



Government of  
**Western  
Australia**

# **STATE SUPPLY COMMISSION**

## **2003-2004 ANNUAL REPORT**

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COMPLIANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

HON NICK GRIFFITHS LLB MLC  
MINISTER FOR HOUSING AND WORKS

Dear Minister

In accordance with Section 66 of the *Financial Administration and Audit Act 1985*, we hereby submit for your information and presentation to Parliament the State Supply Commission's Annual Report for the financial year ending 30 June 2004.



Jennifer Ballantyne  
CHAIRMAN

30 August 2004



Lyn Sherwood  
MEMBER

30 August 2004

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT

During 2003-2004 the State Supply Commission has progressed major elements of the government's procurement agenda.

The State Supply Commission commenced a review of its policies and guidelines gazetted under the *State Supply Commission Act 1991*. The review was a key recommendation of the WA Government Procurement Reform Report, released in November 2003.

The revised policy suite contains thirteen draft policies, which will take effect from 30 July 2004. The draft policies and guidelines will streamline the procurement process without compromising on accountability and risk management.

This year, the State Supply Commission also reviewed the operations of the State Tenders Committee. Under its new operations the Committee considers broader and more strategic approaches to procurement activities. The Committee continues to encourage open competition to develop a competitive market.

The State Supply Commission will be progressing a number of strategic initiatives in 2004-2005. Implementing the procurement reform will be a key component of these initiatives. We will be collaborating with the Department of Treasury and Finance to develop a supply policy training and awareness program for the whole of government. Working with agencies to provide the appropriate support and advice as they adopt the new purchasing policies and guidelines will be a key priority.

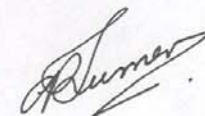
The Commission will continue to provide a service to suppliers through its complaints handling function.

In May 2003, the Commission's Chief Executive Officer, Mr Gary Stokes, was seconded to the Department of Industry and Resources. Mr Phill Turner is the Commission's Acting CEO.



Jennifer Ballantyne  
CHAIRMAN

30 August 2004



Phill Turner  
ACTING CHIEF EXECUTIVE OFFICER

30 August 2004

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## CORPORATE PROFILE

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

Ms Jennifer Ballantyne (Chairman) is the Chief Executive Officer, Second Skin.

Mr Michael Anderson is the Principal of Strategic Avenues.

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

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

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

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

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

Mr Dave Robinson is the Assistant Secretary, Unions WA.

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

The Chief Executive Officer of the State Supply Commission is an ex-officio member of the State Supply Commission Board in accordance with section 8(b) of the *State Supply Commission Act 1991*. Mr Gary Stokes is the Commission's CEO. Mr Stokes is on secondment to the Department of Industry and Resources from 10 May 2004. Mr Phill Turner is currently the Commission's Acting Chief Executive Officer and holds the ex-officio position.

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

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

During 2003-2004 the State Supply Commission Board held six Ordinary Meetings and three Special Meetings.

## LEGISLATION

### GOVERNING LEGISLATION

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

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

The Commission is responsible for arranging and co-ordinating the supply of goods and services within government. The Commission grants exemptions and issues supply policies and 'best practice' guidelines. Public authorities manage and conduct their own purchasing subject to these exemptions and the policies and guidelines.

The Commission monitors compliance with its supply policies. Accountability is reinforced through conditions attached to exemptions granted under the *State Supply Commission Act 1991*, compliance with supply policies and reviews of public authority procurement that the Commission conducts.

### RESPONSIBLE MINISTER

The Hon Nick Griffiths LLB MLC is the Minister responsible for the *State Supply Commission Act 1991*.

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

The Minister did not give any directions to the State Supply Commission under section 7(1) of the *State Supply Commission Act 1991* during 2003-2004.

### LEGISLATIVE COMPLIANCE

In the performance of its functions the Commission has complied with the *Financial Administration and Audit Act 1985* and has exercised controls to provide reasonable assurance for compliance with other relevant written law.

The Commission is not aware of any circumstance that would render this statement inaccurate.

## **ROLE OF THE STATE SUPPLY COMMISSION**

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

### **MISSION**

To promote buying wisely policies in the public sector through the adoption of good practice.

### **GOALS**

To enhance the efficiency and effectiveness of the public sector supply function.

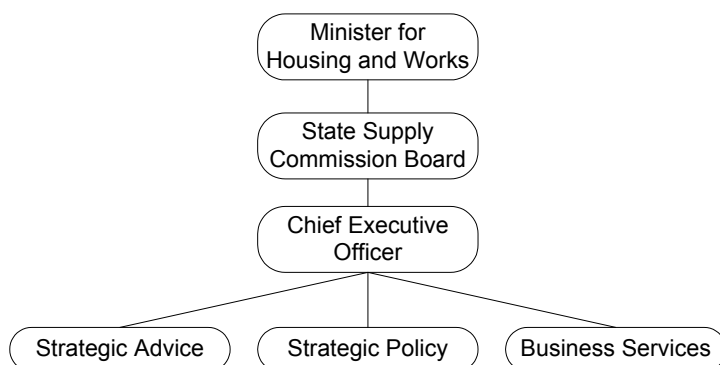
To maximise the economic benefits to the State through the use of government purchasing.

### **STATE SUPPLY COMMISSION FUNCTIONS**

Policy:	Develop, implement and review supply and disposal policies.
Co-ordination:	Arrange and co-ordinate the efficient supply of goods and services.
Sale of Government Businesses:	Effect sales as required.
Monitoring:	Monitor supply and disposal activities and conduct compliance audits.
Advice:	Provide advice to Government, agencies and industry on supply and disposal policies.
State Fleet:	Manage the funding and leasing of the State's vehicle fleet - delegated to the Department of Treasury of Finance.



## ORGANISATIONAL STRUCTURE



## **MAJOR ACHIEVEMENTS 2003-2004**

- Commenced a complete review of the State Supply Commission's policies and guidelines.
- Developed and implemented an Environmental Procurement policy and guidelines.
- Developed a Standard Service Agreement and a Standard Grant Agreement for the purchase of community services by government agencies under the Funding and Purchasing Community Services policy.
- Undertook Health Check 5 to assess the purchasing and contracting skills across public authorities.
- Continued to provide an independent review of supplier complaints.
- Revamped the role of the State Tenders Committee, its Constitution, Code of Conduct and membership, to take a more strategic approach to procurement activities.
- Tendered for a new set of fleet contracts that addressed issues with the current fleet contracts and identified potential savings to government in overall fleet costs. The contracts will run for a period of three to five years and cover the outsourced fleet functions of fleet management, vehicle inspection services and vehicle disposal.
- Revised the vehicle selection policy to take account of environmental, operational and financial factors in the selection of operational vehicles.

## **MAJOR INITIATIVES FOR 2004-2005**

- In conjunction with the Department of Treasury and Finance, develop a supply policy training and awareness program for the whole of government.
- Participate in a review of the legislative framework for across-government procurement as part of the ongoing procurement reform agenda of the Functional Review Taskforce.
- Investigate the possible introduction of a Gateway Risk Management process for all goods and services contracts across government.
- Undertake two Health Checks of public authorities' procurement.
- In line with the government's procurement reforms, review the exemption levels of public authorities.
- Continue to manage supplier complaints.
- Continue to provide support to the State Tenders Committee.
- Implement and manage the transition of the new fleet contracts for fleet management, vehicle inspection services and vehicle disposal.
- Implement a new vehicle selection policy that will reduce the overall greenhouse gas emissions of the government's light vehicle fleet in a cost-effective manner.

## OPERATIONS REPORT 2003-2004

### REVIEW OF SUPPLY POLICIES, GUIDELINES AND PROCEDURES

The State Supply Commission commenced a review of its policies and guidelines gazetted under the *State Supply Commission Act 1991*. The review was a key recommendation of the *Strategic Business Review into Procurement – Business Solution and Implementation Plan (Deliverable C Report)*.

The purpose of the review was to:

- simplify supply policy without compromising the effective risk management of Government procurement practices;
- ensure that the supply policies and associated processes are efficient, appropriate and relevant; and
- contribute to the Government's procurement reform agenda.

