



Government of
**Western
Australia**

STATE SUPPLY COMMISSION

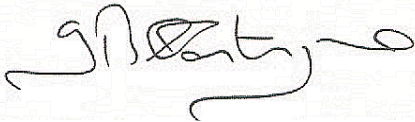
**ANNUAL REPORT
2006-2007**

STATEMENT OF COMPLIANCE

HON ERIC RIPPER BA DipEd MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR STATE DEVELOPMENT

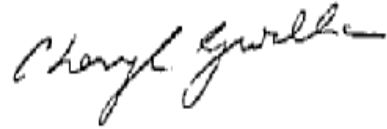
In accordance with section 61 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of the State Supply Commission for the financial year ending 30 June 2007.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Jennifer Ballantyne
CHAIRMAN
STATE SUPPLY COMMISSION

17 September 2007



Cheryl Gwilliam
MEMBER
STATE SUPPLY COMMISSION

17 September 2007

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TABLE OF CONTENTS

STATEMENT OF COMPLIANCE	1
OVERVIEW	3
Executive Summary	3
Operational Structure	4
Enabling Legislation	4
Responsible Minister	4
Mission	4
Organisational Chart	4
Board of the State Supply Commission	5
Board Profiles	5
Other Key Legislation Impacting on the State Supply Commission's Activities	6
Performance Management Framework	7
Outcome Based Management Framework	7
Changes to Outcome Based Management Framework	7
Shared Responsibilities with Other Agencies	7
AGENCY PERFORMANCE – REPORT ON OPERATIONS	8
Financial Targets	8
Key Performance Indicators	9
SIGNIFICANT ISSUES AND TRENDS	18
Current and Emerging Issues and Trends	18
Economic and Social Trends	18
DISCLOSURES AND LEGAL COMPLIANCE	21
FINANCIAL STATEMENTS	21
Certification of Financial Statements for the Year ended 30 June 2007	21
Income Statement for the Year ended 30 June 2007	22
Balance Sheet as at 30 June 2007	23
Statement of Changes in Equity for the Year ended 30 June 2007	24
Cash Flow Statement for the Year ended 30 June 2007	25
Notes to the Financial Statements for the Year ended 30 June 2007	26
Certification of Performance Indicators for the Year ended 30 June 2007	62
Ministerial Directives	67
Other Financial Disclosures	67
Pricing Policies of Services Provided	67
Capital Works	67
Employment and Industrial Relations	68
Governance Disclosures	68
Contracts with Senior Officers	68
Other Legal Requirements	69
Compliance with Public Sector Management Act Section 31(1)	69
Electoral Act 1907 Section 175ZE	70
Annual Estimates	70
Disability Access and Inclusion Plan Outcomes	70
Equal Employment Opportunity Outcomes	71
Recordkeeping Plans	71
Government Policy Requirements	72
Corruption Prevention	72
Sustainability	72

OVERVIEW

EXECUTIVE SUMMARY

In 2006-07 the State Supply Commission has continued to work with agencies to ensure that the government sector and the community of Western Australia receive the optimum benefit from goods and services procurement.

In November 2006 the Commission released a revised set of supply policies reflecting feedback from government agencies. The Commission will continue to refine the policies in order to minimise 'red tape' in goods and services procurement and deliver increased efficiency, whilst maintaining high standards of probity and accountability.

A major focus area in 2006-07 was the conducting of procurement reviews of agencies. These reviews centred on agencies' compliance with supply policies, the terms of their partial exemption, and adherence to internal procedures. The results overall were very pleasing, with high levels of compliance being demonstrated in most agencies. The reviews were also useful in identifying common problems and issues being experienced by agencies – this information will help to deliver further improvements in 2007-08.

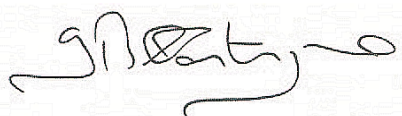
A major initiative of 2006-07 has been to participate in the steering group finalising the recommendations of the Review of the Procurement Governance and Legislative Framework. These recommendations are aimed at strengthening the Commission's focus on monitoring and auditing, simplifying administrative arrangements, and clarifying roles and responsibilities between Directors General, the Commission and the Department of Treasury and Finance.

In 2007-08 the Commission will adopt a new structure that will support its role as the independent regulator in government procurement and more closely align its functions with the recommendations of the governance review. We will seek to use performance reviews to provide strategic procurement advice to agencies and continue to review policies to ensure they encourage optimal procurement outcomes.

We thank the Hon Eric Ripper BA DipEd MLA, Treasurer, for his strategic direction, particularly as the Commission has considered its key functions.

The membership of the State Supply Commission Board was reviewed in June 2006. Public sector representation was increased and several significant new appointments were made to support the Board's new direction. We thank all Board members, including those whose membership has expired, for their efforts and the high degree of professionalism that they have displayed. The Board's strategic considerations will continue to be 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

17 September 2007



Rod Alderton
CHIEF EXECUTIVE OFFICER

17 September 2007

OPERATIONAL STRUCTURE

Enabling Legislation

The State Supply Commission was established as a statutory authority in 1991 under the *State Supply Commission Act 1991*.

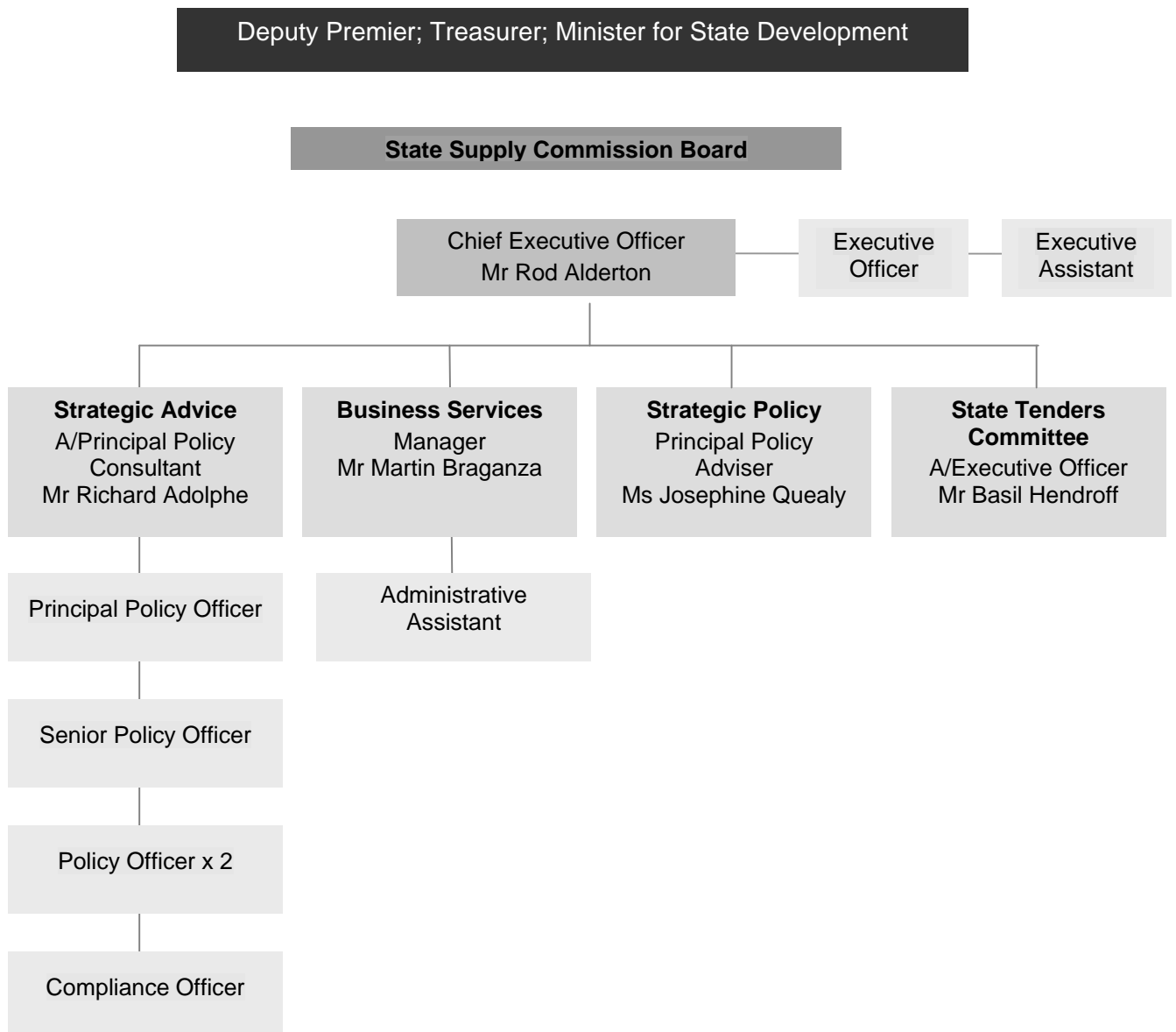
Responsible Minister

The Hon Eric Ripper BA DipEd MLA, in his capacity as Treasurer, is the Minister responsible for administration of the *State Supply Commission Act 1991*.

