impact.

2. AASB 2005-9 “Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 and AASB 132]” (financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an “insurance contract” under AASB 4 “Insurance Contracts” or as a “financial guarantee contract” under AASB 139 “Financial Instruments: Recognition and Measurement”. The Commission does not undertake these types of transactions resulting in no financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2006.

3. UIG Interpretation 4 “Determining Whether an Arrangement Contains a Lease”. This interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 “Leases”. At reporting date, the Commission has not entered into any arrangements as specified in the interpretation resulting in no impact when the interpretation is first applied. The interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2006.

The following amendments are not applicable to the Commission as they will have no impact:

<u>AASB Amendment</u>	<u>Affected Standards</u>
2005-1	AASB 139 (Cash flow hedge accounting of forecast intra-group transactions)
2005-5	“Amendments to Australian Accounting Standards (AASB 1 and AASB 139)”.
2006-1	AASB 121(Net investment in foreign operations)
UIG 5	“Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”
UIG 6	“Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”
UIG 7	“Applying the Restatement Approach Under AASB 129 Financial Reporting to Hyperinflationary Economies”
UIG 8	“Scope of AASB2”.
UIG9	“Reassessment of Embedded Derivatives”.

5. EMPLOYEE BENEFITS EXPENSE

Wages and salaries
Superannuation defined contributions plans (ii)
Long service leave (i)
Annual leave (i)
Other related expenses

2006	2005
\$	\$
988,525	851,914
78,225	76,873
41,223	29,427
16,241	6,060
1,614	-
1,125,828	964,274

- (i) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation. The expense for superannuation is included here.
- (ii) Defined contribution plans include West State and Gold State (contributions paid).

6. SUPPLIES AND SERVICES

Communications
Consultants and contractors
Consumables
Contract management fee
Facility management fee
Legal fees
Repairs and maintenance
State Fleet Management Fee
Sundry
Travel

2006	2005
\$	\$
14,552	25,622
208,908	91,275
139,135	5,422
294,986	4,179,490
900,000	900,000
75,202	911,328
5,998	12,691
735,966	620,408
45,186	55,850
12,527	24,060
2,432,460	6,826,146

7. DEPRECIATION EXPENSE

Depreciation

Computer equipment and integrated software
Leasehold improvements
Office equipment
Motor vehicles
Total depreciation

617	9,590
2,635	3,786
3,339	3,778
44,648,227	37,177,095
44,654,818	37,194,249
12,309,465	11,364,275
12,309,465	11,364,275

8. FINANCE COSTS

Interest

9. ACCOMMODATION EXPENSES

Lease rentals
Electricity
Repairs and maintenance

2006	2005
\$	\$
127,907	131,490
6,787	7,026
282	690
134,976	139,206

10. OTHER EXPENSES

Audit fees
Capital acquisitions less than \$5000
Employment on-costs
Motor vehicle expenses
Sundry

46,500	77,500
3,810	30,878
30,627	25,696
23,480	25,808
61,172	26,412
165,589	186,294

11. NET GAIN / (LOSS) ON DISPOSAL OF NON CURRENT ASSETS**Loss**Costs of Disposal of Non Current Assets

Motor vehicles

79,214,251 60,717,907

Proceeds from Disposal of Non Current Assets

Motor Vehicles

77,529,554 58,488,066

Net loss

1,684,697 2,229,841

GainCosts of Realisation of Non Current Assets

Bailment rights

610,500 3,219,000

Proceeds from the Realisation of Non Current Assets

Bailment Vehicles

634,828 3,609,877

Net gain

24,328 390,877

12. CAPITAL USER CHARGE

26,942 28,960

The Government applies a levy for the use of its capital for the delivery of services. It is applied at 8% per annum on the net assets of the Commission, excluding exempt assets, and is paid to the Department of Treasury and Finance quarterly. 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
Net assets attributed to other activities and subject to the capital user charge
Total net assets of the State Supply Commission

2006	2005
\$	\$
25,039,667	18,190,170
317,807	331,498
25,357,474	18,521,668

13. INCOME FROM STATE GOVERNMENT

Appropriation revenue received during the year:

Service appropriations (i)

Resources received free of charge (ii)

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

State Solicitor's Office-Legal Services

	2006	2005
	\$	\$
	1,562,000	1,494,000
	1,562,000	1,494,000
	47,655	13,529
	47,655	13,529
	1,609,655	1,507,529

(i) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprise a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense (other than State Fleet vehicles) for 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.