A revised policy suite was developed containing thirteen draft policies.

The Commission conducted state-wide public consultation to seek comment from individuals, the business sector, industry associations, unions and government agencies. At the completion of this process, the State Supply Commission Board considered the feedback received and provided advice that was incorporated into the revised policies.

The policies will take effect from 30 July 2004.

### SUSTAINABLE PROCUREMENT

The State Supply Commission continued to lead the across-government development of an effective policy and practical framework for sustainable procurement.

To support this outcome, the Commission continued to Chair the Interdepartmental Committee on Sustainability Procurement to develop a comprehensive approach to sustainable procurement in government.

As part of its general review of supply policies and guidelines, the Commission also developed an Environment Purchasing policy and associated guidelines. This policy mandates the requirement for environmental impact to be considered in all assessments of value for money when purchasing goods and services.

### WORK PERFORMED IN CONJUNCTION WITH FRIT (FUNCTIONAL REVIEW IMPLEMENTATION TEAM)

In addition to the review of State Supply Commission policies and guidelines detailed above, the State Supply Commission participated in a number of projects arising from the *Strategic Business Review into Procurement: Business Solution and Implementation Plan (Deliverable C Report)*.

Specifically, the Commission was represented on the strategic review's working parties in relation to:

- reviewing all existing procurement documentation for the purchase of goods and services. The review aimed to develop a library of standard procurement documents to

be utilised across Government. This included the redevelopment of the General Conditions of Contract for goods and services, and the development of standardised templates for obtaining quotations and calling tender requests; and

- developing a generic contract process mapping schematic that comprehensively identifies the “best practice” contract process to be adopted across Government.

## **BUY LOCAL POLICY**

The Government’s Buy Local Policy aims to maximise supply opportunities for all competitive local Western Australian businesses when bidding for State government contracts.

The policy provides all suppliers with an equal opportunity to bid for and, if competitive, win contracts to supply to government. The policy requires government agencies to adopt a philosophy of buying as close to home as possible while achieving value for money outcomes.

The State Supply Commission continued its role of managing the Buy Local Policy for government.

## **WHO BUYS WHAT**

The State Supply Commission again published *Who Buys What*, an annual supply statistics report that provides industry with a tool to recognise Western Australian government agencies’ expenditure in the local procurement market. The statistics shown in this report are compiled from information that agencies supplied under the jurisdiction of the *State Supply Commission Act 1991*. Some government agencies that fall outside the Act’s jurisdiction provided information on a voluntary basis.

Expenditure data on goods and services shown in *Who Buys What* was compiled from information that 114 Western Australian government agencies supplied.

Overall expenditure on goods and services, construction and related services reported for the year 2002-2003 was \$5.9 billion.

## **COMPLAINTS HANDLING SERVICE**

The State Supply Commission’s role of umpire involves the review of supplier complaints in relation to government procurement. The Commission reviews complaints covering agencies that purchase under the State Supply Commission’s jurisdiction and in relation to the Government’s Buy Local Policy.

The Commission encourages suppliers to initially attempt to resolve their problems directly with the Principal. If the issue cannot be resolved between the supplier and the Principal, the Commission will then further review the matter on the receipt of a formal complaint.

To assist the Commission and agencies to review supplier complaints, a Supplier Complaints Process Review Panel is maintained. The Panel comprises private sector consultants experienced in private and public sector procurement.

The Supplier Complaints Process Review Panel provides an independent mechanism to agencies and the Commission for reviewing supplier complaints relating to Government procurement.

The Commission finalised 51 complaints in 2003-2004.

## **HEALTH CHECKS**

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

In October 2003 the Commission engaged Curtin Business School to undertake Health Check 5, which relates to the Commission's Risk Management Policy; specifically:

*"Public authorities shall ensure that all officers engaged in purchasing or contracting have the demonstrated competencies for the task and level of procurement undertaken."*

Chief Executive Officers, procurement specialists and officers identified as being directly involved in procurement were surveyed across 93 public authorities.

The results of Health Check 5 will be tabled in Parliament.

## **RISK MANAGEMENT REVIEW PROGRAM**

The State Supply Commission continued to assist several public authorities to implement the recommendations of the previous Risk Management Review Program. The Commission provided this assistance through implementing the Purchasing and Contracting Policies, the Procedures Manual, and a suite of draft purchase and contract documents.

The Commission also seconded officers to agencies for specific periods to assist with the agencies' procurement practices. Agency feedback on the effectiveness of this initiative has been positive.

## **STATE TENDERS COMMITTEE**

The State Tenders Committee considered 173 tender submissions and 120 procurement plan submissions for the 2003-2004 year.

The State Supply Commission has reviewed the operations of the State Tenders Committee to enable the Committee to consider broader and more strategic approaches to procurement activities. The new Committee operations include the assurance of making strategic business decisions and the encouragement of open competition to develop a competitive market.

The Committee has provided public authority CEO's with an improved impartial view of their contracting activities without impinging on their accountability.

The Commission wishes to thank State Tenders Committee members for their commitment and enthusiasm during 2003-2004.

Members of the 2003-2004 State Tenders Committee:

Dr Wally Cox (Chair, Environmental Protection Authority); Greg Beange (Department of Conservation and Land Management); Bob Berg (Department of Justice); Kerry Fijac (Department of Housing and Works); Paul Hansen (HealthSupply WA); Athol Jamieson (Department for Planning and Infrastructure); Neil Logan (Department of the Premier and Cabinet); John Loney (Department of Industry and Resources); Colin Murphy (Department of Treasury and Finance) and Alex Taylor (Western Australia Police Service).

## STATE FLEET

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

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

In June 2001, State Fleet began purchasing and leasing vehicles to agencies. In November 2001, the Matrix external fleet financing transaction, under which vehicles were previously leased to agencies, was terminated. As part of the termination, State Fleet acquired the rights to rental and sale proceeds on the 6,651 vehicles in the transaction at termination. These vehicles are progressively being run-off and replaced by State Fleet vehicles. At 30 June 2004, 208 Matrix vehicles remain in the fleet.

During 2003-2004 State Fleet acquired 4,267 passenger and light commercial vehicles and sold 2,767 of its vehicles to bring the number of vehicles owned by State Fleet to 8,556 vehicles.

The number of vehicles leased by State Fleet to agencies at the end of the year was 8,564, an increase on the 8,287 vehicles leased at the start of the year.

The contracts under which State Fleet operated until 2003-2004 were largely developed to complement the Matrix fleet financing transaction. During the year State Fleet reviewed the structure of these contracts, in particular the contracts relating to fleet management and vehicle disposal. The new contract arrangements are designed to improve operational efficiencies, provide Government with significant savings in overall fleet costs and address a range of policy issues.

Under the new contractual arrangements that were announced in May 2004 the number of fleet managers who provide fleet management services to agencies is reduced from four to two, the number of auctioneers who sell vehicles reduces to one and a new independent vehicle inspection service is introduced to manage refurbishment costs on vehicles. These contract arrangements are expected to produce savings of around \$1 million per annum for government.

State Fleet is required to be financially self-sufficient, without recourse to budget funding, and aims to be financially viable over time. State Fleet reported a profit of \$5.07 million in 2003-2004. Based on current market conditions State Fleet is projected to remain profitable. Profits are used to reduce general government debt levels.

## **REPORT ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES**

### **PEOPLE AND COMMUNITIES**

#### **DISABILITY SERVICES PLAN OUTCOME**

The State Supply Commission continues its commitment to providing optimum access and service to people with disabilities, their families and carers. The Commission is continually updating its Disability Services Plan in conjunction with officers of the Disability Services Commission.

The Commission promotes buying practices in government agencies that enable access for people with disabilities.

The Commission's guideline, Buying Wisely to Ensure Access for People with Disabilities, forms part of the Commission's set of policies and guidelines on government purchasing.

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 has reviewed and updated its website in accordance with W3C Accessibility Standards and Guidelines.

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

#### **CULTURAL DIVERSITY AND LANGUAGE SERVICES OUTCOMES**

The State Supply Commission employs a number of staff from a variety of ethnic and cultural backgrounds. 18.2% of its staff meet the Public Sector Management Office definition of coming from 'culturally diverse backgrounds'; ie, "People from a first generation non-English speaking background. People who have migrated to Australia and whose first language is a language other than English."

