



Government of
**Western
Australia**

STATE SUPPLY COMMISSION

ANNUAL REPORT

2004-2005

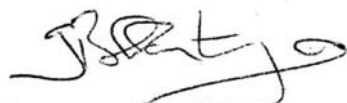
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HON ERIC RIPPER BA DipEd MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR GOVERNMENT ENTERPRISES;
MINISTER ASSISTING THE MINISTER FOR
PUBLIC SECTOR MANAGEMENT

Annual Report 2004-2005

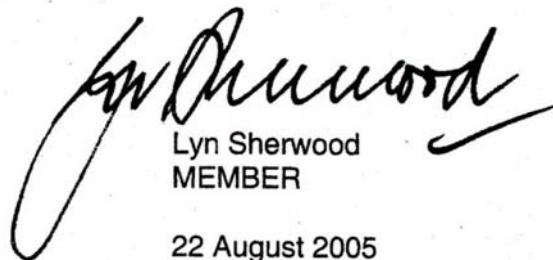
Dear Minister

In accordance with the *Financial Administration and Audit Act 1985* (Section 66), we hereby submit for your information and presentation to Parliament the Annual Report of the State Supply Commission for the financial year ending 30 June 2005.



Jennifer Ballantyne
CHAIRMAN

22 August 2005



Lyn Sherwood
MEMBER

22 August 2005

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Chairman and Chief Executive Officer's Overview

During 2004-05 the State Supply Commission continued to play a key role in the implementation of the Government's procurement agenda.

Following a comprehensive review of its existing supply policies, on 30 July 2004 the Commission gazetted thirteen new policies that reflect the objectives of the procurement reform. This includes raising the monetary thresholds for direct purchases, verbal and written quotations, and public tenders, to reduce 'red tape' in Government purchasing. The Commission conducted a Policy Awareness Seminar series with Government procurement officers, suppliers and industry associations to ensure a full understanding of the revised policy suite. In 2005-06 the Commission will review the impact of the policies and associated guidelines on procurers and suppliers.

In line with the procurement reform, the Commission reviewed and reissued procurement exemption levels to public authorities.

This year, a Procurement Officers' Induction Program for newly appointed procurement officers from across Government was developed to promote a sound understanding of the role and functions of the Commission. In addition, in conjunction with the Department of Treasury and Finance, a supply policy training and awareness program for the whole of Government was developed.

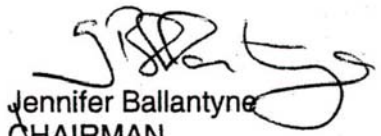
As part of the Commission's responsibilities for administering the Funding and Purchasing Community Services Policy, a review of the Standard Service Agreement implementation across Government was conducted.

Through its complaints handling function, the Commission continued to provide a service to suppliers. The Commission also undertook two Health Checks of procurement processes and practices of public authorities.

A new policy and associated guide for goods and services procurement in Western Australia in relation to the implications of the Australia-United States Free Trade Agreement (AUSFTA) was developed.

The Commission wishes to express its appreciation to the Hon Nick Griffiths LLB MLC for his contribution to the reform process.

In March 2005, the Hon Eric Ripper BA DipEd MLA was appointed as Minister responsible for the State Supply Commission. The Commission looks forward to working with the Minister to continue the procurement reform program, to achieve savings and to improve procurement outcomes for agencies.



Jennifer Ballantyne
CHAIRMAN

22 August 2005



Phill Turner
A/CHIEF EXECUTIVE OFFICER

22 August 2005

Corporate Profile

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

Ms Jennifer Ballantyne (Chairman) is the 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 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, the Commission's CEO, was seconded to the Department of Industry and Resources in May 2004. Mr Phill Turner is currently the Commission's A/Chief Executive Officer and holds the ex-officio position.

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

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

During 2004-05 the State Supply Commission Board held six Ordinary Meetings.

Legislation

GOVERNING LEGISLATION

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

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

The Commission co-ordinates and oversees the purchase of goods and services across the Western Australian 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.