14. USER CHARGES AND FEES

User charges-Vehicle fleet lease rentals

Fees-Contract Supplier fees

	2006	2005
	\$	\$
	67,142,404	59,787,481
	294,986	4,179,490
	67,437,390	63,966,971

15. INTEREST REVENUE

Interest

	383,471	324,861
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16. OTHER REVENUE

Expense recoveries

Sundry

	2,294	9,090
	2,460	41,290
	4,754	50,380

17. RECEIVABLESCurrent

Receivables

Prepayments

	4,082,306	3,296,680
	16,336	16,727
	4,098,642	3,313,407

18. AMOUNTS RECEIVABLE FOR SERVICES

Current

	42,000	30,000
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This asset represents the non cash component of service appropriations. See note 2 (n) Amounts receivable for services (Holding Account). It is restricted in that it can only be used for asset replacement.

19. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

	2006 \$	2005 \$
Leasehold Improvements		
At cost	18,931	18,931
Accumulated depreciation	(17,092)	(14,457)
	1,839	4,474
Computer Hardware & Integrated Software		
At cost	75,631	167,920
Accumulated depreciation	(75,631)	(167,303)
	-	617
Office Equipment & Furniture & Fittings		
At cost	70,568	68,758
Accumulated depreciation	(57,710)	(65,511)
	12,858	3,247
Motor Vehicles Under Lease		
At cost	294,168,271	267,705,333
Accumulated depreciation	(53,970,231)	(49,364,565)
	240,198,040	218,340,768
Total	240,212,737	218,349,106

Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the reporting period are set out below:

<u>2006</u>	Computer Hardware & Integrated Software \$	Leasehold Improvements \$	Office Equipment, Furniture & Fittings \$	Motor Vehicles \$	Total \$
Carrying amount at start of the year	617	4,474	3,247	218,340,768	218,349,106
Additions	-	-	12,950	144,249,366	144,262,316
Disposals	-	-	-	(77,743,867)	(77,743,867)
Depreciation	(617)	(2,635)	(3,339)	(44,648,227)	(44,654,818)
Carrying amount at end of year	-	1,839	12,858	240,198,040	240,212,737

<u>2005</u>	Computer Hardware & Integrated Software \$	Leasehold Improvements \$	Office Equipment, Furniture & Fittings \$	Motor Vehicles \$	Total \$
Carrying amount at start of the year	9,763	8,260	7,024	199,453,001	199,478,048
Additions	444	-	-	115,710,560	115,711,004
Disposals	-	-	-	(59,645,698)	(59,645,698)
Depreciation	(9,590)	(3,786)	(3,777)	(37,177,095)	(37,194,248)
Carrying amount at end of year	617	4,474	3,247	218,340,768	218,349,106

Motor Vehicle Operating Leases

The Commission leases vehicles to numerous 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:

	2006	2005
	\$	\$
(i) not later than one year	52,387,623	44,028,381
(ii) later than one year and not later than 5 years	32,022,731	23,056,268
(iii) later 5 years	-	20,162
	84,410,354	67,104,811

The above commitments are inclusive of GST

20. INTANGIBLE ASSETS

	2006	2005
	\$	\$
Bailment Rights		
Bailment rights at valuation (30 June 2002).	13,763	624,263
Reconciliation		
Carrying amount at start of the year	624,263	3,843,263
Additions	-	-
Disposals	(610,500)	(3,219,000)
Carrying amount at end of year	13,763	624,263

21. IMPAIRMENT OF ASSETS

There were no indications of impairment of property, plant and equipment, motor vehicles and intangible assets at 30 June 2006.

The Commission held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

22. PAYABLES

Current

Trade payables

GST payable

	2006	2005
	\$	\$
	41,189	945,078
	1,175,310	801,327
	<u>1,216,499</u>	<u>1,746,405</u>

23. BORROWINGS

Current

WATC

Total Current

Non-current

WATC

Total non-current

Total all borrowings

	2006	2005
	\$	\$
	82,833,233	86,360,046
	<u>82,833,233</u>	<u>86,360,046</u>
	141,272,138	120,812,555
	<u>141,272,138</u>	<u>120,812,555</u>
	<u>224,105,371</u>	<u>207,172,601</u>

The State Supply Commission has a facility agreement in place with the Western Australian Treasury Corporation to borrow up to \$250,000,000 to meet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2006 \$224,105,371 (2005-\$207,172,601) was drawn against the facility.