#### **YOUTH OUTCOMES**

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

### **THE ENVIRONMENT**

#### **WASTE PAPER RECYCLING**

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

#### **ENERGY SMART GOVERNMENT POLICY**

The objective of the Government's Energy Smart policy is to achieve a 12% reduction in energy consumption by 2006-2007. Participation is mandatory for general government sector agencies with 25 or more FTEs. The State Supply Commission is a voluntary participant.



The Commission achieved a 22% saving in light and power costs against the baseline of 2001-2002.

To achieve these savings, the Commission adopted limited use of internal lighting. The Commission is on the south side of Dumas House and its offices receive enough natural light that most staff choose to use natural light for their offices. In addition, staff are conscious of turning lights out when leaving the office, turning computers off at night and being conscientious about energy use within the office.

## **THE REGIONS**

### **REGIONAL DEVELOPMENT POLICY**

The Department of Local Government and Regional Development (DLGRD) is responsible for the *Regional Development Policy*. On 16 August 2004, the State Supply Commission will report to DLGRD on implementation of a number of strategies from the policy. On behalf of all public authorities, the Commission will report on the continued implementation and monitoring of the *Buy Local Policy*, which forms part of the *Fair Pricing for Regional Residents and Businesses* strategy. Agencies are required to report to the Commission annually on their adherence to the *Buy Local Policy*.

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

- Monitoring and increasing the level of community consultation and engagement on key government agency decisions affecting the regions.
- Ensuring that people from minority backgrounds are included in the consultation process so that policies and strategies are inclusive of the relevant issues.
- Developing and implementing regional sustainability strategies.
- Incorporating desired regional outcomes in government agency and collaborative program performance measures.

The State Supply Commission participates in the Department's Regional Policy Implementation Group.

## **GOVERNANCE**

### **EQUAL EMPLOYMENT OPPORTUNITY OUTCOMES**

The percentage of women employed at the State Supply Commission has increased from 42.9% as at 30 June 2003 to 54.5% at 30 June 2004. The Equity Index does not apply to agencies with less than 10 female employees.

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

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

### INFORMATION STATEMENT

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

To apply to the State Supply Commission for any documents under the Freedom of Information legislation, an application in writing must be sent to the FOI Co-ordinator, State Supply Commission, 5th Floor, 2 Havelock Street, West Perth, WA 6005.

The application must have a return address within Australia and identify the applicant. Appendix 3 details the documents routinely available from the State Supply Commission.

For assistance in making an application, contact the FOI Co-ordinator on 9222 5714. The FOI Coordinator may contact the applicant to assist in clarifying the request.

Applications will be dealt with within 45 days.

A fee of \$30 must accompany each application for non-personal information and additional costs may apply. Where additional charges are to be levied, an estimate of the cost and basis of calculation will be given to the applicant.

Applications from individuals seeking personal information about themselves are free of charge and there are no other costs for access.

A written decision giving details and reasons for any refusal or editing will be provided. If an applicant is refused access to information and is dissatisfied with the agency's decision, the applicant is entitled to ask for an internal review by the agency. This application should be made in writing within 30 days of receiving notice of the decision and the applicant will be notified of the outcome of the review within 15 days.

If applicants are still dissatisfied with the outcome, they can apply to the Information Commissioner for an external review. Details of how to apply for an external review are forwarded to the applicant when they are advised of the internal review decision.

### COMPLIANCE WITH PUBLIC SECTOR STANDARDS

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

The Commission's Management System contains a procedural flow chart outlining the standards, procedures and requirements for human resource management. This includes information on how to lodge a breach of the standards, employee rights and obligations and other legislative requirements.

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

### STATEMENT OF COMPLIANCE

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

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

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

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



Phill Turner  
A/Chief Executive Officer

#### ADVERTISING AND SPONSORSHIP

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

1. Total expenditure for 2003-2004 was \$14,797.00
2. Expenditure was incurred in the following areas:

Description	Supplier	Description	Amount
Media - Advertising agencies	Marketforce Productions	Operational and Jobs Advertising	\$5,162.49
	Public Sector Management Office.	Jobs Advertising	\$1,106.51
Advertising agencies	Dataflow Business Systems	Design and printing of business cards	\$278.00
Market research organisations	The Boshe Group	Review and implementation of the agency's performance indicators	\$4,950.00
	Patersen Market Research	Preparation of the 2002-03 Buy Local Report	\$3,300.00
Polling organisations	-	-	\$0
Direct mail organisations	-	-	\$0
<b>Total Expenditure:</b>			<b>\$14,797.00</b>

#### RECORDS MANAGEMENT PLAN

The State Records Office approved the State Supply Commission's Record Management Plan on 8 March 2004. The Commission is currently preparing its records management procedural manual; expanding its approved disposal and retention schedules and its records management performance indicator.

## OUTCOMES, OUTPUTS AND PERFORMANCE INFORMATION

The State Supply Commission was provided with an amount of \$1.415 million to meet recurrent services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.381 million. The Commission received services free of charge to the value of \$18,625.

The following outcome, outputs and performance information is the subject of a Resource Agreement that the Minister for Housing and Works and the State Supply Commission's Chairman and Chief Executive Officer signed.

### OUTCOME 1

***The use of best practice procurement and disposal processes by all public authorities.***

#### Effectiveness Indicator 1

Performance Measure	2003-2004 Budget	2003-2004 Actual	Reasons for Significant Variance
The extent to which the use of best practice procurement and disposal processes by all public authorities is achieved.	100%	96%	

The 2003-2004 outcome measure and effectiveness indicator is based on the new outcome measure and effectiveness indicator for the 2004-2005 financial year.

The Commission has elected to use the 2004-2005 outcome measure and effectiveness indicator for the 2003-2004 financial year as it clearly measures the extent to which the Commission is achieving its outcome. Compliance with the supply policies will ensure best practice procurement is achieved.

To measure the extent to which the public authorities complied with the supply policies, the Commission categorised the public authorities as heavy, medium or light users, according to the monetary level of their procurement partial exemption. The Commission then reviewed a cross-section of awarded contacts for the selected public authorities.

If any of the selected public authorities' contract files failed to include evidence of compliance to each supply policy question, then the particular question was deemed as non-compliant against that supply policy. The level of compliance will be used as feedback to the selected public authorities for improvement.

The overall result of the use of best practice procurement and disposal processes by all public authorities for the 2003-2004 financial year is 96%.

## OUTCOME 2

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

### Effectiveness Indicator 2

Performance Measure	2003-2004 Budget Profit (000s)	2003-2004 Actual Profit (000s)	Reasons for Significant Variance
Extent to which State Fleet operations are economically sustainable.	\$6,290	\$5,068	Reduced vehicle sale revenue due to lower resale prices.

This indicator relates to management of the funding and leasing of the State's Vehicle Fleet.

## EFFICIENCY INDICATORS

### Output 1: Support and promote the use of the supply policy framework.

Performance Measure	2003-2004 Budget	2003-2004 Actual	Reasons for Significant Variance
<b>Quantity</b> Total number of contracts and tenders over \$10,000.	3500	4208	
<b>Quality</b> Total number of complaints.	55	51	
<b>Timeliness</b> Enquiries handled within 45 days taking into account the Commission's complaint handling process.	70%	80%	
<b>Cost</b> Average cost of State Supply Commission services per contract or tender over \$10,000.	\$376	\$295	STC considered an additional 708 (20%) recommendations than the budgeted 3500, using the same resources.

This efficiency indicator comprises the whole effort of preparing, reviewing and maintaining the State Supply Commission's supply policy framework and supporting and promoting its use by public authorities. It also includes writing new policies and updates, handling enquiries, educating users, monitoring compliance, handling complaints, and responding to Ministerial requests, as well as a range of other associated tasks.

Approximately 90% of the State Supply Commission's effort and time is applied to fulfilling Output 1.

The total number of contracts and tenders over \$10,000 is obtained from the Government Information Bulletin Board.