MINISTERIAL RESPONSIBILITY

For the period 26 June 2003 to 10 March 2005 the Hon Nick Griffiths LLB MLC was the Minister responsible for administration of the *State Supply Commission Act 1991*. From 10 March 2005 the Hon Eric Ripper BA DipEd MLA became the responsible Minister.

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

During 2004-05 neither the Hon Nick Griffiths nor the Hon Eric Ripper gave any directions to the State Supply Commission under section 7(1) of the *State Supply Commission Act 1991*.

Role of the State Supply Commission

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

MISSION

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

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. To assist with the implementation of these policies, guideline documents are also prepared and distributed.

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.

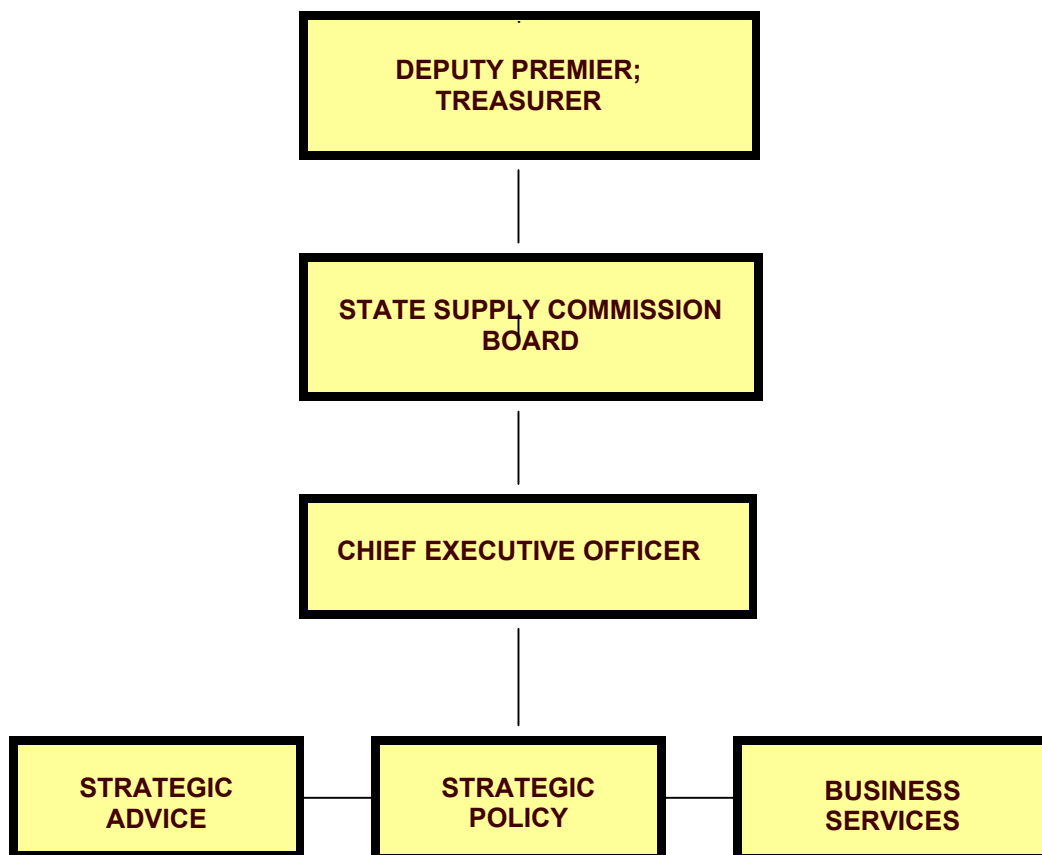
ADVICE

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



Commitment to Our Customers

Customers can expect a commitment to quality and responsive services from the State Supply Commission. This is achieved by:

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

CUSTOMER FEEDBACK

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

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

CUSTOMER COMPLAINTS

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

During 2004-05 the Commission received no formal complaints about its services from clients or the general public.