24. PROVISIONS

Current

Employee benefits provision

Annual leave (i)

Long service leave (ii)

Non-current

Employee benefits provision

Long service leave (ii)

	2006	2005
	\$	\$
	129,671	115,144
	109,488	97,525
	239,159	212,669
	75,274	68,805
	75,274	68,805

(i) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur within 12 months of reporting date.

(ii) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after reporting date. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of reporting date

More than 12 months after reporting date

	2006	2005
	\$	\$
	109,488	97,525
	75,274	68,805
	184,762	166,330

25. OTHER LIABILITIES

Current

Accrued expenses

Accrued salaries

Accrued interest payable to WA Treasury Corporation

Unearned revenue-vehicle fleet lease rentals

Total Current

	2006	2005
	90,570	75,388
	39,688	13,231
	436,251	527,388
	2,918,240	2,582,901
	3,484,749	3,198,908

26. EQUITY

Equity represents the residual interest in the net assets of the Commission. The Government holds the equity interest in the Commission on behalf of the community.

	2006 \$	2005 \$
Contributed equity		
Balance at the start of year	20,070,000	20,051,000
Contribution by owners		
Capital contributions (i)	42,000	19,000
Total contributions by owners	42,000	19,000
Balance at end of year	20,112,000	20,070,000
<u>Accumulated surplus/(deficit)</u>		
Balance at the start of year	(1,548,333)	(8,855,706)
Result for the period	6,793,807	7,307,373
Balance at end of year	5,245,474	(1,548,333)

(i) Capital Contributions (appropriations) made by the State Government have been designated as contributions by owners and are credited directly to equity.

27. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash

Cash at the end of the financial year, as shown in the Cash Flow Statement, is reconciled to the related items in the Balance Sheet as follows:

	2006 \$	2005 \$
Cash and cash equivalents	10,111,384	8,604,279
<u>Reconciliation of net surplus from services to net cash flows provided by/(used in) operating activities</u>		
Net surplus from services	5,184,152	5,799,844
Non-cash items:		
Depreciation (note 7)	44,654,818	37,194,249
Net loss on disposal of non current assets (note 11)	1,684,697	2,229,841
Resources received free of charge (note 13)	47,655	13,529
Net gain on realisation of non current assets-investment activity (note 11)	(24,328)	(390,877)
Reclassification of investing and financing items:		
Expenses associated investing activities	(63,924)	(367,300)
Movement in amount payable relating to investing activities.	-	110,861
Movement in amount receivable relating to investing activities.	12,000	9,000
	46,310,918	38,799,303
(Increase)/decrease in assets:		
Current receivables	(785,235)	680,547
Amounts receivable for services	(12,000)	(9,000)
	(797,235)	671,547
Increase/(decrease) in liabilities:		
Current payables	(529,906)	132,306
Other current liabilities	285,841	297,842
Current provisions	26,490	(13,157)
Non current provisions	6,469	
	(211,106)	416,991
Net cash provided by (used in) operating activities -	50,486,729	45,687,685

28. COMMITMENTS

(a) Recurrent operating commitments

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2006:

Consultancies and management agreement commitments, being contracted recurrent expenditure, let or in progress additional to the amounts reported in the financial statements, are payable as follows:

Within 1 Year

(b) Non-cancellable operating lease commitments

Commitments relating to leases contracted for at the reporting date but not recognised in the financial statements are payable as follows

Within 1 Year

Later than 1 year and not later than 5 years

Representing:

Non-cancellable operating leases

	2006 \$	2005 \$
	51,860	21,500
	154,336	153,441
	189,162	332,610
	343,498	486,051
	343,498	486,051

This balance consists of motor vehicle and property operating leases. The property lease has a term of seven years concluding on 30 September 2008. Rent is payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be adjusted to market rental rates and reviewed every two years.

These commitments are all inclusive of GST.

29. 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 \$1,000,000.

	2006 Actual \$	2005 Actual \$	Variance \$	Note
<u>Expenses</u>				
Supplies and services	2,432,460	6,826,146	(4,393,686)	1
Depreciation expense	44,654,818	37,194,249	7,460,569	2
<u>Revenues</u>				
User charges and fees	67,437,390	63,966,971	3,470,419	3

1. Supplies and services

Supplies and services for 2004-2005 included \$4.179 million of costs to administer procurement activities. These activities ceased during 2005-2006. The corresponding costs incurred during the period totalled \$0.295 million. See also note 3 below.

2. Depreciation expense

During 2005-06, the number of vehicles owned by State Fleet increased from 9,423 to 10,082 at 30 June 2006. This increase can be largely attributed to State Fleet now leasing to agencies that previously used other arrangements. This has contributed to the increased depreciation expense for the period.