## Output 2: Support to the State Tenders Committee

	<b>2003-2004 Budget</b>	<b>2003-2004 Actual</b>	<b>Reasons for Significant Variance</b>
<b>Quantity</b> Procurement plans and tender recommendations considered.	280	293	
<b>Quality</b> Procurement plans and tender recommendations endorsed by the State Tenders Committee.	93%	95%	
<b>Timeliness</b> Lodged procurement plans and tender recommendations considered by the State Tenders Committee within 10 days.	100%	100%	
Advice on decisions provided to authorities within 3 days	100%	100%	
<b>Cost</b> Average cost of State Tenders Committee operations per procurement plan and tender recommendations.	\$525	\$471	STC considered an additional 13 (5%) recommendations than the budgeted 280, using the same resources.

The role of the State Tenders Committee (STC) is to review high value procurement plans (over \$750,000), and the tendering process and recommended choice of contractors for high value contracts (over \$250,000). The STC has the power to endorse or not endorse the procurement plans and tender award recommendations that are submitted for its consideration.

The State Supply Commission checks all submitted procurement plans and tender award recommendations for completeness and compliance before they are tabled for the State Tender Committee's consideration. The Commission refers any omissions, inconsistencies or other shortfalls back to the relevant authority and provides guidance as to how these should be resolved.

Approximately 10% and 1.2 FTEs of the State Supply Commission's effort and time is applied to fulfilling Output 2.

The efficiency indicator shows the cost per procurement plan/tender recommendation as a measure of cost efficiency.

Output 3: Management of the funding and leasing of the State's vehicle fleet.

	<b>2003-2004 Budget</b>	<b>2003-2004 Actual</b>	<b>Reasons for Significant Variance</b>
<b>Quantity</b> Number of leased vehicles	8,350	8,415	Number of vehicles determined by client agencies.
<b>Quality</b> Errors per 100,000 vehicles invoiced	<10	0	
<b>Timeliness</b> Timing requirements for wholesale financing obligations are met.	100%	100%	
<b>Cost</b> Average cost of leased vehicle.	\$8,036	\$15,027	Refer to note below.

In the budget estimate, revenues and expenses arising from the sale of vehicles were reported on a net basis. Amendments to the Treasurer's Instructions require revenues and expenses from the sale of vehicles to be reported on a gross basis. The average cost of leased vehicles adjusted for write-down has therefore increased compared with budget, as the total cost associated with the sale of vehicles has been included. On a comparable gross basis the 2003-2004 target would be \$14,580.



STATE SUPPLY COMMISSION CERTIFICATION OF PERFORMANCE INDICATORS FOR  
THE YEAR ENDED 30 JUNE 2004

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 2004.



Jennifer Ballantyne  
CHAIRMAN

30 August 2004



Lyn Sherwood  
MEMBER

30 August 2004



AUDITOR GENERAL

**INDEPENDENT AUDIT OPINION**

**To the Parliament of Western Australia**

**STATE SUPPLY COMMISSION  
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2004**

**Audit Opinion**

In my opinion, the key effectiveness and efficiency performance indicators of the State Supply Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2004.

**Scope**

***The Commission's Role***

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

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

***Summary of my Role***

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

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

D D R PEARSON  
AUDITOR GENERAL  
October 29, 2004

## PERFORMANCE INDICATORS

### OUTCOME 1

***The use of best practice procurement and disposal processes by all public authorities.***

#### Effectiveness Indicator 1

Performance Measure	Target	2003-2004	2002-2003	2001-2002
The extent to which the use of best practice procurement and disposal processes by all public authorities is achieved.	100%	96%	See note below.	

The 2003-2004 outcome measure and effectiveness indicator is based on the new outcome and effectiveness indicator for the 2004-2005 financial year.

The Commission has elected to use the 2004-2005 outcome measure and effectiveness indicator for the 2003-2004 financial year as it clearly measures the extent to which the Commission is achieving its outcome. Compliance with the supply policies will ensure best practice procurement is achieved.

To measure the extent to which the public authorities complied with the supply policies, the Commission categorised the public authorities as heavy, medium or light users, according to the monetary level of their procurement partial exemption. The Commission then reviewed a cross-section of their awarded contacts for the selected public authorities.

If any of the selected public authorities' contract files failed to include evidence of compliance to each supply policy question, then the particular question was deemed as non-compliant against that supply policy. The level of compliance will be used as feedback to the selected public authorities for improvement.

The overall result of the use of best practice procurement and disposal processes by all public authorities for the 2003-2004 financial year is 96%.

*Note: As this was the first year that data was collected in this way, comparative data for previous financial years is not available.*

## OUTCOME 2

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

### Effectiveness Indicator 2

<b>Cost</b>	<b>2003-2004 Target Profit (000s)</b>	<b>2003-2004 Actual Profit (000s)</b>	<b>2002-2003 Actual Profit (000s)</b>	<b>2001-2002 Actual Profit (000s)</b>
Extent to which State Fleet operations are economically sustainable.	\$6,290	\$5,068	\$13,026	-\$40,278

The 2003-2004 Outcome and effectiveness indicator is based on the new outcome and effectiveness indicator for the 2004-2005 financial year.

This indicator relates to the management of the funding and leasing of the State's vehicle fleet.

## EFFICIENCY INDICATORS

### Output 1: Support and promote the use of the supply policy framework.

<b>Cost</b>	<b>2003-2004 Target</b>	<b>2003-2004 Actual</b>	<b>2002-2003</b>	<b>2001-2002</b>
Average cost of State Supply Commission services per contract or tender over \$10,000.	\$376	\$295	Refer note below.	

This efficiency indicator comprises the whole effort of preparing, reviewing and maintaining the State Supply Commission's supply policy framework and supporting and promoting its use by public authorities. It also includes writing new policies and updates, handling enquiries, educating users, monitoring compliance, handling complaints, and responding to Ministerial requests, as well as a range of other associated tasks.

Approximately 90% of the State Supply Commission's effort and time is applied to fulfilling Output 1.

The total number of contracts and tenders over \$10,000 is obtained from the Government Information Bulletin Board.

*Note: As this was the first year that data was collected in this way, comparative data for previous financial years is not available.*

### Output 2: Support to the State Tender Committee

<b>Cost</b>	<b>2003-2004 Target</b>	<b>2003-2004 Actual</b>	<b>2002-2003 Actual</b>	<b>2001-2002 Actual</b>
Average cost of State Tender Committee operations per procurement plan or contract.	\$525	\$471	Refer note below.	

The role of the State Tenders Committee (STC) is to review high value procurement plans (over \$750,000), and the tendering process and recommended choice of contractors for high value contracts (over \$250,000). The STC has the power to endorse or not endorse the procurement plans and tender recommendations that are submitted for its consideration.

The State Supply Commission checks all submitted procurement plans and tender recommendations for completeness and compliance before they are tabled for the STC's consideration. The Commission refers any omissions, inconsistencies or other shortfalls back to the relevant authority and provides guidance as to how these should be resolved.

Approximately 10% and 1.2 FTEs of the State Supply Commission's effort and time is applied to fulfilling Output 2.

The efficiency indicator shows the cost per procurement plan/tender recommendation as a measure of cost efficiency.

There were 293 actual procurement plans/contracts for the financial year hence the actual cost per procurement plan/contract is \$471.00.

*Note: As this was the first year that data was collected in this way, comparative data for previous financial years is not available.*

### Output 3: Management of the funding and leasing of the State's vehicle fleet.

<b>Cost</b>	<b>2003-2004 Target</b>	<b>2003-2004 Actual</b>	<b>2002-2003 Actual</b>	<b>2001-2002 Actual</b>
Average cost of leased vehicle.	\$14,580	\$15,027	\$12,653	\$16,119

The higher cost of leased vehicles reflects higher number of State Fleet vehicles sold. This expense is offset by revenue from vehicles sales.

STATE SUPPLY COMMISSION CERTIFICATION OF FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 30 JUNE 2004


The accompanying financial statements of the State Supply Commission have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2004, and the financial position as at 30 June 2004.