Major Achievements 2004-05

SERVICE 1 – SUPPORT AND PROMOTION OF THE USE OF THE SUPPLY POLICY FRAMEWORK

- ❖ Conducted a Policy Awareness Seminar series with Government procurement officers, suppliers and industry associations to ensure a full understanding of the revised policy suite issued in July 2004.
- ❖ Reviewed and reissued procurement exemption levels to public authorities, in line with the procurement reform. Developed and implemented an Environmental Procurement policy and guidelines.
- ❖ Developed a Procurement Officers' Induction Program for newly appointed procurement officers from across Government to promote a sound understanding of the role and functions of the State Supply Commission.
- ❖ Developed a supply policy training and awareness program for the whole of Government in conjunction with the Department of Treasury and Finance.
- ❖ Participated in a review of the legislative framework for procurement across Government as part of the ongoing procurement reform agenda of the Functional Review Taskforce.
- ❖ Developed a new policy and associated guide in relation to the implications of the Australia-United States Free Trade Agreement (AUSFTA) for goods and services procurement in Western Australia.
- ❖ Conducted a review of the Standard Service Agreement implementation across Government as part of the Commission's responsibilities for administering the Funding and Purchasing Community Services Policy.
- ❖ Investigated the possible introduction of a Gateway risk management process for all goods and services contracts across Government.
- ❖ Undertook two Health Checks of procurement processes and practices of public authorities.

SERVICE 2 – SUPPORT TO THE STATE TENDERS COMMITTEE

- ❖ Continued to provide support to the State Tenders Committee by:
 - managing the administrative activities of the Committee;
 - preparing correspondence; and
 - undertaking research activities.

Major Achievements 2004-05

SERVICE 3 – MANAGEMENT OF THE FUNDING AND LEASING OF THE STATE'S VEHICLE FLEET

- ❖ Improved leasing operations with the commencement of three new State Government contracts relating to fleet management, vehicle disposal and vehicle inspection and certification. The three new contracts all share a common theme of consolidating and streamlining processes for a smoother and more cost effective operation. Savings of approximately \$1 million have been identified.

Major Initiatives 2005-06

SERVICE 1 – SUPPORT AND PROMOTION OF THE USE OF THE SUPPLY POLICY FRAMEWORK

- ❖ Review the impact on procurers and suppliers of the State Supply Commission policies and associated guidelines, and make any necessary modifications.
- ❖ Undertake two Health Checks of procurement processes and practices of public authorities.
- ❖ Deliver a Procurement Officers' induction program for newly appointed procurement officers from across Government to promote a sound understanding of the role and functions of the State Supply Commission.
- ❖ Implement, in conjunction with the Department of Treasury and Finance, a supply policy training and awareness program for the whole-of-Government.
- ❖ Review the categories used to report the annual supply statistics.
- ❖ Implement the AUSFTA procurement policy.

SERVICE 2 – SUPPORT TO THE STATE TENDERS COMMITTEE

- ❖ Continue to provide support to the State Tenders Committee.

SERVICE 3 – MANAGEMENT OF THE FUNDING AND LEASING OF THE STATE'S VEHICLE FLEET

- ❖ Introduce, in conjunction with Department of Treasury and Finance (Government Procurement), a new Vehicle Acquisition Contract to provide enhanced flexibility and service to Government.
- ❖ Continue to contribute to the development of vehicle policy. This includes:
 - State Fleet working in conjunction with the Office of Road Safety and Worksafe on an enhanced safety policy for the Government's light vehicle fleet; and
 - State Fleet working with the Department for the Environment on a greenhouse gas emissions offset program to make the Government's light vehicle fleet 'carbon neutral'.
- ❖ Advance the restructure of outsourced vehicle facility management arrangements to further streamline State Fleet operations and reduce administration costs.

Compliance

COMPLIANCE WITH FINANCIAL ADMINISTRATION AND AUDIT ACT 1985

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

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

COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31(1)

The State Supply Commission has complied with the Public Sector Standards in Human Resource Management, the Western Australian Public Sector Code of Ethics and the Commission's Code of Conduct. In 2004-05 there were no breach-of-standard applications lodged.

The Commission has no breach-of-standard applications under review.

A total of 4 recruitment processes for permanent positions were completed during 2004-05.