3. User charges and fees.

The net increase in user charges and fees comprises vehicle lease payments and lease adjustment payments from agencies totalling \$7.6 million offset by a reduction in revenues from procurement activities of about \$3.9 million. The number of vehicles leased during 2005-06 increased from an average of 9,075 vehicles leased per month during 2004-05 to 9,710 vehicles leased on average per month during 2005-06, resulting in an increase in vehicle lease payments received compared to 2004-05 revenue from procurement activities ceased during the year.

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

Details and reasons for significant variations between estimates and actual results for the financial year are detailed below. Significant variations are considered to be those greater than 10% and \$ 1,000,000

	Estimate 2006 \$	Actual 2006 \$	Variance \$	Note
<u>Expenses</u>				
Supplies and services	3,900,000	2,432,460	(1,467,540)	1
<u>Revenues</u>				
User charges and fees	64,864,000	67,437,390	2,597,390	2

1. Supplies and services

The budget for supplies and services for 2005 - 2006 included \$1.477 million of costs to administer procurement activities. These activities ceased during 2006. The corresponding costs incurred during the period totalled \$0.295 million. See also note 2 below.

2. User charges and fees

The budget for user fees and charges for 2005 - 2006 included \$1.477 million of revenues from procurement activities. These activities ceased during 2006. The corresponding revenues incurred during the period totalled \$0.295 million. See also note 1 above. In addition fees for leases higher than expected.

30. Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Commission are cash and cash equivalents, borrowings, receivables and payables. The Commission has limited exposure to financial risks. The Commission's overall risk management program focuses on managing the risks identified below.

Credit Risk

The commission trades only with recognised creditworthy third parties. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the commission's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Liquidity risk

The Commission has appropriate procedures to manage cash flows including draw-downs of appropriations by monitoring forecast cash-flows to ensure that sufficient funds are available to meet its commitments.

Cash flow interest rate risk

The Commission's exposure to market risk for changes in interest rates relate primarily to the long term debt obligations. The Commission's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates.

(b) Financial Instrument disclosures

Financial instrument information for the year ended 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 "Presentation and Disclosure of Financial Instruments". Financial instrument information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation'. Information from 1 July 2005 has been prepared under AASB 132 'Financial Instruments: Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement'. See also note 2(u) 'Comparative figures'.

Interest Rate Risk Exposure

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

		Fixed Interest Rate Maturity						
		Weighted Average Effective Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
2006		%	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets								
Cash and cash equivalent assets		5.55%	9,404				707	10,111
Receivables							4,099	4,099
Amounts receivable for services							42	42
			9,404	-	-	-	4,848	14,252
Financial Liabilities								
Payables							1,216	1,216
Employee Benefits							314	314
Other							3,485	3,485
Borrowings		5.70%		82,833	141,272			224,105
			-	82,833	141,272	-	5,015	229,120

		Fixed Interest Rate Maturity						
		Weighted Average Effective Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
2005		%	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets								
Cash and cash equivalent assets		5.39%	7,690				914	8,604
Receivables							3,297	3,297
Amounts receivable for services							47	47
			7,690	-	-	-	4,258	11,948
Financial Liabilities								
Payables							1,746	1,746
Employee Benefits							281	281
Other							3,199	3,199
Borrowings		5.54%		106,424	100,629	120		207,173
			-	106,424	100,629	120	5,226	212,399

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.

31. 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, superannuation, non monetary benefits and other benefits for the financial year, fall within the following bands:

\$	2006	2005
\$0-\$10,000	10	9
\$10,001 - \$20,000	1	1
\$150,001 – \$160,000	1	1
The total remuneration of the members of the Accountable Authority is:	\$186,968	\$173,686

The superannuation included here represents the superannuation expense incurred by the Commission in respect of members of the Accountable Authority. No members of the Accountable Authority are members of the Pension Scheme.

Remuneration of Senior Officers

The number of Senior Officers other than the members of the Accountable Authority, whose total of fees, salaries, superannuation, non monetary benefits and other benefits, for the financial year fall within the following bands:

\$	2006	2005
\$20,001 - \$30,000	1	2
\$60,001 - \$70,000	-	2
\$80,001 - \$90,000	1	-
\$90,001-\$100,000	1	1
\$100,001-\$110,000	1	-
The total remuneration of senior officers is:	\$314,780	\$283,753

The superannuation included here represents the superannuation expense incurred by the Commission in respect of senior officers of the Accountable Authority. No senior officers are members of the pension scheme.