Mission

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

Organisational Chart



Board of the State Supply Commission

The Minister responsible for the *State Supply Commission Act 1991* appoints members to the State Supply Commission Board. The members of the Board are appointed according to their strategic procurement experience and expertise at a senior level. There are currently nine members of the Board and one Substitute Member. The term of appointment for these Members will expire on 30 June 2009.

During 2006-07 the State Supply Commission Board held six Ordinary Meetings.

Board Profiles

Ms Jennifer Ballantyne (Chairman) is the Chief Executive Officer of Second Skin Pty Ltd.

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

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

Mr John Langoulant is the Chief Executive of the Chamber of Commerce and Industry of Western Australia.

Mr Richard Mann is the Director – City Project, New MetroRail of the Public Transport Authority.

Mr Timothy Marney is the Under Treasurer of the Department of Treasury and Finance.

Mr Bob Mitchell is the Director General of the Department of Housing and Works.

Ms Vickie Petersen is the Director of VP Energy Pty Ltd and Garden Mart 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 Rod Alderton is currently the Commission's Chief Executive Officer and holds the ex-officio position.

Mr Dave Robinson (Substitute Member) is the Secretary of Unions WA.

Other Key Legislation Impacting on the State Supply Commission's Activities

In the performance of its functions, the State Supply Commission complies with the following relevant written laws:

Auditor General Act 2006

Disability Services Act 1993

Electronic Transactions Act 2002

Equal Opportunity Act 1984

Financial Management Act 2006

Freedom of Information Act 1992

Government Employees Superannuation Act 1987

Industrial Relations Act 1979

Minimum Conditions of Employment Act 1993

Occupational Safety and Health Act 1984

Public and Bank Holidays Act 1972

Public Interest Disclosure Act 2003

Public Sector Management Act 1994

Salaries and Allowances Act 1975

State Records Act 2000

State Supply Commission Act 1991

Workers Compensation and Rehabilitation Act 1981

In the financial administration of the State Supply Commission, the Commission has complied with the requirements of the *Financial Management Act 2006* and every other relevant written law, and exercised controls which provide reasonable assurance that the receipt and expenditure of moneys and the acquisition and disposal of public property and incurring of liabilities have been in accordance with legislative provisions.

At the date of signing, the Commission is not aware of any circumstances that would render the particulars included in this statement misleading or inaccurate.

PERFORMANCE MANAGEMENT FRAMEWORK

Outcome Based Management Framework

Broad, high level government goals are supported at agency level by more specific desired outcomes. Agencies deliver services to achieve these desired outcomes, which ultimately contribute to meeting the higher level government goals. The following table illustrates the relationship between agency level desired outcomes and the most appropriate government goals.

Government Goal	Desired Outcomes	Services
Developing and maintaining a skilled, diverse and ethical public sector serving the Government with consideration of the public interest.	All public authorities use the Commission procurement and disposal processes.	1. Administration of Goods and Services Procurement Policies for Public Authorities
	Vehicles for the State's light vehicle fleet are provided in a manner that is commercially viable over time.	2. Management of the Funding and Leasing of the State's Vehicle Fleet

Changes to Outcome Based Management Framework

The State Supply Commission's Outcome Based Management Framework did not change during 2006-07.

Shared Responsibilities with Other Agencies

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.

State Fleet provides the government's in-house vehicle fleet financing and leasing operation. It is required to operate in a commercially self-sustaining manner and receives no direct budget funding.

State Fleet purchases vehicles with funds borrowed through the Western Australian Treasury Corporation and leases the vehicles to agencies in a commercially sustainable manner.

AGENCY PERFORMANCE – REPORT ON OPERATIONS

FINANCIAL TARGETS

State Supply Commission

	Target \$'000	Actual \$'000	Variation
Total cost of services	1,651	1,851	Mainly due to additional staffing costs.
Net cost of services	1,648	1,831	As above.
Total equity	360	145	As above.
Net increase/(decrease) in cash held	(5)	(286)	As above.
Approved full time equivalent (FTE) staff level	13	13	

State Fleet

	Target \$'000	Actual \$'000	Variation
Total cost of services	60,518	68,297	During 2006-07, the number of vehicles owned by State Fleet increased from 10,082 to 10,638 at 30 June 2007. This has a direct impact on the depreciation expense and finance costs. Depreciation expense has also increased as a result of lower residual value settings (reflecting declining resale values) on new vehicles leased during the course of the year.
Net cost of services	(6,426)	8,994	The net cost of services (loss or profit) is subject to the vagaries of the second hand vehicle market. In 2006-07 the market provided better than anticipated return on light commercial vehicles.
Total equity	27,736	34,034	Equity at 30 June 2007 is a summation of the previous year's equity and the profit/loss for 2006-07. The profit was larger than anticipated (see comments immediately above).
Net increase/(decrease) in cash held	0	(731)	The State Fleet cash in hand is subject to the flow of revenue from sale of vehicles and agency payment of lease invoices. This can vary at any time due to sales performance and agency payment cycles.
Approved full time equivalent (FTE) staff level	8	8	Nil.

KEY PERFORMANCE INDICATORS

	Target	Actual	Variation
<p>Outcome All public authorities use State Supply Commission procurement and disposal processes. All public authorities use State Supply Commission procurement and disposal processes.</p>	96%	97%	
<p>Outcome Vehicles for the State's light vehicle fleet are provided in a manner that is commercially viable over time. Extent to which State Fleet operations are economically sustainable (surplus in \$'000).</p>	6,426	8,994	State Fleet's profitability is affected by fluctuations in the pricing of the second hand vehicle market. The second hand vehicle market for light commercial vehicles was stronger than anticipated. Secondly, revenue from lease payments was also stronger than anticipated as a result of increased leased vehicles from 10,082 to 10,638 in the financial year.
<p>Service 1 Administration of Goods and Services Procurement Policies for Public Authorities Key Efficiency Indicator. Public Authorities' satisfaction with State Supply Commission's timeliness in responding to their requests.</p>	80%	84%	
<p>Service 2 Management of the Funding and Leasing of the State's Vehicle Fleet. Key Efficiency Indicator Average cost of Leased Vehicle.</p>	\$6,304	\$6,595	

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

MAJOR ACHIEVEMENTS FOR 2006-07

Gazetted and implemented the State Supply Commission's revised supply policies, including delivery of awareness sessions across agencies

Review of Gazetted Supply Policies

In March 2006, the State Supply Commission Board endorsed a planned review of the Commission's supply policies, last gazetted on 30 July 2004. It was considered that sufficient time had 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:

- were clearly and unambiguously written;
- were clearly understood by agencies and suppliers;
- were amended, where appropriate, to address problematic and contentious areas; and
- incorporated, where appropriate, new information that agencies and suppliers provided.

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 amended State Supply Commission supply policies were gazetted on 31 October 2006 and are as follows:

- [Common Use Arrangements](#)
- [Disposal of Goods](#)
- [Exemptions from Supply Policy](#)
- [Open and Effective Competition](#)
- [Private Sector Procuring for Public Authorities](#)
- [Probity and Accountability](#)
- [Procurement Planning and Approval](#)
- [Sustainable Procurement](#)
- [Value for Money](#)

An explanation of the key changes between the old policies and the new can be found at:

[Overview of Amendments to the Supply Policies](#)

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

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

Procurement Users' Guide

In light of the 2006 review of the State Supply Commission's supply policies, the Commission has updated the Procurement Users' Guide.

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

The Procurement Users' Guide is available via www.ssc.wa.gov.au.

Funding and Purchasing Community Services

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

The State Supply Commission administers the policy and chairs the Funding and Purchasing Community Services Policy Implementation Committee. The Committee manages implementation of a standardised framework for funding or purchasing the provision of community-based services. The standardised framework encompasses both a standard Service Agreement (for purchasing services) and standard grant documentation (for funding services).

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.

The *Buy Local* policy is available via www.ssc.wa.gov.au.

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.

The Commission also presents this information to public authorities at the Department of Treasury and Finance's *Better Buying* seminars.

Commenced a restructure to direct resources to areas of greatest priority, specifically policy development and agency procurement reviews

During 2006-07 a Steering Committee established by the Treasurer oversaw 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 outcome of the review process confirmed the State Supply Commission's independent regulatory role, with primary focus areas as a policy maker, compliance monitor and independent supplier complaints reviewer.

To strengthen policy compliance, transparency and accountability, the Commission has remained fully responsible for, and increased its focus on, monitoring agency compliance with legislative and State Government procurement policy requirements.