COMPLIANCE WITH PUBLIC INTEREST DISCLOSURES ACT 2003 SECTION 23(1)(F)

The State Supply Commission has complied with its obligations under the *Public Interest Disclosure Act* Section 23(1)(F). A Public Interest Disclosures Officer has been appointed and internal procedures relating to obligations have been published.

The Commission received no public interest disclosures in 2004-05.

COMPLIANCE WITH ELECTORAL ACT 1907 SECTION 175E(1)

Under section 175E(1) of the *Electoral Act 1907*, the State Supply Commission incurred total expenditure of \$11,220 for 2004-05 in relation to:

- ❖ advertising agencies;
- ❖ market research organisations;
- ❖ polling organisations;
- ❖ direct mail organisations; and
- ❖ media advertising organisations.

Expenditure was incurred as follows:

Description	Supplier	Description	Amount
Media - Advertising agencies	-	-	\$0
Advertising agencies	Corporate Express	Design and printing of business cards.	\$172
	Quality Press	Design and printing of Letterheads and Compliment Slips.	\$1,320
	Expo Document Copy Centre	Printing and copying of State Supply Commission Policy and Guidelines and Who Buys What Report.	\$5,576
Market research organisations	Patersen Market Research	Preparation of the 2003-04 Buy Local Report.	\$4,538
Polling organisations	-	-	\$0
Direct mail organisations	-	-	\$0
Total Expenditure:			\$11,606



Phill Turner
A/ACCOUNTABLE OFFICER

22 August 2005

Operations Report 2004-05

REVIEW OF SUPPLY POLICIES, GUIDELINES AND PROCEDURES

The State Supply Commission reviewed 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 and on 30 July 2004 the Commission gazetted thirteen new policies:

- ❖ [Value for Money](#)
- ❖ [Open and Effective Competition](#)
- ❖ [Contracting Approvals](#)
- ❖ [Common Use Arrangements](#)
- ❖ [Integrity, Ethics and Probity](#)
- ❖ [Environmental Procurement](#)
- ❖ [Assuring Quality](#)
- ❖ [Managing Procurement by Private Sector Providers](#)
- ❖ [Disposal of Goods](#)
- ❖ [Waivers of Supply Policy](#)
- ❖ [Supplier Complaints and Communications](#)
- ❖ [Forward Procurement Reporting](#)
- ❖ [Other Government Policies Impacting on Procurement](#)

The new policies reflect the objectives of the procurement reform. This includes raising the monetary thresholds for direct purchases, verbal and written quotations, and public tenders, to reduce 'red tape' in Government purchasing.

SUSTAINABLE PROCUREMENT

As part of its general review of supply policies and guidelines, the State Supply Commission developed an Environment Procurement 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.

The Commission adopts a triple bottom-line approach to all its own procurement activities.

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

In addition to the review of State Supply Commission policies and guidelines, the State Supply Commission continued to participate 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;
- ❖ developing a generic contract process mapping schematic that comprehensively identifies the "best practice" contract process to be adopted across Government; and
- ❖ developing, in conjunction with the Department of Treasury and Finance, a wide-ranging program of training, education and awareness activities to ensure that procurement practitioners and other Government staff can access the required skills and knowledge to succeed in the changing procurement environment.

GENERAL CONDITIONS OF CONTRACT

Since 1996 agencies have been using and modifying three General Terms and Conditions of Contract: for the supply of goods, the provision of services and the engagement of management consultants.

The *Deliverable C Report* recommended that there be one generic document to fit all requirements. The Department of Treasury and Finance chaired a Committee to oversee the drafting. The Commission was represented on this Committee. The State Solicitor's Office prepared the General Conditions of Contract in accordance with the Department of Treasury and Finance's written and verbal instructions. The document is now available on the Department of Treasury and Finance and State Supply Commission web sites.

WHO BUYS WHAT

The State Supply Commission published the 2003-04 *Who Buys What* annual supply statistics report in December 2004. This report 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 103 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.

Overall expenditure on goods and services, construction and related services reported for the year 2003-04 was \$6.6 billion.