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



Jennifer Ballantyne  
CHAIRMAN

30 August 2004



Lyn Sherwood  
MEMBER

30 August 2004



Martin Braganza  
PRINCIPAL ACCOUNTING OFFICER

30 August 2004



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

**Audit Opinion**

In my opinion,

- (i) the controls exercised by the State Supply Commission provide reasonable assurance that the receipt, expenditure and investment of moneys, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Treasurer's Instructions, the financial position of the Commission at June 30, 2004 and its financial performance and cash flows for the year ended on that date.

**Scope**

*The Commission's Role*

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

*Summary of my Role*

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

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

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

D D R PEARSON  
AUDITOR GENERAL  
October 29, 2004

**STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 \$	2003 \$
<b>COST OF SERVICES</b>			
<b>Expenses from ordinary activities</b>			
Employee expenses	3	897,459	1,009,313
Supplies and services	4	418,847	496,300
Depreciation and amortisation expense	5	58,123,563	79,805,388
Administration expenses	6	5,573,595	4,774,644
Accommodation expenses	7	125,535	134,195
Other expenses from ordinary activities	8	69,698	87,220
Costs of disposal of vehicles sold	9	56,237,031	13,327,479
Capital user charge	11	23,365	23,259
Borrowing costs expense		10,541,569	10,156,356
<b>Total cost of services</b>		<b>132,010,662</b>	<b>109,814,154</b>
<b>Revenue from ordinary activities</b>			
<u>Revenue from operating activities</u>			
Vehicle fleet lease rentals		54,563,140	52,539,140
Vehicle bailment revenues		23,998,304	52,382,783
Proceeds from the sale of vehicles	9	52,561,459	12,599,045
<u>Revenue from non operating activities</u>			
Contract supply fees		4,070,213	3,397,394
Interest revenue		361,245	345,789
Other revenues from ordinary activities	10	124,626	36,859
<b>Total revenue from ordinary activities</b>		<b>135,678,986</b>	<b>121,301,010</b>
<b>NET COST OF (SURPLUS FROM) SERVICES</b>		<b>(3,668,325)</b>	<b>(11,486,856)</b>
<b>REVENUES FROM STATE GOVERNMENT</b>			
Output appropriations	12	1,415,000	1,514,000
Resources received free of charge	12	18,625	47,361
<b>Total revenues from State Government</b>		<b>1,433,625</b>	<b>1,561,361</b>
<b>Change in net assets</b>	22	<b>5,101,950</b>	<b>13,048,217</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS</b>		<b>5,101,950</b>	<b>13,048,217</b>

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



**STATE SUPPLY COMMISSION STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004**

	Note	TOTAL 2004 \$	2003 \$
<b>Current Assets</b>			
Cash assets	23(a)	6,376,823	7,240,713
Receivables	13	3,954,551	4,305,347
Amounts receivable for outputs	14	21,000	6,000
Other assets	15	39,403	16,000
<b>Total Current Assets</b>		<u>10,391,777</u>	<u>11,568,060</u>
<b>Non-Current Assets</b>			
Property, plant, equipment and vehicles	16	199,478,048	167,181,566
Intangible assets	17	3,843,263	30,720,663
<b>Total Non-Current Assets</b>		<u>203,321,311</u>	<u>197,902,229</u>
<b>Total Assets</b>		<u>213,713,088</u>	<u>209,470,289</u>
<b>Current Liabilities</b>			
Payables	18	1,614,098	838,068
Interest-bearing liabilities	19	86,230,528	97,508,044
Provisions	20	187,671	215,430
Other liabilities	21	2,901,065	3,937,708
<b>Total Current Liabilities</b>		<u>90,933,362</u>	<u>102,499,250</u>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	19	111,477,472	100,776,305
Provisions	20	106,960	101,390
<b>Total Non-Current Liabilities</b>		<u>111,584,432</u>	<u>100,877,695</u>
<b>Total Liabilities</b>		<u>202,517,794</u>	<u>203,376,945</u>
<b>NET ASSETS</b>		<u>11,195,294</u>	<u>6,093,344</u>
<b>Equity</b>			
Contributed equity	22	20,051,000	20,051,000
Accumulated deficiency	22	(8,855,706)	(13,957,656)
<b>TOTAL EQUITY</b>		<u>11,195,294</u>	<u>6,093,344</u>

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

**STATE SUPPLY COMMISSION STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<b>Note</b>	<b>2004 \$</b>	<b>2003 \$</b>
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Output appropriations		1,400,000	1,514,000
Capital contributions		-	36,000
<b>Net cash provided by State Government</b>		<u>1,400,000</u>	<u>1,550,000</u>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee costs		(951,290)	(962,712)
Suppliers, services, administration and accommodation services		(5,847,379)	(4,595,179)
GST payments on purchases		(12,313,896)	(10,457,525)
Capital user charge		(23,365)	(28,092)
Borrowing costs		(10,433,940)	(12,295,346)
Other Costs		(37,267)	-
<b>Receipts</b>			
Vehicle fleet lease receipts		54,543,833	53,533,488
Contract supplier fee receipts		3,824,683	2,796,198
Interest received		363,679	343,379
Other receipts		113,239	17,348
GST receipts from State Government Agencies and ATO		<u>12,428,586</u>	<u>10,830,162</u>
<b>Net cash provided by/(used in) operating activities</b>	23(b)	<u>41,666,882</u>	<u>39,181,721</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from the sale of fleet owned vehicles		51,373,279	12,313,271
Proceeds from the sale of fleet bailment vehicles		23,551,199	52,919,428
Purchase of non-current physical assets		(118,278,901)	(100,300,017)
<b>Net cash used in investing activities</b>		<u>(43,354,423)</u>	<u>(35,067,318)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		6,216,262	228,462,064
Repayment of borrowings		(6,792,611)	(230,177,715)
<b>Net cash provided by/(used in) financing activities</b>		<u>(576,349)</u>	<u>(1,715,651)</u>
<b>Net increase/(decrease) in cash held</b>		(863,890)	3,948,752
Cash assets at the beginning of the financial year		<u>7,240,713</u>	<u>3,291,961</u>
<b>CASH ASSETS AT THE END OF THE FINANCIAL YEAR</b>	23(a)	<u><u>6,376,823</u></u>	<u><u>7,240,713</u></u>

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

## **STATE SUPPLY COMMISSION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

### **1. COMMISSION'S MISSION AND FUNDING**

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

- an effective policy framework across all buying activities;
- promotion and facilitation of the adoption of best practice to achieve improvements in public sector performance and accountability;
- maintenance of systems and processes for the assessment of agency buying performance and practice;
- operation of an independent, complaint grievance facility to address anti-competitive behaviour and procedural errors by agencies aimed at enhancing accountability and public confidence in public sector procurement; and
- management of the funding and leasing of the State's vehicle fleet.

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

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

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated, these policies are consistent with those adopted in the previous year.

#### **General Statement**

The financial statements constitute a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Statement of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector, together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant effect upon the reported results, details of that modification and, where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

## **Basis of Accounting**

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

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

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

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

### **(a) Output Appropriations**

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

### **(b) Contributed Equity**

Under UIG 38, "Contributions by Owners Made to Wholly-Owned Public Sector Entities", transfers in the nature of equity contributions must be designated by the Government (owners) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions in the financial statements.

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

### **(c) Revenue Recognition**

#### ***General***

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

Interest revenues are recognised as they are accrued.

#### ***Vehicle Fleet Lease Rentals***

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

#### ***Vehicle Bailment Revenues***

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

#### ***Supplier Fees***

The Commission receives supplier fees on the purchase of some goods and services in relation to selected CUCs.

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

#### (d) Acquisition of Assets

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

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

Assets costing less than \$1,000 are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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

##### *Amortisation*

The bailment rights acquired on vehicles at termination of the Matrix arrangement are amortised as individual vehicles are sold at the end of their lease term.

##### *Depreciation*

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

State Fleet vehicles are depreciated on a straight-line basis taking account of the residual values and terms of the vehicle leases. Lease terms generally range from 6 months to 5 years.