Developed and implemented a new procurement review program, enabling a comprehensive assessment of agencies in order to improve their procurement practices and compliance with the State Supply Commission's supply policies which ensure integrity in procurement

Procurement Reviews and Investigations

The State Supply Commission procurement review role provides an assurance that public authorities' Accountable Officers are meeting their delegated procurement responsibilities.

Procurement reviews assist the Commission to fulfill its role through the acknowledgement of excellence in government procurement and the identification of non-compliance with supply policies and government policies.

Public authorities must ensure that the policy requirements outlined in the Commission's supply policies and guidelines are appropriately incorporated into their procurement processes and practices in relation to the procurement of goods and services.

The Commission undertakes procurement compliance reviews on agencies' compliance with supply policies, the terms of their partial exemption, and their adherence to internal procedures.

In 2006-07, the Commission undertook 17 procurement reviews, namely:

- Botanic Parks & Gardens Authority
- Burswood Park Board
- Central TAFE
- CY O'Connor TAFE
- Department for Community Development
- Department of Fisheries
- Department of Housing and Works
- Department of Local Government and Regional Development
- Department of the Attorney General
- Department of Water
- Disability Services Commission
- Office of Energy
- Peel Development Commission
- Swan TAFE
- Western Australia Police
- Wheatbelt Development Commission
- WorkCover Western Australia Authority

The common themes emanating from the reviews include the following -

On a positive note:

- there is ample evidence that procurement over the public threshold is done well;
- compliance levels are high overall, and exceptionally high when trivial issues are discounted;
- non-compliances are generally minor, with agencies faltering on low level process steps that should be easily remedied; and
- compliance is highest in agencies with well managed purchasing units and good controls in place.

On the areas for improvement:

- there is some misalignment between policy requirements, the agency procedures manual, the SSC partial exemption document, and the DTF requirements;
- recordkeeping needs to be improved at the lower levels, particularly under \$20,000; this is probably due to the number of people involved at this level. Keeping information up to these people, and current, is an issue;
- internal agency delegations are not always up-to-date or well communicated;
- although the reviews do not go into contract management, the building blocks of good contract management are deficient mainly in the areas of clarity of scope and quality of documentation; and
- agency internal audit areas do not generally focus on procurement.

In 2006-07, the Commission undertook three investigations as follows:

- Department of Education and Training: Contracts Awarded to Huntley Consulting Group and Miles Morgan.
- Department of Education and Training: Contract Awarded for the provision of Student Notebook Computers and related services to John Willcock College, Geraldton.
- Department of Corrective Services: Data tabled in Parliament in Supplementary Information No. B40.

Supplier Complaints

The State Supply Commission's role involves the review of supplier complaints in relation to government procurement. In 2006-07, 21 complaints were finalised. Although minor issues were identified in some of the complaints, in the main agencies' processes were found to be sound.

Given the many thousands of contracts that are awarded each year, this low level of supplier complaint reflects well on the management of public sector procurement from a process perspective.

Provided executive support to the State Tenders Committee, which ensured that the 108 procurement plans and 145 tender submissions received from agencies were considered by the Committee in a timely manner

The State Tenders Committee is an administrative committee. Professor Robert Harvey (Executive Dean, Faculty of Business and Public Management, Edith Cowan University) chaired the Committee in 2006-07. 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 evaluation reports 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 evaluation reports.

A public authority must submit to the State Tenders Committee for endorsement:

- a procurement plan relating to a procurement of goods and services with a total estimated price of \$1 million and above; and
- an evaluation report relating to a procurement of goods and services for a recommended bid with a total contract price of \$1 million and above.

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 guidelines for the minimum requirement for the number of members on an evaluation panel.

The Committee also made recommendations to the State Supply Commission Board regarding a more value-adding role for the future, which will be implemented in 2007-08.

The Commission thanks Committee members for their commitment and enthusiasm during 2006-07.

Considered, in a timely manner, 442 requests from public authorities for exemption from the State Supply Commission's supply policies

Under current supply policy, exemptions the State Supply Commission provides to agencies include:

- exemptions from public tender to contract directly with a single supplier;
- exemptions from public tender in order to undertake restricted tendering;
- exemptions from the requirements for maximum contract terms of five years;
- exemptions from buying through common use arrangements;
- exemptions from publishing contract award information on the Western Australian Government Contracting Information Bulletin Board; and
- exemptions from the buying rules for agency specific panel contracts.

In 2006-07 the Commission processed 442 exemption requests from agencies.

For a more appropriate function location, transferred Who Buys What and Buy Local reporting, and the approval of public benevolent institutions, to the Department of Treasury and Finance

Resulting from the Review of the Procurement Governance and Framework, some operational, administrative approval and reporting functions have been transferred from the State Supply Commission to the Department of Treasury and Finance. These include:

- procurement reporting – the gathering, analysis and publishing of whole of government procurement data (*Who Buys What* and *Buy Local* policy reporting);
- the sign-off of Common Use Arrangement Buyers' Guides; and
- approving access to Common Use Arrangements by public benevolent institutions, local government and other bodies.

Who Buys What

The State Supply Commission has published 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 2005-06 was \$9.26 billion.

The *Who Buys What* report is available via www.ssc.wa.gov.au

Previous *Who Buys What* reports 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).

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

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

The Commission required agencies to provide their *Who Buys What* information using UNSPSC for the 2005-06 financial year. Comprehensive training was provided to public agencies.

The Department of Treasury and Finance will compile and publish future editions of the *Who Buys What* report.

Buy Local Policy Reporting

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 2005-06 financial year, 105 agencies provided *Buy Local* policy reports. Of these agencies, 93% achieved the buy local purchasing target. The State Supply Commission has liaised with the agencies that did not achieve the buy local purchasing target to assist them in meeting the target in 2006-07.

The Department of Treasury and Finance will compile and publish future editions of the *Buy Local* report.

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

MAJOR ACHIEVEMENT FOR 2006-07

The establishment of a new Vehicle Acquisition Contract and establishment of a Carbon Offset Panel Contract

A significant achievement during 2006-07 has been the establishment of a new Vehicle Acquisition Contract. This contract forms the basis of vehicle purchasing arrangements between vehicle manufacturers and users of the contract. Users include public sector organisations, shires and approved public benevolent institutions. In addition to the pricing benefits, the contract has also brought about improved data management.

During 2006-07 State Fleet also established a Carbon Offset Panel Contract. The primary purpose of this contract is to provide the State with the means to offset the carbon emissions of its vehicle fleet. The contract, which runs for five years, allows for both traditional and innovative proposals.

SIGNIFICANT ISSUES AND TRENDS

Current and Emerging Issues and Trends

The availability of procurement expertise is a significant challenge for the public sector, particularly as there is a high level of competition from the private sector for professional staff. There is a need to continue developing procurement expertise and ensure that agencies have access to qualified, experienced staff. Shortfalls in expertise could lead to deficiencies in the quality of advice available to agencies and some compromising of their ability to achieve good procurement outcomes.

The State Supply Commission is aiming to more firmly establish its independent regulatory role by removing itself from its current level of involvement in operational agency procurement processes. This means that greater accountability for supply policy exemptions and contract award decisions will rest with agencies. In moving in this direction, it is incumbent on the Commission to ensure that an appropriate framework is in place to help guide agency decision-making, and that appropriate risk management mechanisms are established against which agency performance can be monitored. Similarly, agencies will need to ensure that they have the capability to manage this increased responsibility.

The full impact of the Government Procurement Chapter of the Australia-United States Free Trade Agreement as well as the Australia New Zealand Government Procurement Agreement will become apparent in 2007-08. These agreements, and others that are being contemplated at the Federal level, may create policy challenges, particularly in supporting local industry.

Economic and Social Trends

The buoyant Western Australian economy is placing pressure on resources and the delivery of government projects on time and on budget will continue to be impacted. Effective contract and project management will be critical to ensuring that costs are contained and projects are successfully delivered.

Social trends that are expected to impact the State Supply Commission include:

- the leadership the community expects from Government in the area of climate change and sustainability initiatives; and
- skills availability to meet demand in the short, medium and long term.



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I have audited the accounts, financial statements, controls and key performance indicators of the State Supply Commission.

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

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

Commission's Responsibility for the Financial Statements and Key Performance Indicators

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 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>".

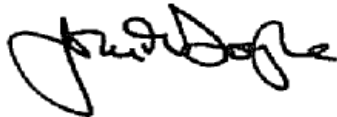
An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions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

State Supply Commission
Financial Statements and Key Performance Indicators for the year ended 30 June 2007

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 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key 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 2007.



JOHN DOYLE
ACTING AUDITOR GENERAL
21 September 2007

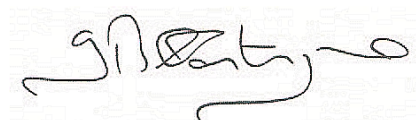
DISCLOSURES AND LEGAL COMPLIANCE

FINANCIAL STATEMENTS

Certification of Financial Statements for the Year ended 30 June 2007

The accompanying financial statements of the State Supply Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2007, and the financial position as at 30 June 2007.