BUY LOCAL POLICY

The State Supply Commission administers the Buy Local Policy, which covers all State government purchasing of goods, services and works, including housing and public buildings. The Policy applies to all State government public authorities, including government departments, agencies and government trading enterprises, unless specifically exempted by Cabinet.

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

For the 2003-04 financial year 100 agencies provided *Buy Local Policy* reports. Of these agencies, 86% achieved the buy local purchasing target. The Commission has liaised with the agencies that did not report achieving the buy local purchasing target.

SUPPLIER COMPLAINTS

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 received 26 complaints for 2004-05. In 2004-05, 27 complaints were finalised, including two from 2003-04.

HEALTH CHECKS

The State Supply Commission undertakes a series of Health Checks and reviews on selected aspects of Government procurement. These reviews assist in identifying aggregation opportunities and monitoring the level of compliance with supply policies. In 2004-05 the Commission undertook two Health Checks, namely:

Health Check 6: Report on Public Authorities' Compliance with the Revised Open and Effective Competition Policy for Purchases above \$10,000.

The results of Health Check 6 have been tabled in Parliament.

Health Check 7: Report on Public Authorities' Compliance with Buying Rules for the Common Use Arrangements:

16503A – Supply of Personal Computers

16503B – Supply of Notebook Computers.

The results of Health Check 7 will be tabled in Parliament.

STATE GENERAL ELECTION

By convention the Government assumes a 'caretaker' role in the period immediately before a State General Election. This caretaker role commenced from the date of the dissolution of the Legislative Assembly on 23 January 2005 until the new Government was formally sworn-in on 10 March 2005.

The Guidelines Applying in Western Australia during the State General Election Period 2005 had several requirements. These included a requirement that, in general, government advertising and publications, except work that the Western Australian Electoral Commission authorised, be deferred during the caretaker period.

Exemptions from this requirement were sought from the A/Chief Executive Officer of the State Supply Commission in respect of the following instances: advertisements relating to public inquiries; advertising of commercial services that the Government provided; and community service announcements. The A/Chief Executive considered 567 requests during the period.

COMPLIANCE REVIEWS

REVIEW 01 – PURCHASING AND CONTRACTING AUTHORITY REGISTER

The State Supply Commission issued new partial exemption documents in August 2004 to the public authorities under the Commission's jurisdiction. The document included the requirement to maintain a contracts register for purchases above \$10,000. There was also a requirement for a register of all officers who have authority to act on behalf of the public authority in undertaking their purchasing activities.

This review found that all public authorities were in compliance.

REVIEW 02 – SOLE PROVIDER APPROVALS

The purpose of the review was to ensure that sole provider approvals have been granted in accordance with the partial exemption issued to the Minister for Health.

The Department of Health currently undertakes its purchasing operations for the supply of goods and services under the authority of a partial exemption to \$10 million. The State Supply Commission has issued a partial exemption to the Minister for Health.

The Minister for Health, through the Government Health Supply Council, is delegated authority to determine and approve sole provider status for the supply of highly specialised medical goods and equipment only.

The review confirmed that, for the period from January 2004 to May 2005, the Department of Health complied with its sole supplier approvals under the Minister for Health's partial exemption.

REVIEW 03 – COMPLIANCE WITH OPEN AND EFFECTIVE POLICY

The purpose of the review was to ensure that public authorities have complied with the State Supply Commission's Open and Effective Policy for:

- ❖ purchases under \$1,000;
- ❖ \$1,001 to \$9,999; and
- ❖ \$10,000 to \$99,999.

The review included confirmation of the public authorities' compliance with their partial exemption's terms and conditions for purchases above \$20,000.

The State Supply Commission reviewed 154 contracts across 10 metropolitan public authorities. Two contracts were identified where the public authorities did not comply with their partial exemption's terms and conditions for purchases above \$20,000.

STATE TENDERS COMMITTEE

In 2004-05 the State Tenders Committee considered 118 tender submissions and 102 procurement plan submissions.

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

- ❖ the identification of a number of industry development opportunities;
- ❖ application of the Priority Access Policy when the successful tenderer is an Eastern States firm; and
- ❖ the future of incentive discounts from suppliers to agencies given the introduction of the Shared Services Centre.