32. CONTINGENT LIABILITIES

Taxation Matrix Vehicle Fleet Leasing Transaction

In addition to the liabilities included in the financial statements, there are the following contingent liabilities:

In November 2001 the State Government exercised its contractual rights to terminate the Matrix Vehicle Fleet leasing Transaction that 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.

Advice has been received that the Australian Taxation Office (ATO) has raised certain matters with one of the private sector financiers covered by the indemnity. The advice notes that interaction with ATO is ongoing. At this stage, no indemnity claim has been made on the State. It is uncertain whether any indemnity claim is likely to be made or, if one is made, when that might occur. Similarly, because of these uncertainties, it is not practicable to estimate the amount of any potential claim.

33. REMUNERATION OF AUDITOR

Remuneration to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators.

2006	2005
\$	\$
46,500	40,000
1,419,596	738,968

34. SUPPLEMENTARY FINANCIAL INFORMATION

During the year the Board of the Commission endorsed the write-off of 61 motor vehicles (2005-32 motor vehicles). In the main these vehicles were damaged beyond repair in accidents.

STATE SUPPLY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
SCHEDULE OF INCOME AND EXPENSES BY SERVICE
FOR THE YEAR ENDED 30 JUNE 2006

Note 35

	Procurement and Disposal Processes		SSC Policy		State Tenders Committee		Total Excluding State Fleet and Supplier Fees		Supplier Fees		Supply of Light Vehicle Fleet		Total All	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
COST OF SERVICES														
Expenses														
Employee benefits expense	1,125,828	-	-	867,847	-	96,427	1,125,828	964,274	-	-	-	-	1,125,828	964,274
Supplies and services	270,346	-	-	205,604	-	22,845	270,346	228,449	294,986	4,179,490	1,867,128	2,418,207	2,432,460	6,826,146
Depreciation expense	6,590	-	-	15,439	-	1,715	6,590	17,154	-	-	44,648,228	37,177,096	44,654,818	37,194,249
Finance costs	-	-	-	-	-	-	-	-	-	-	12,309,465	11,364,275	12,309,465	11,364,275
Accommodation expenses	134,976	-	-	125,285	-	13,921	134,976	139,206	-	-	-	-	134,976	139,206
Carbon Offset Program Expense	-	-	-	-	-	-	-	-	-	-	227,500	-	227,500	-
Other expenses	104,417	-	-	143,894	-	15,988	104,417	159,882	-	-	61,172	26,412	165,589	186,294
Loss on disposal of non current assets	-	-	-	-	-	-	-	-	-	-	1,684,697	2,229,841	1,684,697	2,229,841
Capital user charge	26,942	-	-	26,064	-	2,896	26,942	28,960	-	-	-	-	26,942	28,960
Total cost of services	1,669,099	-	-	1,384,132	-	153,793	1,669,099	1,537,925	294,986	4,179,490	60,798,190	53,215,830	62,762,274	58,933,245
Income														
Revenue														
User charges and fees	-	-	-	-	-	-	-	-	294,986	4,179,490	67,142,404	59,787,481	67,437,390	63,966,971
Interest revenue	-	-	-	-	-	-	-	-	-	-	383,471	324,861	383,471	324,861
Carbon Offset Program Revenue	-	-	-	-	-	-	-	-	-	-	96,484	-	96,484	-
Other revenues	3,753	-	-	8,181	-	909	3,753	9,090	-	-	1,001	41,290	4,754	50,380
Total Revenue	3,753	-	-	8,181	-	909	3,753	9,090	294,986	4,179,490	67,623,360	60,153,632	67,922,099	64,342,212
Gains														
Gain on realisation of non current assets	-	-	-	-	-	-	-	-	-	-	24,328	390,877	24,328	390,877
Total Gains	-	-	-	-	-	-	-	-	-	-	24,328	390,877	24,328	390,877
Total income other than income from State Govt	3,753	-	-	8,181	-	909	3,753	9,090	294,986	4,179,490	67,647,688	60,544,509	67,946,427	64,733,089
NET SURPLUS FROM SERVICES	(1,665,346)	-	-	(1,375,951)	-	(152,884)	(1,665,346)	(1,528,835)	-	-	6,849,498	7,328,679	5,184,152	5,799,844
INCOME FROM STATE GOVERNMENT														
Service appropriations	1,562,000	-	-	1,344,600	-	149,400	1,562,000	1,494,000	-	-	-	-	1,562,000	1,494,000
Resources received free of charge	47,655	-	-	12,176	-	1,353	47,655	13,529	-	-	-	-	47,655	13,529
Total income from State Government	1,609,655	-	-	1,356,776	-	150,753	1,609,655	1,507,529	-	-	-	-	1,609,655	1,507,529
(SURPLUS) / (DEFICIT) FOR THE PERIOD	(55,691)	-	-	(19,175)	-	(2,131)	(55,691)	(21,306)	-	-	6,849,498	7,328,679	6,793,807	7,307,373