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



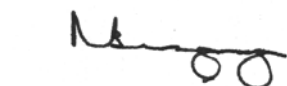
Jennifer Ballantyne
CHAIRMAN
STATE SUPPLY COMMISSION

17 September 2007



Cheryl Gwilliam
MEMBER
STATE SUPPLY COMMISSION

17 September 2007



Martin Braganza
CHIEF FINANCE OFFICER
STATE SUPPLY COMMISSION

17 September 2007

Income Statement for the Year ended 30 June 2007

Note

COST OF SERVICES		2007	2006
		\$	\$
Expenses			
Employee benefits expense	5	1,303,608	1,125,828
Supplies and services	6	2,782,218	2,432,460
Carbon offset program expense		168,837	227,500
Depreciation expense	7	51,592,571	44,654,818
Finance costs	8	13,889,464	12,309,465
Accommodation expenses	9	163,882	134,976
Other expenses	10	219,823	165,589
Loss on disposal of non-current assets	11	-	1,684,697
Capital user charge	12	28,100	26,942
Total Cost of Services		70,148,503	62,762,275
Income			
Revenue			
User charges and fees	14	75,908,710	67,437,390
Interest revenue	15	406,034	383,471
Carbon offset program revenue		393,881	96,484
Other revenues	16	22,856	4,754
Total Revenue		76,731,481	67,922,099
Gains			
Gain on disposal of non-current assets	11	580,175	24,328
Total Income other than Income from State Government		77,311,656	67,946,427
NET SURPLUS FROM SERVICES		7,163,153	5,184,152
INCOME FROM STATE GOVERNMENT			
Service appropriations	13	1,642,000	1,562,000
Resources received free of charge	13	16,156	47,655
Total Income from State Government		1,658,156	1,609,655
SURPLUS FOR THE PERIOD	26	8,821,309	6,793,807

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

Balance Sheet as at 30 June 2007

	Note	2007	2006
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	27	9,094,357	10,111,384
Receivables	17	5,682,252	4,098,642
Amounts receivable for services	18	64,000	42,000
Total Current Assets		14,840,609	14,252,026
Non-Current Assets			
Property, plant, equipment and vehicles	19	262,374,509	240,212,737
Intangible assets	20	-	13,763
Total Non-Current Assets		262,374,509	240,226,500
TOTAL ASSETS		277,215,118	254,478,526
LIABILITIES			
Current Liabilities			
Payables	22	12,246,829	1,216,499
Borrowings	23	85,194,190	82,833,233
Provisions	24	251,413	239,159
Other current liabilities	25	4,050,970	3,484,749
Total Current Liabilities		101,743,402	87,773,640
Non-Current Liabilities			
Borrowings	23	141,245,963	141,272,138
Provisions	24	46,970	75,274
Total Non-Current Liabilities		141,292,933	141,347,412
TOTAL LIABILITIES		243,036,335	229,121,052
NET ASSETS		34,178,783	25,357,474
EQUITY			
Contributed equity	26	20,112,000	20,112,000
Accumulated surplus	26	14,066,783	5,245,474
TOTAL EQUITY		34,178,783	25,357,474

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

Statement of Changes in Equity for the Year ended 30 June 2007

Note

	2007	2006
	\$	\$
Balance of equity at start of period	25,357,474	18,521,667
CONTRIBUTED EQUITY		
Balance at start of period	20,112,000	20,070,000
Capital contributions	-	42,000
Balance at end of the period	20,112,000	20,112,000
ACCUMULATED SURPLUS		
Balance at start of period	5,245,474	(1,548,333)
Surplus for the period	8,821,309	6,793,807
Balance at the end of the period	14,066,783	5,245,474
Balance of Equity at end of period	34,178,783	25,357,474
Total income and expense for the period	8,821,309	6,793,807

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

Cash Flow Statement for the Year ended 30 June 2007

Note

	2007	2006
	\$	\$
CASH FLOWS FROM STATE GOVERNMENT		
Service appropriations	1,620,000	1,540,000
Capital contributions	-	42,000
Holding account draw downs	-	10,000
Net Cash Provided by State Government	1,620,000	1,592,000
Utilised as follows:		
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Payments</i>		
Employee benefits	(1,379,353)	(1,071,710)
Suppliers and services	(2,790,890)	(2,773,977)
Carbon offset program	(337,674)	(227,500)
Accommodation services	(163,882)	(135,540)
GST payments on purchases	(14,287,876)	(14,889,061)
Capital user charge	(28,100)	(26,942)
Finance costs	(13,693,733)	(12,400,601)
Other payments	(150,055)	(108,889)
<i>Receipts</i>		
User charges and fees	74,880,347	66,695,738
Carbon offset program	393,881	96,484
Interest received	393,574	319,301
Other receipts	30,057	26,226
GST receipts	14,371,298	15,047,125
Net Cash Provided by Operating Activities	27 57,237,594	50,550,654
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of non-current physical assets – Vehicles	66,672,409	76,059,169
Proceeds from the realisation of bailment rights	20,686	634,828
Purchase of non-current physical assets	(128,902,499)	(144,262,316)
Net Cash Used in Investing Activities	(62,209,404)	(67,568,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	19,624,184	19,624,184
Repayment of borrowings	(17,289,401)	(2,691,414)
Net Cash Provided by Financing Activities	2,334,783	16,932,770
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,017,027)	1,507,105
Cash and cash equivalents at the beginning of the period	10,111,384	8,604,279
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	27 9,094,357	10,111,384

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

Notes to the Financial Statements for the Year ended 30 June 2007

1. AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

General

The Commission's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statement (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Commission has adopted, where relevant to its operations, new and revised standards and Interpretations from their operative dates as issued by the AASB and formerly the Urgent Issues Group (UIG).

Early Adoption of Standards

The Commission cannot early adopt an Australia Accounting Standard or Australian Accounting Interpretation unless specifically permitted by T1 1101: Application of Australian Accounting Standards and Other Pronouncements. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Commission for the annual reporting period ended 30 June 2007.

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 Management 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 affect 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, modified by the revaluation of bailment rights which have been valued at fair value.

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 affect 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 Recognition

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.

Vehicle Bailment Revenues

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

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. The Commission gains control of the appropriated funds at the time those funds are deposited to the bank account or credited to the holding account held at the Treasury (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) Capitalisation/Expensing of Assets

Items of property, plant and equipment and motor vehicles costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives.

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

(ii) *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 and motor vehicles acquired at no cost or for nominal considerations, the cost is their fair value at the date of acquisition.

(iii) *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 other items of property, plant and equipment and motor vehicles are stated at historical cost less accumulated depreciation and accumulated impairment losses.

(iv) *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 motor 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) *Capitalisation/Expensing of Assets*

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Income Statement.

(ii) *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.

(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 balance sheet 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, where the replacement cost is falling or where there is a significant change in useful life. 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 where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each balance sheet date.

Refer to note 21 Impairment of assets for the outcome of impairment reviews and testing.

Refer also to note 2(o) Receivables and note 17 Receivables for Impairment of Receivables.

(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 there is objective evidence that the Commission will not be able to collect the debts. 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 when 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 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 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 obligations

Employees commencing employment prior to 16 April 2007 who are not members of the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Commission makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation changes in respect of the WSS and GESBS Schemes.

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

(s) Superannuation Expense

The following element is included in calculating a superannuation expense in the Income Statement:

- (i) Defined Benefit Plans – Change in the unfunded employer's liability (i.e. current service cost, and actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from the Scheme to the Gold State Superannuation Scheme (GSS); and,
- (ii) Defined Contribution Plans - Employer contributions paid to the GSS, the West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESB).

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

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 affect on the amounts recognised in the financial statements include:

(i) *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.

(ii) *Operating Lease Commitments*

The Commission has entered into a commercial lease and has determined that the lessor retains all the significant risks and rewards of ownership of the property. Accordingly, the lease has been classified as an operating lease.

(iii) *Depreciation Expense - Motor Vehicles*

The Commission's motor vehicles are depreciated on a straight line basis taking into account the residual values and terms of vehicle leases. The exposure to the second hand vehicle market is considered by the Commission to be the largest risk variable for the purposes of estimating residual values of the Commission's vehicle fleet. The Commission regularly undertakes analysis and makes assessments of both local and national market conditions and trends, obtains the considerations of industry specialists in future sales projections, and maintains a substantial database of its past sales experience for reference, for the purpose of estimating residual values of the various classes of vehicles within the Commission's fleet. In turn, the Commission manages this risk exposure by incorporating a risk margin into the pricing of leases.

4. DISCLOSURE OF CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

The Commission has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006.