The Commission wishes to thank State Tenders Committee members for their commitment and enthusiasm during 2004-05.

Members of the 2004-05 State Tenders Committee:

Professor Robert Harvey, (Executive Dean, Faculty of Business and Public Management, Edith Cowan University), Chairman from 8 June 2005. Professor Harvey replaced Dr Wally Cox (Chair, Environmental Protection Authority), who served as Chairman from 1 July 2004 to 27 April 2005.

Mr Greg Beange (Department of Conservation and Land Management).

Mr Bob Berg (Department of Justice).

Ms Kerry Fijac (Department of Housing and Works);

Ms Prudence Ford (HealthSupply WA), who replaced Mr Paul Hansen from 12 January 2005.

Mr Athol Jamieson (Department for Planning and Infrastructure).

Mr Neil Logan (Department of the Premier and Cabinet).

Mr Colin Murphy (Department of Treasury and Finance) until 27 April 2005.

Mr Gary Stokes (Department of Industry and Resources).

Mr Alex Taylor (Western Australia Police; represented Department of Treasury and Finance from 27 April 2005 onwards).

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.

During 2004-05 State Fleet acquired 4,022 passenger and light commercial vehicles and sold 3,013 of its vehicles to bring the number of vehicles owned by State Fleet to 9,571 vehicles.

The number of vehicles that State Fleet leased to agencies at the end of the year was 9,423, an increase on the 8,725 vehicles leased at the start of the year. A majority of the increase is attributable to State Fleet now leasing vehicles to agencies that previously used other arrangements.

State Fleet is required to be financially self-sufficient, without recourse to budget funding, and aims to be financially viable over time. State Fleet reported a profit of \$7.38 million in 2004-05. Based on current market conditions State Fleet is projected to remain profitable. Profits are used to reduce general government debt levels.

PUBLICATIONS

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

ANNUAL REPORTS

BUY LOCAL REPORTS

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

WHO BUYS WHAT

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

BUYER ALERTS

- ❖ Update on Review of State Supply Commission Policies and Guidelines - July 2004
- ❖ Acceptance of Promotional Benefits - July 2004
- ❖ Gazettal of the State Supply Commission Policies - September 2004
- ❖ Standard Grant Documentation - Funding and Purchasing Community Services Policy - January 2005
- ❖ Regional Purchasing - February 2005

STATE SUPPLY COMMISSION POLICIES AND GUIDELINES

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

MAJOR PROMOTIONAL, PUBLIC RELATIONS OR MARKETING ACTIVITIES

REGIONAL MEETING OF STATE SUPPLY COMMISSION BOARD

In October 2004 the State Supply Commission Board met in Geraldton to obtain direct feedback from agencies, suppliers and non-government organisations.

Prior to the Board meeting, Board Members took the opportunity to meet with industry participants and agency representatives to discuss, first-hand, local issues.

PROCUREMENT INTRODUCTORY AWARENESS SESSIONS

Regular monthly State Supply Commission Procurement Introductory Awareness Sessions for new public sector employees have been introduced. The sessions also benefit existing employees who have recently become involved in procurement.

The awareness sessions cover:

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

FUNDING AND PURCHASING COMMUNITY SERVICES

In March 2005, the State Supply Commission participated in an Institute of Public Administration seminar on Contracting for the Delivery of Community Services. The seminar discussed managing contractual relationships with the community sector. In particular, these discussions centred on the Funding and Purchasing Community Services Policy, which the Commission administers. The topic was explored through presentations from agency and community sector perspectives, and through a question-and-answer panel discussion.

The Commission delivered the lead presentation on the rationale behind developing the policy and its implementation.

The seminar was well-received and confirmed with agencies:

- ❖ the Commission's role in providing advice and approvals in relation to the policy; and
- ❖ the circumstances in which the policy may be applied.