36. RECONCILIATIONS EXPLAINING THE TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL REPORTING STANDARDS (AIFRS)

RECONCILIATION OF EQUITY AT THE DATE OF TRANSITION TO AIFRS: 1 JULY 2004 (AASB 1.39 (a) (i))

	Previous GAAP	Adjustments		AIFRS
	1 July 2004	Reclassification of Prepayments AASB 101.75(b) 36.2a	Total Adjustments	1 July 2004
	\$	\$	\$	\$
ASSETS				
Current Assets				
Cash and cash equivalents	6,376,823			6,376,823
Receivables	3,954,551	39,403	39,403	3,993,954
Amounts receivable for services	21,000			21,000
Other current assets	39,403	(39,403)	(39,403)	
Total Current Assets	10,391,777	-	-	10,391,777
Non-Current Assets				
Property, plant, equipment and vehicles	199,478,048			199,478,048
Intangible assets	3,843,263			3,843,263
Total Non-Current Assets	203,321,311	-	-	203,321,311
Total Assets	213,713,088	-	-	213,713,088
LIABILITIES				
Current Liabilities				
Payables	1,614,098			1,614,098
Borrowings	86,230,528			86,230,528
Provisions	187,671			187,671
Other current liabilities	2,901,065			2,901,065
Total Current Liabilities	90,933,362	-	-	90,933,362
Non-Current Liabilities				
Borrowings	111,477,472			111,477,472
Provisions	106,960			106,960
Total Non-Current Liabilities	111,584,432	-	-	111,584,432
TOTAL LIABILITIES	202,517,794	-	-	202,517,794
NET ASSETS	11,195,294	-	-	11,195,294
Equity				
Contributed equity	20,051,000			20,051,000
Accumulated surplus/(deficiency)	(8,855,706)			(8,855,706)
Total Equity	11,195,294	-	-	11,195,294

36 Cont.

**RECONCILIATION OF EQUITY AT THE END OF THE LAST REPORTING PERIOD UNDER PREVIOUS AGAAP: 30 JUNE 2005
(AASB 1.39 (a) (ii))**

	Adjustments		AIFRS 1 July 2005
	Reclassification of Prepayments AASB 101.75(b) 36.2b	Total Adjustments	
\$	\$	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8,604,279		8,604,279
Receivables	3,296,680	16,727	3,313,407
Amounts receivable for services	30,000		30,000
Other current assets	16,727	(16,727)	
Total Current Assets	11,947,686	-	11,947,686
Non-Current Assets			
Property, plant, equipment and vehicles	218,349,106		218,349,106
Intangible assets	624,263		624,263
Total Non-Current Assets	218,973,369	-	218,973,369
Total Assets	230,921,055	-	230,921,055
LIABILITIES			
Current Liabilities			
Payables	1,746,405		1,746,405
Borrowings	86,360,046		86,360,046
Provisions	212,669		212,669
Other current liabilities	3,198,908		3,198,908
Total Current Liabilities	91,518,028	-	91,518,028
Non-Current Liabilities			
Borrowings	120,812,555		120,812,555
Provisions	68,805		68,805
Total Non-Current Liabilities	120,881,360	-	120,881,360
TOTAL LIABILITIES	212,399,388	-	212,399,388
NET ASSETS	18,521,667	-	18,521,667
Equity			
Contributed equity	20,070,000		20,070,000
Accumulated surplus/(deficiency)	(1,548,333)		(1,548,333)
Total Equity	18,521,667	-	18,521,667

RECONCILIATION OF INCOME STATEMENT (PROFIT & LOSS) FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.39 (b))