1. AASB 2005-9 "Amendments to Australian Accounting Standards (AASB 4, AASB 1023, AASB 139 & AASB 132)" (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative 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 currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
2. UIG Interpretation 4 "Determining whether an Arrangement Contains a Lease" as issued in June 2005. 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 balance date, the Commission has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
3. UIG Interpretation 9 "Reassessment of Embedded Derivatives". This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Commission has not entered into any contracts as specified in the Interpretation, resulting in no impact in applying the Interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they have no impact or do not apply to not-for-profit entities:

AASB Standards
and
Interpretations

2005-1	“Amendments to Australian Accounting Standard” (AASB 139: Cash Flow Hedge Accounting or Forecast Intragroup Transactions)
2005-5	“Amendments to Australian Accounting Standard (AASB 1 & AASB 139)”
2006-1	“Amendments to Australian Accounting Standards (AASB 121)”
2006-3	“Amendments to Australian Accounting Standards (AASB 1045)”
2006-4	“Amendments to Australian Accounting Standards (AASB 134)”
2007-2	“Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139)” – paragraph 9
UIG 5	“Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”
UIG 6	“Liabilities arising from Participating in a Specified Market – Waste, Electrical and Electronic Equipment”
UIG 7	“Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economics”
UIG 8	“Scope of AASB 2”

Future Impact of Australian Accounting Standards not yet Operative

The Commission cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by T1: 1101 “Application of Australian Accounting Standards and Other Pronouncements”. Consequently, the Commission has not applied the following Australian Accounting Standards and Australian Accounting 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 & AASB 1038)”. This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Commission’s exposure to risks, enhanced disclosure regarding components of the Commission’s financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Commission does not expect any 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 2007.

2. AASB 2005-10 “Amendment to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)”. The amendments are as a result of the issue of AASB 7 “Financial Instruments: Disclosures”, which amends the financial instrument disclosure requirements in these standards. The Commission does not expect any 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 2007.
3. AASB 101 “Presentation of Financial Statements”. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 “Presentation of Financial Statements” (as issued by the IASB) in respect of for-profit entities. The Commission is a not-for-profit entity and consequently does not expect any 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 2007.
4. AASB 2007-4 “Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)”. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFR’s should be included in the Australian equivalents to IFR’s and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
5. AASB 2007-5 “Amendment to Australian Accounting Standard – Inventories Held for Distribution by Not-For-Profit Entities (AASB 102)”. This amendment changes AASB 102 “Inventories” so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss or service potential. The Commission does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
6. AASB Interpretation 4 “Determining Whether an Arrangement Contains a Lease[revised]”. This interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 “Service Concession Arrangements” as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Commission has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, 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 2008.

7. AASB Interpretation 12 “Service Concession Arrangements”. This interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Commission if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Commission has not entered into any public-to-private service concession arrangements 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 2008.

8. AASB Interpretation 129 “Service Concession Arrangements: Disclosures [revised]”. This interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 “Service Concession Arrangements” as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Commission has not entered into any public-to-private service concession arrangements 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 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they have no impact or do not apply to not-for-profit entities:

AASB Standards
and
Interpretations

AASB 8	“Operating Segments”
AASB 1049	“Financial Reporting of General Government Sectors by Governments”
AASB 2007-1	“Amendments to Australian Accounting Standards arising from AASB Interpretation 11 (AASB 2)”
AASB 2007-2	“Amendments to Australian Accounting Standards arising from AASB Interpretation 12 (AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139)” – paragraphs 1 to 8
AASB 2007-3	“Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)”
AASB 2007-6	“Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116, AASB 138, and Interpretations 1 and 12)”
AASB 2007-7	“Amendments to Australian Accounting Standards AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128”
Interpretation 10	“Interim Financial Reporting and Impairment”
Interpretation 11	“AASB 2 – Group and Treasury Share Transactions”
Interpretation 13	“Customer Loyalty Programs”
Interpretation 14	“IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Intention”

	2007	2006
	\$	\$
5. EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	1,210,397	988,525
Superannuation defined contributions (ii)	96,216	78,225
Long service leave (i)	(3,359)	41,223
Annual leave (i)	354	16,241
Other related expenses	-	1,614
	<u>1,303,608</u>	<u>1,125,828</u>
(i) The settlement of annual and long service 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	27,383	14,552
Consultants and contractors	920,039	208,908
Consumables	123,346	139,135
Contract management fee	-	294,986
Facility management fee	900,000	900,000
Legal fees	36,237	75,202
Repairs and maintenance	3,342	5,998
State Fleet management fee	718,902	735,966
Sundry	43,659	45,186
Travel	9,310	12,527
	<u>2,782,218</u>	<u>2,432,460</u>
7. DEPRECIATION EXPENSE		
Computer equipment and integrated software	-	617
Leasehold improvements	1,052	2,635
Office equipment	3,372	3,339
Motor vehicles	51,588,147	44,648,227
	<u>51,592,571</u>	<u>44,654,818</u>

	2007	2006
	\$	\$
8. FINANCE COSTS		
Interest paid	13,889,464	12,309,465
	<hr/>	<hr/>
9. ACCOMMODATION EXPENSES		
Lease rentals	153,352	127,907
Electricity	8,042	6,787
Repairs and maintenance	2,488	282
	<hr/>	<hr/>
	163,882	134,976
	<hr/>	<hr/>
10. OTHER EXPENSES		
Audit fees	51,000	46,500
Capital acquisitions less than \$5,000	21,287	3,810
Doubtful debts expense	70,088	-
Employment on-costs	27,584	30,627
Motor vehicle expense	20,785	23,480
Sundry	29,079	61,172
	<hr/>	<hr/>
	219,823	165,589
	<hr/>	<hr/>

	2007	2006
	\$	\$
11. NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Loss		
<i>Costs of Disposal of Non-Current Assets</i>		
Motor vehicles	-	77,743,866
<i>Proceeds from Disposal of Non-Current Assets</i>		
Motor vehicles	-	76,059,169
Net Loss	-	1,684,697
Gain		
<i>Costs of Disposal of Non-Current Assets</i>		
Bailment rights	13,763	610,500
Motor vehicles	66,099,157	-
<i>Proceeds from the Disposal of Non-Current Assets</i>		
Bailment Vehicles	20,686	634,828
Motor vehicles	66,672,409	-
Net Gain	580,175	24,328
12. CAPITAL USER CHARGE	28,100	26,942

The charge was a levy applied by Government for the use of its capital. In 2006/07, the final year in which the charge was levied, a single payment was made equal to the appropriation for 2006/07 less any adjustment relating to 2005/06.

	2007	2006
	\$	\$
13. INCOME FROM STATE GOVERNMENT		
Appropriation received during the year:		
- Service appropriations (i)	1,642,000	1,562,000
Resources received free of charge (ii)		
Determined on the basis of the following estimates provided by agencies:		
- State Solicitors' Office – Legal Services	16,156	47,655
	<u>1,658,156</u>	<u>1,609,655</u>

(i) Service appropriations are accrual amounts reflecting the net 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 and any agreed increase in the leave liability during the year.

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

14. USER CHARGES AND FEES

User charges – Vehicle fleet lease rentals	75,908,710	67,142,404
Fees – Contract supplier fees	-	294,986
	<u>75,908,710</u>	<u>67,437,390</u>

	<u>2007</u> \$	<u>2006</u> \$
15. INTEREST REVENUE		
Interest revenue	406,034	383,471
	<hr/>	<hr/>
16. OTHER REVENUES		
Expense recoveries	20,350	2,294
Sundry	2,506	2,460
	<hr/>	<hr/>
	22,856	4,754
	<hr/> <hr/>	<hr/> <hr/>
17. RECEIVABLES		
<i>Current</i>		
Receivables	5,560,810	4,082,306
Allowance for impairment of receivables	(70,088)	-
Prepayments	191,530	16,336
	<hr/>	<hr/>
	5,682,252	4,098,642
	<hr/> <hr/>	<hr/> <hr/>
See also note 2(o) "Receivables" and note 30 "Financial Instruments"		
18. AMOUNTS RECEIVABLE FOR SERVICES		
Current	64,000	42,000
	<hr/> <hr/>	<hr/> <hr/>

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.

	2007	2006
	\$	\$
19. PROPERTY, PLANT, EQUIPMENT AND VEHICLES		
Leasehold improvements (at cost)	18,931	18,931
Less: Accumulated depreciation	<u>(18,144)</u>	<u>(17,092)</u>
	787	1,839
Computer hardware and integrated software (at cost)	75,631	75,631
Less: Accumulated depreciation	<u>(75,631)</u>	<u>(75,631)</u>
	-	-
Office equipment and furniture and fittings (at cost)	52,835	70,568
Less: Accumulated depreciation	<u>(43,348)</u>	<u>(57,710)</u>
	9,487	12,858
Motor vehicles under lease (i) (at cost)	329,364,690	294,168,271
Less: Accumulated depreciation	<u>(67,000,455)</u>	<u>(53,970,231)</u>
	262,364,235	240,198,040
Total Property, Plant and Equipment	<u>262,374,509</u>	<u>240,212,737</u>

(i) 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:

(i) Not later than one year	57,952,916	52,387,623
(ii) Later than one year and not later than 5 years	33,081,447	32,022,731
(iii) Later than five years	<u>-</u>	<u>-</u>
	91,034,363	84,410,354

The above commitments are inclusive of GST.