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

Computer Equipment and Software	3 years
Office Equipment	5 years
Leasehold Improvements	5 years

#### (f) Leases

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

#### (g) Cash Resources

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

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

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

#### (h) Receivables

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

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

#### (i) Intangible Assets

##### *Bailment Rights*

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

##### *Revaluation of Bailment Rights*

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

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

#### (j) Payables

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

#### (k) Interest Bearing Liabilities

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

#### (l) Employee Benefits

##### *Annual Leave*

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

##### *Long Service Leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provisions for employee benefits, and is measured at the nominal amounts expected to be paid when the liability is settled. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provisions for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage

and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on notional government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Superannuation*

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

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

#### *Employee Benefit On-Costs*

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses (see notes 4 and 19).

#### (m) Accrued Salaries

Accrued salaries (note 21) represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Commission considers the carrying amount of accrued salaries to be equivalent to the net fair value.

#### (n) Resources Received Free of Charge or For Nominal Value

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

#### (o) Net Fair Values of Financial Assets and Liabilities

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

#### (p) State Fleet

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

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

(g) Comparative Figures

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

(r) Rounding

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



### 3. EMPLOYEE EXPENSES

	2004	2003
	\$	\$
Wages and salaries	842,626	878,696
Superannuation	77,022	90,503
Long service leave (i)	(35,532)	8,132
Annual leave (i)	13,343	31,982
	<u>897,459</u>	<u>1,009,313</u>

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The expense for such on-costs is included here. The associated liability is included under annual leave and long service leave at note 19.

### 4. SUPPLIES AND SERVICES

Consultants and contractors	130,742	352,745
Audit and legal fees	139,161	47,361
Repairs and maintenance	2,509	12,699
Travel	48,811	20,261
Other	97,624	63,234
	<u>418,847</u>	<u>496,300</u>

### 5. DEPRECIATION AND AMORTISATION EXPENSE

#### Depreciation

Computer equipment and software	12,264	11,908
Leasehold improvements	3,786	2,999
Office equipment	3,778	4,056
Motor vehicles	31,226,335	19,678,025
Total depreciation	<u>31,246,163</u>	<u>19,696,988</u>

#### Amortisation

Intangible assets-Bailment Rights	26,877,400	60,108,400
Total amortisation	<u>26,877,400</u>	<u>60,108,400</u>

Total depreciation and amortisation expense	<u>58,123,563</u>	<u>79,805,388</u>
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	2004	2003
	\$	\$
<b>6. ADMINISTRATION EXPENSES</b>		
Communications	63,007	31,478
Consumables	7,412	6,970
Other staff costs	23,173	27,029
Contract management fee	4,070,213	3,397,394
Facility management fee	900,000	900,000
State Fleet management fee	509,790	411,773
	<u>5,573,595</u>	<u>4,774,644</u>

## 7. ACCOMMODATION EXPENSES

Lease rentals	125,535	134,195
	<u>125,535</u>	<u>134,195</u>

## 8 OTHER EXPENSES FROM ORDINARY ACTIVITIES

Capital acquisitions less than \$5000	1,893	27,684
Motor vehicle expenses	30,538	59,536
Other	37,267	-
	<u>69,698</u>	<u>87,220</u>

## 9. NET PROFIT/(LOSSES) ON DISPOSAL OF NON CURRENT ASSETS

### Loss on Disposal of Non Current Assets

Costs of disposal of vehicles sold	56,237,031	13,327,479
Gross proceeds on disposal of motor vehicles	52,561,459	12,599,045
Net loss on disposal of non current assets	<u>(3,675,572)</u>	<u>(728,434)</u>

## 10. OTHER REVENUES FROM ORDINARY ACTIVITIES

Sale of publications	108	151
Expense recoveries	90,941	18,564
Other	33,577	18,144
	<u>124,626</u>	<u>36,859</u>

	2004	2003
	\$	\$
<b>11. CAPITAL USER CHARGE</b>	23,365	23,259

A capital user charge rate of 8% has been set by the Government for 2003-2004 and represents the opportunity cost of capital invested in the net assets of the Commission used in the provision of outputs. The charge is calculated on the net assets adjusted to take account of exempt assets. Payments are made to the Department of Treasury and Finance on a quarterly basis. The net assets attributable to the State Fleet operations have been made exempt from the capital user charge. The net assets subject to the capital user charge are shown below.

Net assets/(liabilities) attributed to the State Fleet Operations	10,861,488	5,793,735
Net assets attributed to other activities and subject to the capital user charge	333,806	299,609
Total net assets of the State Supply Commission	11,195,294	6,093,344

## 12. REVENUES FROM STATE

Appropriation revenue received during the year:

Output appropriations (i)	1,415,000	1,514,000
	1,415,000	1,514,000

Resources received free of charge (ii)

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

Office of the Auditor General-Auditing Services	-	29,500
State Solicitor's Office-Legal Services	18,625	17,861
	18,625	47,361

**Total revenues from State Government**

	1,433,625	1,561,361
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(i) Output appropriations are accrual amounts reflecting the full cost of outputs delivered. The appropriation revenue comprise a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability

(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

(iii) Commencing with the 2003-2004 audit, the Office of the Auditor General will be charging a fee for auditing the accounts, financial statements and performance indicators. The fee for the 2003-2004 audit (\$41,250) will be due and payable in the 2004-2005 financial year.

**13. RECEIVABLES**

	2004	2003
	\$	\$
Trade debtors	426,559	988,566
Vehicle lease receivables	3,509,640	3,295,996
Interest receivable	18,352	20,785
	<u>3,954,551</u>	<u>4,305,347</u>

**14. AMOUNTS RECEIVABLE FOR  
OUTPUTS**

Current	<u>21,000</u>	<u>6,000</u>
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This asset represents the non cash component of output appropriations. It is restricted in that it can only be used for asset replacement.

**15. OTHER ASSETS**

Prepayments	<u>39,403</u>	<u>16,000</u>
	<u>39,403</u>	<u>16,000</u>

# 16. PROPERTY, PLANT, EQUIPMENT AND VEHICLES

	2004	2003
	\$	\$
<u>Leasehold Improvements</u>		
At cost	18,931	18,931
Accumulated depreciation	(10,671)	(6,885)
	<u>8,260</u>	<u>12,046</u>
<u>Computer Hardware &amp; Software</u>		
At cost	167,476	167,475
Accumulated depreciation	(157,713)	(145,448)
	<u>9,763</u>	<u>22,027</u>
<u>Office Equipment &amp; Furniture &amp; Fittings</u>		
At cost	68,758	68,758
Accumulated depreciation	(61,734)	(57,956)
	<u>7,024</u>	<u>10,802</u>
<u>Motor Vehicles Under Lease</u>		
At cost	236,160,578	190,668,036
Accumulated depreciation	(36,707,577)	(23,531,345)
	<u>199,453,001</u>	<u>167,136,691</u>
Total	<u>199,478,048</u>	<u>167,181,566</u>

## Reconciliations

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

	Computer Hardware	Leasehold Improvements	Office Equipment, Furniture & Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Carrying amount at start of the year	22,027	12,046	10,802	167,136,691	167,181,566
Additions	-	-	-	118,911,901	118,911,901
Disposals	-	-	-	(73,419,359)	(73,419,359)
Depreciation	(12,264)	(3,786)	(3,778)	(13,176,232)	(13,196,060)
Carrying amount at end of year	<u>9,763</u>	<u>8,260</u>	<u>7,024</u>	<u>199,453,001</u>	<u>199,478,048</u>

## Motor Vehicle Operating Leases

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

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

(i) not later than one year	45,526,175	43,444,379
(ii) later than one year and not later than 5 years	23,438,881	21,954,815
(iii) later 5 years	76,106	-
	<u>69,041,162</u>	<u>65,399,194</u>

The above commitments are inclusive of GST

	2004	2003
	\$	\$
<b>17. INTANGIBLE ASSETS</b>		
Bailment Rights		
At valuation June 30, 2002	90,829,063	90,829,063
Less accumulated amortisation	(86,985,800)	(60,108,400)
Bailment rights at valuation	3,843,263	30,720,663

## 18. PAYABLES

### Current

Trade payables	811,954	45,910
GST payable	802,144	792,158
	1,614,098	838,068

## 19. INTEREST-BEARING LIABILITIES

The State Supply Commission has a facility agreement in place with the Western Australian Treasury Corporation to borrow up to \$250,000,000 to meet contractual requirements, to purchase vehicles and to provide working capital. As at 30 June 2004 \$197,708,000 (2002/03-

Amount due to the Western Australian Treasury Corporation

197,708,000	198,284,349
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The aggregate carrying amount of borrowings recognised and included in the financial statements is as follows:

-Current	86,230,528	97,508,044
-Non-current	111,477,472	100,776,305
Total	197,708,000	198,284,349

## 20. PROVISIONS

### Employee Benefits

#### Current

Annual leave	131,885	118,542
Long service leave	55,786	96,888
	187,671	215,430

#### Non-current

Long service leave	106,960	101,390
	106,960	101,390

### Employee Benefits

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

Provision for employee benefits:

Current	187,671	215,430
Non-current	106,960	101,390
	294,631	316,820

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including superannuation and workers compensation premiums. The liability for such on-costs is included here. The associated expense is included under annual leave and long service leave at note 4.