	GAAP	Adjustments					AIFRS	
	1 July 2005	Net gains on disposal of non current assets	Net gains on disposal of non current assets	Reclassification of Administration Expenses	Reclassification of Supplies and Services	Reclassification of revenue items	Total Adjustments	30 June 2005
	AASB 116	AASB 116						
	36.1a	36.1a	36.3 (a)(i)	36.3(a)(ii)	36.3 (a)(iii)			
	\$	\$	\$	\$	\$	\$	\$	\$
COST OF SERVICES								
Expenses								
Employee benefits expense	964,274					-	-	964,274
Supplies and services	1,172,705		5,730,941	(77,500)		5,653,441	5,653,441	6,826,146
Depreciation	40,413,249	(3,219,000)				(3,219,000)	(3,219,000)	37,194,249
Administration expenses	5,756,638		(5,756,638)			(5,756,638)	(5,756,638)	-
Finance Costs	11,362,557		1,718			1,718	1,718	11,364,275
Accommodation expenses	139,206					-	-	139,206
Other expenses	84,816		23,979	77,500	(1)	101,478	101,478	186,294
Loss on disposal of non current assets						2,229,841	2,229,841	2,229,841
Costs of disposal of vehicles sold	60,717,907		(60,717,907)			(60,717,907)	(60,717,907)	-
Capital user charge	28,960					-	-	28,960
Total cost of services	120,640,312	(3,219,000)	(58,488,066)	-	-	(1)	(61,707,067)	58,933,245
INCOME								
Revenue								
User charges and fees						63,966,971	63,966,971	63,966,971
Vehicle fleet lease rentals	59,787,482					(59,787,482)	(59,787,482)	-
Vehicle bailment revenues	3,609,877	(3,609,877)				(3,609,877)	(3,609,877)	-
Proceeds from the sale of vehicles	58,488,066		(58,488,066)			(58,488,066)	(58,488,066)	-
Contract supply fees	4,179,490					(4,179,490)	(4,179,490)	-
Interest revenue	324,861					-	-	324,861
Other revenues	50,380					-	-	50,380
Total revenue	126,440,156	(3,609,877)	(58,488,066)	-	-	(1)	(62,097,944)	64,342,212
Gains								
Gain on the sale of non current assets		390,877					390,877	390,877
Total Gains	-	390,877	-	-	-	-	390,877	390,877
Total income other than income from State Government	126,440,156	(3,219,000)	(58,488,066)	-	-	(1)	(61,707,067)	64,733,089
NET SURPLUS FROM SERVICES	(5,799,844)	-	-	-	-	-	-	(5,799,844)
INCOME FROM STATE GOVERNMENT								
Service appropriations	1,494,000						-	1,494,000
Resources received free of charge	13,529						-	13,529
Total income from State Government	1,507,529	-	-	-	-	-	-	1,507,529
SURPLUS FOR THE PERIOD	7,307,373	-	-	-	-	-	-	7,307,373

36. Cont.

RECONCILIATION OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2005 (AASB 1.40)

	GAAP 1 July 2005	Adjustments						AIFRS 30 June 2005
		Reclassification of revenue items 36.4(a)(i)	Reclassification of proceeds from the sale of non current assets 36.4(a)(ii)	Reclassification of Finance Costs 36.4(a)(iii)	Separation of Accommodation Expenses 36.4(a)(iv)	Reclassification of Suppliers and Services 36.4(a)(v)	Total Adjustments	
	\$	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM STATE GOVERNMENT								
Service appropriations	1,473,000						-	1,473,000
Capital contributions	19,000						-	19,000
Holding account drawdowns	12,000						-	12,000
Net cash provided by State Government	1,504,000	-	-	-	-	-	-	1,504,000
Utilised as follows:								
CASH FLOWS FROM OPERATING ACTIVITIES								
Payments								
Employee benefits	(990,524)						-	(990,524)
Suppliers and services	(7,041,521)				139,176	128,692	267,868	(6,773,653)
Accommodation Services					(139,176)		(139,176)	(139,176)
GST payments on purchases	(13,223,534)						-	(13,223,534)
Capital user charge	(28,960)						-	(28,960)
Finance costs	(11,316,005)			1,906			1,906	(11,314,099)
Other Payments	(74,892)			(1,906)		(99,574)	(101,480)	(176,372)
Receipts								
User charges and fees		65,053,809	68,383				-	65,122,192
Vehicle fleet lease receipts	60,830,319	(60,830,319)					(60,830,319)	-
Contract supplier fee receipts	4,223,490	(4,223,490)					(4,223,490)	-
Interest received	317,297						-	317,297
Other receipts	75,288						-	75,288
GST receipts from State Government Agencies and ATO	13,286,156		(437,812)			(29,118)	(466,930)	12,819,226
Net cash provided by/(used in) operating activities	46,057,114	-	(369,429)	-	-	-	(369,429)	45,687,685
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from the sale of non current physical assets-motor vehicles	57,326,638		(21,641)				(21,641)	57,304,997
Proceeds from the sale of non current intangible assets-motor vehicles attached to bailment rights	3,499,018		478,159				478,159	3,977,177
Purchase of non-current physical assets	(115,623,915)		(87,089)				(87,089)	(115,711,004)
Net cash provided by/(used in) investing activities	(54,798,259)	-	369,429	-	-	-	369,429	(54,428,830)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from borrowings	13,990,300						-	13,990,300
Repayment of borrowings	(4,525,699)						-	(4,525,699)
Net cash provided by/(used in) financing activities	9,464,601	-					-	9,464,601
Net increase/(decrease) in cash held	2,227,456	-	-	-	-	-	-	2,227,456
Cash assets at the beginning of the financial year	6,376,823						-	6,376,823
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	8,604,279	-	-				-	8,604,279