2007
2006
\$
\$

19. PROPERTY, PLANT, EQUIPMENT AND VEHICLES
(Continued)

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:

2007	<i>Computer Hardware & Integrated Software</i> \$	<i>Leasehold Improvements</i> \$	<i>Office Equipment, Furniture & Fittings</i> \$	<i>Motor Vehicles</i> \$	<i>Total</i> \$
Carrying amount at start of the year	-	1,839	12,858	240,198,040	240,212,737
Additions	-	-	-	139,853,499	139,853,499
Other disposals	-	-	-	(66,099,157)	(66,099,157)
Depreciation	-	(1,052)	(3,371)	(51,588,147)	(51,592,570)
Carrying amount at end of the year	-	787	9,487	262,364,235	262,374,509
<hr/>					
2006					
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
Other disposals	-	-	-	(77,743,867)	(77,743,867)
Depreciation	(617)	(2,635)	(3,339)	(44,648,227)	(44,654,818)
Carrying amount at end of the year	-	1,839	12,858	240,198,040	240,212,737

	<u>2007</u> \$	<u>2006</u> \$
20. INTANGIBLE ASSETS		
Bailment rights (fair value)	-	13,763
	<hr/>	<hr/>
Reconciliation:		
Carrying amount at start of the year	13,763	624,263
Disposals	<u>(13,763)</u>	<u>(610,500)</u>
Carrying amount at end of the year	<hr/> -	<hr/> 13,763

21. IMPAIRMENT OF ASSETS

There were no indications of impairment of property, plant and equipment, motor vehicles and intangible assets at 30 June 2007.

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

22. PAYABLES

Current

Trade payables	10,986,029	41,189
GST payable	<u>1,260,800</u>	<u>1,175,310</u>
	<hr/> 12,246,829	<hr/> 1,216,499

	<u>2007</u> \$	<u>2006</u> \$
23. BORROWINGS		
<i>Current</i>		
WATC	85,194,190	82,833,233
	<u> </u>	<u> </u>
<i>Non-Current</i>		
WATC	141,245,963	141,272,138
	<u> </u>	<u> </u>

The 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 2007 \$226,440,153 (2006: \$224,105,371) was drawn against the facility.

	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
24. PROVISIONS		
<i>Current</i>		
Employee benefits provision		
- Annual Leave (i)	120,629	129,671
- Long service leave (ii)	<u>130,784</u>	<u>109,488</u>
	<u>251,413</u>	<u>239,159</u>
<i>Non-Current</i>		
Employee benefits provision		
- Long service leave (ii)	<u>46,970</u>	<u>75,274</u>
(i) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after balance sheet date. Assessments indicate that actual settlement of the liabilities will occur within 12 months of balance sheet 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 balance sheet date. Assessments indicate that actual settlement of the liabilities will occur as follows:		
- Within 12 months of balance sheet date	130,784	109,488
- More than 12 months after balance sheet date	<u>46,970</u>	<u>75,274</u>
	<u>177,754</u>	<u>184,762</u>

	2007	2006
	\$	\$
	<hr/>	<hr/>
25. OTHER LIABILITIES		
<i>Current</i>		
Accrued expenses	61,199	90,570
Accrued salaries	60,299	39,688
Accrued interest payable to WA Treasury Corporation	631,983	436,251
Unearned revenue – Vehicle fleet lease rentals	<u>3,297,489</u>	<u>2,918,240</u>
Total Current Liabilities	<u>4,050,970</u>	<u>3,484,749</u>
	<hr/> <hr/>	<hr/> <hr/>
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.		
Contributed Equity		
Balance at start of the year	20,112,000	20,070,000
Contributed by Owners		
Capital contributions (i)	<u>-</u>	<u>42,000</u>
Balance at end of the year	<u>20,112,000</u>	<u>20,112,000</u>
	<hr/> <hr/>	<hr/> <hr/>
Accumulated Surplus		
Balance at start of the year	5,245,474	(1,548,333)
Result for the period	<u>8,821,309</u>	<u>6,793,807</u>
Balance at end of the year	<u>14,066,783</u>	<u>5,245,474</u>
	<hr/> <hr/>	<hr/> <hr/>

- (i) Capital contributions (appropriations) and non-discretionary (non-reciprocal transfers) of net assets from other State Government agencies have been designated as contributions by owners in Treasurer’s Instruction TI 955. “Contribution by Owners Made to Wholly Owned Public Sector Entities” are credited directly to equity.

27. **NOTES TO THE CASH FLOW STATEMENT**

	2007	2006
	\$	\$
<i>Reconciliation of Cash</i>		
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:		
Cash and cash equivalents	9,094,357	10,111,384
Reconciliation of Net Surplus from Services to Net Cash Flows Provided by/(used in) Operating Activities		
Net surplus from services	7,163,153	5,184,152
<i>Non-Cash Items:</i>		
Depreciation (note 7)	51,592,571	44,654,818
Doubtful debts expense (note 10)	70,088	-
Net loss on disposal of non-current assets (note 11)	-	1,684,697
Resources received free of charge (note 13)	16,155	47,655
Net gain on realisation of non-current assets – investment activity (note 11)	(580,175)	(24,328)
<i>Reclassification of Investing and Financing Items:</i>		
Movement in amount receivable relating to investing activities	22,000	12,000
	51,120,639	46,374,842
<i>(Increase)/Decrease in Assets:</i>		
Current receivables	(1,653,697)	(785,235)
Amounts receivable for services	(22,000)	(12,000)
	(1,675,697)	(797,235)
<i>Increase/(Decrease) in Liabilities:</i>		
Current payables	79,330	(529,906)
Other current liabilities	566,220	285,842
Current provisions	12,253	26,490
Non-current provisions	(28,304)	6,469
	629,499	(211,105)
Net cash provided by/(used in) operating activities	57,237,594	50,550,654

	<u>2007</u> \$	<u>2006</u> \$
28. COMMITMENTS		
(a) Recurring Operating Commitments		
The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2007:		
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	36,000	51,860
	<hr/>	<hr/>
(b) Non-Cancellable Operating Lease Commitments		
Commitments relating to leases contracted for at the balance sheet date but not recognised in the financial statements are payable as follows:		
Within 1 year	188,485	154,336
Later than 1 year and not later than 5 years	53,054	189,162
	<hr/>	<hr/>
	241,539	343,498
	<hr/>	<hr/>
Representing:		
Non-cancellable operating leases	241,539	343,498
	<hr/> <hr/>	<hr/> <hr/>

This balance consists of motor vehicle and property operating leases. The property lease has a term of 7 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

Significant variations between estimates and actual results for income and expenses are shown below:

Significant variations are considered to be those greater than 10% and \$1,000,000.

Significant Variances Between Estimated and Actual Result for 2007

	Estimate 2007 \$	Actual 2007 \$	Variation \$
Expenses			
Supplies and services	1,692,000	2,782,218	1,090,218
Depreciation expenses	45,107,000	51,592,571	6,485,571
Finance costs	11,800,000	13,889,464	2,089,464
Loss/(gain) on disposal of non-current assets	2,213,000	(580,175)	(2,793,175)
Income			
User charges and fees	66,607,000	75,908,710	9,301,710

Supplies and Services

The additional expense is due to unbudgeted professional fees from managing potential exposure to indemnity claims relating to the former vehicle fleet leasing transactions – see note 32.

Depreciation Expense

During 2006/07, the number of vehicles owned by State Fleet increased from 10,082 to 10,638 at 30 June 2007. This increase can be partly attributed to State Fleet now leasing to agencies that previously used other arrangements. This has directly increased the depreciation expense for the period. Depreciation also increased as a result of lower residual value settings (reflecting declining resale values) on new vehicles leased during the course of the year.

Finance Costs

During 2006/07, the number of vehicles owned by State Fleet increased from 10,082 to 10,638 at 30 June 2007. This has a direct impact on the underlying borrowings and commensurably increased finance costs. Increase in the interest rate for borrowings, vehicle pricing movements and vehicle selection have also been contributing factors.

Loss/Profit on Disposal of Non-Current Assets

The sale of vehicles is subject to the vagaries of the second hand vehicle market. In 2006/07, the market provided better than anticipated return on light commercial vehicles resulting in a net profit on sales of vehicles of \$573,253.

User Charges and Fees

During 2006/07, the number of vehicles owned by State Fleet increased from 10,082 to 10,638 at 30 June 2007. This has directly increased the user charges and fees (vehicle lease rental and adjustment charges). Lower residual value settings and higher capital cost of vehicles has also contributed to the increase, but offset to some degree by increased vehicle lease terms, for new vehicles leased during the course of the year.