	2004	2003
	\$	\$
<b>21. OTHER LIABILITIES</b>		
<u>Current</u>		
Accrued expenses	141,994	1,459,477
Accrued salaries	30,939	32,071
Interest payable to WA Treasury Corporation	480,836	373,207
Unearned revenue	2,247,296	2,072,953
	<u>2,901,065</u>	<u>3,937,708</u>
<b>22. EQUITY</b>		
<u>Accumulated Deficiency</u>		
Opening balance	(13,957,656)	(27,005,873)
Change in net assets	5,101,950	13,048,217
Closing balance	<u>(8,855,706)</u>	<u>(13,957,656)</u>
<u>Contributed Equity</u>		
Opening balance	20,051,000	20,015,000
Capital contributions (i)	-	36,000
Closing balance	<u>20,051,000</u>	<u>20,051,000</u>

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

## 23. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of cash

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

Total cash assets in the Statement of Financial Position	6,376,823	7,240,713
<b>(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities</b>		
Net (cost of)/ surplus from services	3,668,326	11,486,856
Non-cash items:		
Depreciation and amortisation expense	58,123,563	79,805,388
Net loss on disposal of vehicles	3,675,572	728,434
Resources received free of charge	18,625	47,361
Vehicle fleet bailment revenue-(investment activity)	(23,998,304)	(52,382,783)
Insurance Proceeds & Other Loss Recoveries-(investment activity)	(291,276)	(40,086)
	<u>37,528,180</u>	<u>28,158,314</u>
(Increase)/decrease in assets:		
Current receivables	(87,234)	265,901
Current inventories	-	13,588
Other current assets	(23,403)	11,271
	<u>(110,637)</u>	<u>290,760</u>
Increase/(decrease) in liabilities:		
Current payables	1,321,685	(1,771,561)
Other Current Liabilities	(718,483)	869,195
Current provisions	23,415	65,882
Non-current provisions	(45,604)	82,275
	<u>581,013</u>	<u>(754,209)</u>
Net cash provided by (used in) operating activities	<u>41,666,882</u>	<u>39,181,721</u>

2004	2003
\$	\$

## 24. COMMITMENTS FOR EXPENDITURE

### (a) Commitments

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2004:

Consultancies and management agreements let or in progress

504,475	495,000
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### (b) Non-cancellable operating lease commitments

Not later than 1 year

156,117      135,030

Later than 1 year and not later than 5 years

461,192      508,891

617,309	643,921
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The above figures are inclusive of GST

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.

## 25. EXPLANATORY STATEMENT

(i) Significant variations between actual revenues and expenditures for the financial year and revenues and, expenditures for the immediately preceding financial year. Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$1,000,000.

	2004 Actual \$	2003 Actual \$	Variance \$	Note
<u>Expenses</u>				
Depreciation and amortisation expense	58,123,563	79,805,388	(21,681,825)	1
Costs of disposal of vehicles sold	56,237,031	13,327,479	42,909,552	2
<u>Revenues</u>				
Proceeds from the sale of vehicles	52,561,459	12,599,045	39,962,414	2
Vehicle bailment revenues	23,998,304	52,382,783	(28,384,479)	3

### 1. Depreciation and Amortisation Expense

During 2003/04 the number of bailment vehicles sold was 1,286 compared with 2,852 in 2002/03. The reduction in expense corresponds with the reduction in bailment vehicles sold during 2004.

### 2. Proceeds from Sale of Motor Vehicles/Costs of disposal of Vehicles

During 2003/04, State Fleet sold 2,767 of its owned vehicles compared to 642 vehicles in 2002/03. Accordingly, the revenue and expenses associated with vehicle sales increased significantly in 2003/04.

### 3. Vehicle Bailment Revenues

During 2003/04, State Fleet received sales proceeds on 1,286 bailment vehicles compared with 2,852 bailment vehicles in 2002/03.



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

	<b>Estimate 2004 \$</b>	<b>Actual 2004 \$</b>	<b>Variance \$</b>	
<b>Expenses</b>				
Depreciation and amortisation expense	52,500,000	58,123,563	5,623,563	1
Administration expenses	1,400,000	5,573,595	4,173,595	2
Costs of disposal of vehicles sold	-	56,237,031	56,237,031	3
<b>Revenues</b>				
Proceeds from the sale of vehicles	-	52,561,459	52,561,459	3
Vehicle fleet lease revenues	46,990,000	54,563,140	7,573,140	4
Contract Supply Fees	-	4,070,213	4,070,213	2

#### 1. Depreciation and Amortisation Expense

During 2003/04, State Fleet was impacted upon by a structural downturn in the second hand car market. To keep in line with this shift, in October and November of 2003, State Fleet adjusted the residual value set on all new vehicle purchases. This lower residual value has subsequently increased the level of depreciation on all vehicles purchased from October 2003. This change in depreciation was not forecast in the 2003/04 estimates.

#### 2. Administration expenses

The Commission did not budget revenues or expenses for the Whole of Government Supplier Fees Rebate Program as it was not assured that the program would continue. In addition, if it were to continue there was uncertainty as to where control and responsibility would reside. The program did continue through 2004 and the Commission retained responsibility for the program. The program was administered by the Department of Treasury and Finance.

#### 3. Proceeds from Sale of Motor Vehicles/Costs of disposal of Vehicles Sold

The difference here is due largely to a difference in accounting presentation. In the budget estimates, revenues and expenses arising from the sale of vehicles were reported on a net basis whereas in the financial report they have been reported on a gross basis in accordance with the Treasurer's Instructions.

#### 4. Vehicle Fleet Lease Revenues

The increase in vehicle fleet lease revenues in 2003/04 reflects an increase in lease rentals in October and November 2003. This increase in rental charges was in response to a structural downturn in the second hand car market, which occurred during 2003-04. This change in rental charges (\$5.2m) was not forecast in the 2003-04 estimates, additionally, income of \$2.4million was received from agencies for "over-kilometre" charges and "early return" adjustments.

## 26. Financial Instruments

### (a) Interest Rate Risk Exposure

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

	Weighted Average Effective Interest Rate %	<u>Fixed Interest Rate Maturity</u>					Total \$000
		Variable Interest Rate \$000	Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	
<b><u>2004</u></b>							
<b>Financial Assets</b>							
Cash assets	4.96%	5,418	-	-	-	959	6,377
Receivables		-	-	-	-	3,976	3,976
Other		-	-	-	-	39	39
		5,418	-	-	-	4,974	10,392
<b>Financial Liabilities</b>							
Payables		-	-	-	-	1,614	1,614
Employee benefits		-	-	-	-	295	295
Other		-	-	-	-	2,901	2,901
Interest Bearing Liabilities	5.47%	-	86,231	111,256	220	-	197,707
		-	86,231	111,256	220	4,811	202,518
<b><u>2003</u></b>							
Financial assets	4.90%	6,289	-	-	-	5,279	11,568
Financial liabilities	5.16%	-	97,508	100,776	-	5,093	203,377

### (b) Credit Risk Exposure

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

### (c) Net Fair Value

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

## 27. REMUNERATION OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

	2004	2003
<u>Remuneration of Members of the Accountable Authority</u>		
The number of members of the Accountable Authority, whose total of fees, salaries and other benefits received including superannuation, or due and receivable, for the financial year, fall within the following bands are:		
\$0-\$10,000	7	6
\$10,001 - \$20,000	1	1
\$140,001 – \$150,000	1	1
The total remuneration of the members of the Accountable Authority is:		
	\$ 162,315	\$ 161,058