36.1. NET GAIN ON DISPOSAL OF NON-CURRENT ASSETS (AASB 116)

Under AGAAP the disposal of non-current assets is disclosed on the gross basis. That is, the proceeds of disposal are revenue and the carrying amounts of assets disposed of are expense. The disposal of non-current assets is disclosed on the net basis (gains or losses) under AIFRS.

36.1(a) Adjustments to the Income Statement for the Period Ended 30 June 2005

The carrying amounts of assets (motor vehicles) disposed of was previously recognised as an expense. This has been de-recognised (\$60,717,907).

The amortisation of intangible assets coinciding with the realisation of the rights to proceeds of the sale of assets was previously recognised as expense. This has been de-recognised (\$3,219,000).

The proceeds of disposal of non-current assets, tangible and intangible, was previously recognised as income. These amounts have been de-recognised (\$58,488,066 and \$3,609,877 respectively).

A loss and gain on the disposal of non-current assets, tangible and intangible, have been recognised as income (\$2,229,841 and \$390,897 respectively). There is no effect on the net surplus for the year.

36.2. INFORMATION TO BE PRESENTED EITHER ON THE FACE OF THE BALANCE SHEET OR IN THE NOTES (AASB 101)

AASB 101 provides that an entity shall disclose, either on the face of the balance sheet or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts.

36.2(a) Adjustments to Opening Balance Sheet (1 July 2004)

Previously prepayments have been included in other assets on the face of the balance sheet, then shown as a sub-classification of other assets in the notes to the accounts. This adjustment reclassifies prepayments to receivables (\$39,403)

36.2(b) Adjustments to 30 June 2005 Balance Sheet

Reclassify the balance of prepayments included in other assets to receivables (\$16,727).

36.3 INFORMATION TO BE PRESENTED EITHER ON THE FACE OF THE INCOME STATEMENT OR IN THE NOTES (AASB 101)

Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists in an understanding of the financial performance achieved and in making projections of future results. Additional line items are included on the face of the income statement, and the descriptions used and the ordering of items are amended when this is necessary to explain the elements of financial performance. Factors to be considered include materiality and the nature and function of the components of income and expenses.

36.3(a) Adjustments to the Income Statement for the Period Ended 30 June 2005

(i) *Administration Expenses*

Previously administration expenses were disclosed separately. They have been grouped with supplies and services. The note to supplies and services includes sub-classifications of administration expenses.

(ii) *Supplies and Services*

Audit fees of \$77,500 have been reclassified to other expenses. Other expenses include a sub-classification for audit fees.

(iii) *User Charges and fees*

Vehicle fleet lease rentals \$59,787,482 and contract supply fees \$4,179,490 have been included in user charges and fees on the face of the income statement.

36.4 INFORMATION TO BE PRESENTED EITHER ON THE FACE OF THE CASH FLOW STATEMENT OR IN THE NOTES (AASB 101)

36.4(a) Adjustments to the Cash Flow Statement for the Period Ended 30 June 2005

(i) *User Charges and Fees*

Vehicle fleet lease rentals and contract supply fees have been included in user charges and fees in accordance with the change in the classification on the face of the income statement.

(ii) *Proceeds From the Sale of Non Current Assets*

Proceeds from the sale of bailment right have been adjusted along with purchase of non-current physical assets to reflect the movements for the year.

(iii) *Finance Costs*

Bank charges have been reclassified from finance costs to other payments to reflect a corresponding change on the face of the income statement.

(iv) *Accommodation Expenses*

Accommodation expenses have been shown separately on the face of the cash flow statement reflecting the separate classification made on the face of the income statement.

(iv) *Suppliers and Services*

Certain outflows including audit fees have been reclassified on the face of cash flow statement to reflect the corresponding reclassification on the income statement.