Significant Variances Between Actual Results For 2006 and 2007

	Actual 2007 \$	Actual 2006 \$	Variation \$
Expenses			
Depreciation expense	51,592,571	44,654,818	6,937,753
Finance costs	13,889,464	12,309,465	1,579,999
Loss on disposal of non-current assets	-	1,684,697	(1,684,697)
Income			
User charges and fees	75,908,710	67,437,390	8,471,320
Profit on disposal of non-current assets	580,175	24,328	555,847

Depreciation Expense

During 2006/07, the number of vehicles owned by State Fleet increased from 10,082 to 10,638 at 30 June 2007. This increase can be partly attributed to State Fleet now leasing to agencies that previously used other arrangements. This has directly increased the depreciation expense for the period. Depreciation also increased as a result of lower residual value settings (reflecting declining resale values) on new vehicles leased during the course of the year.

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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 and standby credit facilities 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.

30. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk Exposure

The following table details the Commission's exposure to interest rate risk at the balance sheet date.

	<i>Weighted Average Effective Interest Rate %</i>	<i>Variable Interest Rate \$000</i>	<u>Fixed Interest Rate Maturity</u>			<i>Non- Interest Bearing \$000</i>	<i>Total \$000</i>
			<i>Less Than 1 Year \$000</i>	<i>1 to 5 Years \$000</i>	<i>More Than 5 Years \$000</i>		
2007							
Financial Assets							
Cash and cash equivalents	6.09%	8,674	-	-	-	420	9,094
Receivables		-	-	-	-	5,682	5,682
Amounts receivable for services		-	-	-	-	64	64
		8,674	-	-	-	6,166	14,840
Financial Liabilities							
Payables		-	-	-	-	12,247	12,247
Other		-	-	-	-	4,051	4,051
Borrowings	6.08%	-	85,194	141,246	-	-	226,440
		-	85,194	141,246	-	16,298	242,738

30. FINANCIAL INSTRUMENTS (Continued)

	<i>Weighted Average Effective Interest Rate %</i>	<i>Variable Interest Rate \$000</i>	<u>Fixed Interest Rate Maturity</u>			<i>Non- Interest Bearing \$000</i>	<i>Total \$000</i>
			<i>Less Than 1 Year \$000</i>	<i>1 to 5 Years \$000</i>	<i>More Than 5 Years \$000</i>		
2006							
Financial Assets							
Cash and cash equivalents	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
Other		-	-	-	-	3,485	3,485
Borrowings	5.70%		82,833	141,272	-	-	224,105
		-	82,833	141,272	-	4,701	228,806

Fair Values

All financial assets and liabilities recognised in the Balance Sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in applicable notes.

31. REMUNERATION OF MEMBERS OF THE COMMISSION AND SENIOR OFFICERS

<u>2007</u>	<u>2006</u>
\$	\$

Remuneration of Members of the Commission

The number of members of the Commission, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	\$			
0	-	10,000	8	10
20,001	-	30,000	2	1
60,001	-	70,000	1	-
150,001	-	160,000	-	1
330,001	-	340,000 [i]	1	-

The total remuneration of members of the Commission is:	<u>\$ 439,154</u>	<u>\$ 186,968</u>
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The total remuneration includes the superannuation expense incurred by the Commission in respect of members of the Commission. No members of the Commission are members of the Pension Scheme.

[i] The Commission paid a redundancy component of \$152,639 to the member during the year.

Remuneration of Senior Officers

The number of senior officers other than the members of the Commission, whose total of fees, salaries, superannuation, non-monetary benefits for the financial year, fall within the following bands are:

\$	\$			
20,001	-	30,000	1	1
30,001	-	40,000	1	-
80,001	-	90,000	-	1
90,001	-	100,000	-	1
100,001	-	110,000	1	1
120,001	-	130,000	1	-

The total remuneration of senior officers is:	<u>\$ 322,627</u>	<u>\$ 314,780</u>
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The total remuneration includes the superannuation expense incurred by the Commission in respect of senior officers other than senior officers reported as members of the Commission.

32. CONTINGENT LIABILITIES

Taxation Matrix Vehicle Fleet Leasing Transaction

In addition to the liabilities included in the financial statements, there is the following contingent liability.

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.

The Australian Taxation Office (“ATO”) has raised certain matters with one of the private sector financiers covered by the indemnity and there has been ongoing interaction between that financier and the ATO. The Department of Treasury and Finance has maintained a watching brief on that process on behalf of the Government to ensure that the State’s interests are represented.

At this stage, no indemnity claim has been made on the State. However, the process between the financier and the ATO is progressing, and there is some prospect that an indemnity claim may be made. The timing and magnitude of any such claim remain uncertain, and so it is not practicable to estimate the amount of any potential claim.

33. REMUNERATION OF AUDITOR

2007 **2006**
\$ **\$**

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

Auditing the accounts, financial statements and performance indicators	51,000	46,500
	51,000	46,500

34. SUPPLEMENTARY FINANCIAL INFORMATION

Write-Offs

During the year, the Commission approved the write-off of 53 motor vehicles (2006: 61 motor vehicles). In the main, these vehicles were damaged beyond repair in accidents.

1,171,585	1,419,596
1,171,585	1,419,596

35. SCHEDULE OF INCOME AND EXPENSES BY SERVICE

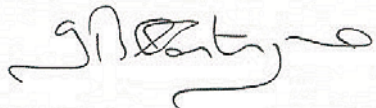
	Procurement and Disposal Processes		Supply of Light Vehicle Fleet		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
COST OF SERVICES								
Expenses								
Employee benefits expense	1,303,608	1,125,828	-	-	-	-	1,303,608	1,125,828
Supplies and services	230,568	270,346	2,551,650	1,867,128	-	294,986	2,782,218	2,432,460
Depreciation expense	4,424	6,590	51,588,147	44,648,228	-	-	51,592,571	44,654,818
Finance costs	-	-	13,889,464	12,309,465	-	-	13,889,464	12,309,465
Accommodation expenses	163,882	134,976	-	-	-	-	163,882	134,976
Carbon offset program expenses	-	-	168,837	227,500	-	-	168,837	227,500
Office expenses	120,655	104,417	99,168	61,172	-	-	219,823	165,589
Loss on disposal of non-current assets	-	-	-	1,684,697	-	-	-	1,684,697
Capital user charge	28,100	26,942	-	-	-	-	28,100	26,942
Total Cost of Services	1,851,237	1,669,099	68,297,266	60,798,190	-	294,986	70,148,503	62,762,275
Income								
User charges and fees	-	-	75,908,710	67,142,404	-	294,986	75,908,710	67,437,390
Interest revenue	-	-	406,034	383,471	-	-	406,034	383,471
Carbon offset program revenue	-	-	393,881	96,484	-	-	393,881	96,484
Other revenues	20,355	3,753	2,501	1,001	-	-	22,856	4,754
Gain on realisation of non-current assets	-	-	580,175	24,328	-	-	580,175	24,328
Total Income Other than from State Gov't	20,355	3,753	77,291,301	67,647,688	-	294,986	77,311,656	67,946,427
NET SURPLUS/(COST) OF SERVICE	(1,830,882)	(1,665,346)	8,994,035	6,849,498	-	-	7,163,153	5,184,152

35. SCHEDULE OF INCOME AND EXPENSES BY SERVICE

	Procurement and Disposal		Supply of Light Vehicle Fleet		Other		Total	
	Processes		2007	2006	2007	2006	2007	2006
	2007	2006						
	\$	\$	\$	\$	\$	\$	\$	\$
INCOME FROM STATE GOVERNMENT								
Service appropriations	1,642,000	1,562,000	-	-	-	-	1,642,000	1,562,000
Resources received free of charge	16,156	47,655	-	-	-	-	16,156	47,655
Total Income from State Gov't	1,658,156	1,609,655	-	-	-	-	1,658,156	1,609,655
SURPLUS/(DEFICIT) FOR THE PERIOD	(172,726)	(55,691)	8,994,035	6,849,498	-	-	8,821,309	6,793,807


Certification of Performance Indicators for the Year ended 30 June 2007

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 2007.



Jennifer Ballantyne
CHAIRMAN
STATE SUPPLY COMMISSION

17 September 2007



Cheryl Gwilliam
MEMBER
STATE SUPPLY COMMISSION

17 September 2007

PERFORMANCE INDICATORS

Outcome 1
All public authorities use State Supply Commission procurement and disposal processes.

Effectiveness Indicator 1

Performance Measure	2006-07 Target	2006-07 Actual	2005-06 Actual	2004-05 Actual
All public authorities use State Supply Commission procurement and disposal processes.	96%	97%	99%	97%

The effectiveness indicator has been designed to measure public authorities' compliance with the supply policies. This ensures that public authorities' apply best practice with procurement and disposal processes.

In 2006-07 the State Supply Commission achieved an overall satisfaction rate of 97%.

The effectiveness indicator review focused on nominated public authorities which awarded contracts in 2006/07.