### Remuneration of Senior Officers

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

\$0-\$10,000	1	-
\$50,001 - \$60,000	1	-
\$90,001-\$100,000	1	1
\$100,001-\$110,000	1	2
The total remuneration of senior officers is:	\$ 264,140	\$ 303,664

## 28. DEPOSITS-CONTRACTS-STATE SUPPLY COMMISSION ACCOUNT

The State Supply Commission held contractors' surety deposits in a trustee capacity pending the satisfactory performance of service. These monies have been excluded from the financial statements as the Commission could not use these funds for its own operations. The funds were held by Treasury in the Deposits-Contracts-State Supply Commission Trust Account. Last financial year the balance of funds was remitted and the account closed. The following is a summary of the transactions in the Trust Account:

	2004	2003
	\$	\$
Balance as at 1 July	-	628
Interest received	-	7
Less: Deposits and interest paid from the trust account	-	(635)
Balance as at 30 June	-	-

## 29. CONTINGENT LIABILITIES

### **Taxation Matrix Vehicle Fleet Leasing Transaction**

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

## **30. THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS**

The State Supply Commission is adopting international accounting standards in compliance with AASB1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (IFRS).

International Accounting Standards are designed for the For Profit sector. The Australian Accounting Standards Board have issued a single set of accounting standards that are sector neutral with specific provisions included to accommodate the Not For Profit sector. The draft Treasurer instruction 1106 prescribes policies to provide agencies with certainty and to ensure consistency and appropriate reporting across the public sector in the transition to IFRS. The policy primarily mandates an accounting treatment or disclosure where there are alternatives under the standards.

The Commission is a Not For Profit (NFP) entity for the purposes of International Reporting Standards.

### **1. How the transition to Australian Equivalents to IFRS is being managed**

The Commission has established a project team that has:

Identified the key differences in accounting policies, disclosures and presentation and the consequential impacts and risks to the agency.

Assessed the changes required to financial management information systems and processes.

Identified the necessary staff skills and training requirements; and

Prepared a plan to convert accounting policies, financial information management information systems and processes so that the Commission can account and report on the IFRS basis.

The project is on schedule with the design and documentation of IFRS financial management systems and processes progressing concurrently with the preparation of an opening IFRS balance sheet in accordance with AASB 1 at July 2004.

### **2. Key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS:**

The Commission has identified the following key issues and differences and makes the following comments:

Accounting Standard AASB 101 (Presentation of Financial Statements) requires gains and losses on disposal of non-current assets to be offset. Because the State Supply Commission reports on a cost of service basis both gross revenue and gross expense relating to sale of owned vehicles are currently reported. Reporting gains/losses on a net basis will impact on revenue and expenditure levels but will not impact on the net result of the Income Statement. It will also have an impact on one efficiency indicator.

Accounting Standard AASB 5 (Non Current Assets Held for Sale and Discontinued Operations) requires assets that are held for resale to be separately classified as current assets in the balance sheet. While State Fleet vehicles, which are leased to government departments and agencies are sold at the completion of their lease terms, neither the number nor the value of the vehicles that meet the criteria is likely to be material at any given balance date. Consequently, no adjustment is likely to be required to the financial statements on account of AASB 5.

Accounting Standard AASB 136 (Impairment of Assets) requires an annual impairment test to be performed. Assets are to be recorded at the lower of their carrying value or impaired value. The impaired value equates to their recoverable amount. For Not for Profit entities the recoverable amount is the higher of the fair value less selling costs and depreciated replacement cost. The major asset group, motor vehicles, are currently recorded at cost less accumulated depreciation. Accordingly, where the impaired value of the asset group is materially less than the carrying value an adjustment will need to be made.

Accounting standard AASB 138 (Intangible Assets) states an intangible asset must be separable before it can be recognised. Separable means that it can be divided from the entity and sold, transferred, licensed, rented or exchanged either individually or together with a related contract, asset or liability. The intangible assets held by the Commission are Bailment Rights which are separable and have a finite life. The bailment right is an entitlement to the sale proceeds of a bailment vehicle. There is currently no Australian accounting standard that comprehensively addresses the accounting treatment of intangible assets. However, the treatment of intangible assets by the Commission mirrors the requirements of the new standard.

Quantitative information relating to the above changes was not known or reliably estimable at the time these financial statements were prepared.

**STATE SUPPLY COMMISSION OUTPUT SCHEDULE OF EXPENSES & REVENUE FOR THE YEAR ENDED 30 JUNE 2004**

	<b>Output 1 SSC Policy</b>		<b>Output 2 State Tender Committee</b>		<b>Total Excluding State Fleet and Supplier Fees</b>		<b>Supplier Fees</b>		<b>State Fleet</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>COST OF SERVICES</b>										
<b>Expenses from ordinary activities</b>										
Employee expenses	807,713	908,382	89,746	100,931	897,459	1,009,313	-	-	-	-
Supplies and services	268,480	224,281	29,831	24,920	298,311	249,201	-	-	120,536	247,099
Depreciation and amortisation expense	17,845	17,067	1,983	1,896	19,828	18,963	-	-	58,103,735	79,786,425
Administration expenses	84,232	58,929	9,359	6,548	93,591	65,477	4,070,213	3,397,394	1,409,790	1,311,773
Accommodation expenses	112,981	120,776	12,553	13,420	125,535	134,195	-	-	-	-
Other operating expenses from ordinary activities	29,188	49,712	3,243	5,524	32,431	55,236	-	-	37,267	31,984
Written down value of vehicles	-	-	-	-	-	-	-	-	56,237,031	13,327,479
Capital charge on equity	21,029	20,933	2,337	2,326	23,365	23,259	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	10,541,569	10,156,356
<b>Total cost of services</b>	<b>1,341,468</b>	<b>1,400,080</b>	<b>149,052</b>	<b>155,564</b>	<b>1,490,520</b>	<b>1,555,644</b>	<b>4,070,213</b>	<b>3,397,394</b>	<b>126,449,928</b>	<b>104,861,116</b>
<b>Revenue from ordinary services</b>										
Vehicle fleet lease revenues	-	-	-	-	-	-	-	-	54,563,140	52,539,140
Vehicle bailment revenues	-	-	-	-	-	-	-	-	23,998,304	52,382,783
Sale of vehicles	-	-	-	-	-	-	-	-	52,561,459	12,599,045
Contract Supply Fee	-	-	-	-	-	-	4,070,213	3,397,394	-	-
Interest revenue	40	6	4	1	44	7	-	-	361,201	345,782
Other revenue from ordinary activities	81,944	14,783	9,105	1,643	91,049	16,426	-	-	33,577	20,433
<b>Total revenues from ordinary activities</b>	<b>81,984</b>	<b>14,790</b>	<b>9,109</b>	<b>1,643</b>	<b>91,093</b>	<b>16,433</b>	<b>4,070,213</b>	<b>3,397,394</b>	<b>131,517,681</b>	<b>117,887,183</b>
<b>NET COST OF (SURPLUS FROM) SERVICES</b>	<b>1,259,485</b>	<b>1,385,290</b>	<b>139,943</b>	<b>153,921</b>	<b>1,399,427</b>	<b>1,539,211</b>	<b>-</b>	<b>-</b>	<b>(5,067,753)</b>	<b>(13,026,067)</b>
<b>REVENUES FROM GOVERNMENT</b>										
Appropriations	1,273,500	1,362,600	141,500	151,400	1,415,000	1,514,000	-	-	-	-
Resources received free of charge	16,763	42,625	1,863	4,736	18,625	47,361	-	-	-	-
<b>Total revenues from Government</b>	<b>1,290,263</b>	<b>1,405,225</b>	<b>143,363</b>	<b>156,136</b>	<b>1,433,625</b>	<b>1,561,361</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets resulting from operations</b>	<b>30,778</b>	<b>19,935</b>	<b>3,420</b>	<b>2,215</b>	<b>34,198</b>	<b>22,150</b>	<b>-</b>	<b>-</b>	<b>5,067,753</b>	<b>13,026,067</b>