Overall, 46 public authorities under the jurisdiction of the State Supply Commission Act 1991 participated in this review.

The estimated population was 5,393 contracts from the Government Bulletin Board. The attribute sample size was between 350 and 360 contracts.

The 3% represents a partial non-compliance of supply policies for contracts from two public authorities.

Outcome 2

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

Effectiveness Indicator 2

Performance Measure	2006-07 Target Profit \$'000	2006-07 Actual Profit \$'000	2005-06 Actual Profit \$'000	2004-05 Actual Profit \$'000
Extent to which State Fleet operations are commercially sustainable.	\$6,426	\$8,994	\$6,849	\$7,328

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

In 2006-07 the profit achieved by State Fleet was considerably stronger than initially forecast in the 2006-07 Budget for several key reasons.

State fleet's profitability is affected by fluctuations in the pricing of the second hand vehicle market. Most notably, the second hand vehicle market for light commercial vehicles has remained stronger than anticipated.

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. At 30 June 2006 State Fleet leased 10,082 vehicles compared to 10,638 vehicles at 30 June 2007.

EFFICIENCY INDICATORS

Efficiency Indicator 1

Service 1: Public Authorities' satisfaction with State Supply Commission's timeliness in responding to their requests

Performance Measure	2006-07 Target	2006-07 Actual	2005-06 Actual
Public Authorities' satisfaction with State Supply Commission's timeliness in responding to their requests.	80%	84%	80%

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

In 2006-07 the State Supply Commission achieve an overall satisfaction rate of 84%.

To arrived at the overall satisfaction rate of 84%, the following data was used:

Survey Group	Population Size	Actual Sample	Response Rate	Sampling Precision Error
CEOs	89	64	72.0%*	± 6.50%
Purchasing Officers	90	66	73.3%	± 6.25%

The State Supply Commission provided a list of all 89 Public Authorities CEOs and 90 Public Authorities Purchasing Officers (including telephone number and contact person) that have dealings with the Commission.

The overall satisfaction rate of 84% for the 2006-07 financial year compared to 80 % for the 2005-06 financial year.

The overall 84% satisfaction rate was arrived at as follows:

Category	2006-07 %	2005-06 %
Very Satisfied	27.7	16.3
Satisfied	52.3	57.8
Somewhat satisfied	3.8	5.9
Overall Satisfaction %	83.8	80.0

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

Cost	2006-07 Target	2006-07 Actual	2005-06 Actual	2004-05 Actual
Average cost per leased vehicle.	\$6,304	\$6,595	\$6,259	\$7,026

The 2006-07 Average Cost of Leased Vehicle has increased moderately in comparison to the Target. This is in part due to a higher average interest rate applicable to the loans underwriting the leases, and to a greater than anticipated vehicle depreciation over the course of the year due to a continuing decline in second hand vehicle prices impacting residual values.

MINISTERIAL DIRECTIVES

The Treasurer did not give any directions to the State Supply Commission under section 7(1) of the *State Supply Commission Act 1991* during 2006-07.

OTHER FINANCIAL DISCLOSURES

Pricing Policies of Services Provided

The State Supply Commission is a high level procurement and contracting policy statutory authority that reports direct to the Treasurer; hence it does not charge for any of its services.

Capital Works

State Supply Commission

The State Supply Commission did not apply for any Capital Works funds in 2006-07. All minor office replacements were funded from the holding account at the Department of Treasury and Finance.

No capital projects were completed or incomplete during 2006-07.

State Fleet

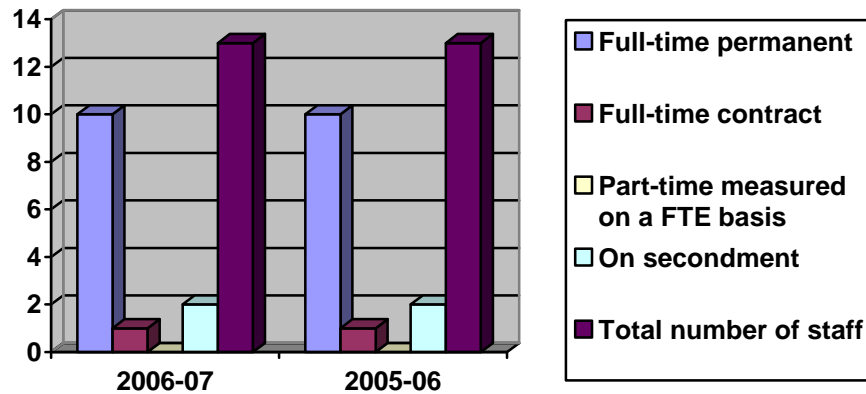
The capital works program for State Fleet is an ongoing vehicle replacement program. For 2006-07 an amount of \$139.9 million was expended in the replacement of 4,185 vehicles. The underlying capital is provided by a combination of debt (borrowed from Western Australian Treasury Corporation) and retained earnings.

Debt is continually repaid and re-borrowed as 'old' vehicles are replaced with new ones. Any increase in fleet size may require an increase in debt, while any surplus revenue is used to reduce borrowings.

Employment and Industrial Relations

Staff Profile

	2006-07	2005-06
Full-time permanent	10	10
Full-time contract	1	1
Part-time measured on a FTE basis	0	0
On secondment	2	2
	13	13



Staff Development

The State Supply Commission has a commitment to the development of its employees. The Commission's strategies are to build a highly skilled, professional and fair workforce with the ability to adapt to changing business technology and the environment.

During the financial year, the Commission spent approximately \$7,300 on employee professional development and training.

Workers Compensation

Two compensation claims of a minor nature were recorded during the financial year. This compares with no compensation claims of a minor nature in 2005-06.

GOVERNANCE DISCLOSURES

Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with the State Supply Commission and Senior Officers.

OTHER LEGAL REQUIREMENTS

Compliance with Public Sector Management Act Section 31(1)

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

Number lodged:	nil
Number of breaches found, including details of multiple breaches per application	nil
Number still under review:	nil



Rod Alderton
CHIEF EXECUTIVE OFFICER

17 September 2007

Electoral Act 1907 Section 175ZE

In compliance with Section 175ZE of the *Electoral Act 1907*, the State Supply Commission is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

Expenditure with Advertising Agencies	\$ 862
Quality Press	
Expenditure with Market Research Agencies	\$15,815
Patterson Market Research	
Research Solutions	
Expenditure with Polling Agencies	\$0
Expenditure with Direct Mail Agencies	\$0
Expenditure with Media Advertising Agencies	\$50
The West Australian	
TOTAL EXPENDITURE	\$16,727

Annual Estimates

The State Supply Commission is a consolidated fund agency which obtains its funding through the yearly budget cycle. Accordingly, it does not prepare any annual estimates in accordance with Section 40 of the *Financial Management Act 2006*.

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.

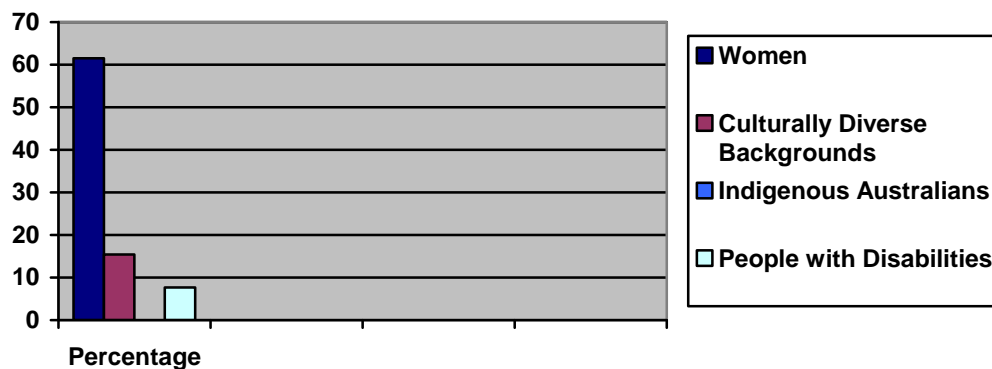
The Commission is currently working on its Disability Access and Inclusion Plan to ensure that it complies with the amendments to the *Disability Services Act 1993*. The Plan is scheduled for completion in December 2007.

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 2006-07 the Commission's workforce, as it relates to equal opportunity and diversity, was represented as follows:

Women	61.5%
Culturally Diverse Backgrounds	15.4%
Indigenous Australians	0%
People with Disabilities	7.7%



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.

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 have been implemented, in conjunction with the State Records Office, in compliance with the minimum requirements of *State Records Commission Standard 2*.

GOVERNMENT POLICY REQUIREMENTS

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 1994* 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 1994*.

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.

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.

The State Supply Commission is represented on the Australian Procurement Construction Council's working group for the development of a national framework for sustainable procurement. It is planned to launch the final framework document at the Australian Procurement and Construction Ministerial Council meeting to be held in September 2007.