HIGHLIGHTS OF THE YEAR

PUBLIC AUTHORITIES' POWER TO PURCHASE

To ensure that public authorities are responsible for their procurement decisions the State Supply Commission increased the monetary thresholds for their procurement activities. Feedback from suppliers justify that savings are being achieved through the reduction in unnecessary paper work.

SUPPLY POLICIES

Suppliers and agencies have welcomed the changes to supply policies as a result of the procurement reform. Increasing the monetary levels to enable the purchase of goods and services up to \$1,000 without calling quotations, and raising the public tender limit to above \$100,000 has resulted in a reduced workload. The general opinion is that the 'red tape' in Government purchasing has been reduced.

At the same time audit requirements, to ensure that probity is maintained, are satisfied through the implementation of a series of checks and balances. These checks involve a Department of Treasury and Finance sign-off for purchases above \$20,000 and specialist reviews that the State Supply Commission undertakes.

PROCUREMENT INTRODUCTORY AWARENESS SESSIONS

To raise the understanding of how government procurement is undertaken the State Supply Commission has commenced a series of awareness sessions.

The excellent feedback the Commission receives reinforces the value of these informative procurement sessions in assisting new and existing public authority employees with their procurement activities.

FUNDING AND PURCHASING COMMUNITY SERVICES

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

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

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

In May 2005 the Committee developed a survey to review the implementation of the Standard Service Agreement. The survey was sent to not-for-profit organisations providing community services on the Government's behalf. The survey found that there is support for and satisfaction with understanding and using the standardised documentation, and that the majority of service providers are satisfied or very satisfied, with their relationship with funding agencies.

LIKELY DEVELOPMENTS AND FORECAST RESULTS OF OPERATIONS

In 2005-06 the State Supply Commission will implement and administer the Australia-United States Free Trade Agreement (AUSFTA) Procurement Policy. This policy has been developed to meet Western Australia's obligations under the AUSFTA in relation to government procurement.

The Commission will closely monitor the negotiation process in the Australia-China Free Trade Agreement, particularly as it pertains to government procurement.

To support the Government's procurement reform agenda, the Commission will continue to monitor agencies' procurement practices. It will continue to provide advice and guidance to support best-practice procurement activities across government.

Customer Outcomes and Other Accountability Issues

PEOPLE AND COMMUNITIES

DISABILITY SERVICE PLAN OUTCOMES

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

CULTURAL DIVERSITY AND LANGUAGE SERVICES OUTCOMES

The State Supply Commission employs a number of staff from a variety of ethnic and cultural backgrounds. 30% of Commission 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."

STAFF PROFILE

Full-time permanent	10
Full-time contract	0
Part-time measured on a FTE basis	0
On secondment	3

EQUAL EMPLOYMENT OPPORTUNITY OUTCOMES

The percentage of women employed at the State Supply Commission has increased from 55.5% as at 30 June 2004 to 60% at 30 June 2005.

The Commission has made a commitment towards the achievement of the EEO/Diversity Management Plan 2003-05.

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

YOUTH OUTCOMES

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

CAREER AND PERSONAL DEVELOPMENT

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

During the financial year, our employees received in-house and external training.

In 2005-06 the Commission will be developing individual training profiles for its employees.

OCCUPATIONAL HEALTH, SAFETY, WORKERS COMPENSATION AND REHABILITATION

The State Supply Commission has an Employees Assistance Program in place. This Program provides employees and their families with professional, independent and confidential counselling and consulting assistance to find solutions to any work or personal concerns they are facing.

No compensation claims were recorded during the financial year.

DECLARATION OF INTERESTS

The State Supply Commission is not aware of any member of the Commission or its staff having any interest in or benefiting from any contract the Commission has entered into or considered.

THE ECONOMY

A major goal of the State Supply Commission is to actively participate in the Cabinet approved procurement reform. The revision of the Commission's policies is a key component to achieving this goal.

The policies provide public authorities with direction and guidance on all aspects of purchasing and contracting for goods and services.

The Commission, working with the Department of Treasury and Finance, undertook a comprehensive review of the gazetted supply policies. The purpose of the review was to identify opportunities to:

- ❖ improve the efficiency of the supply policy set and contribute to some of the Government's anticipated savings from procurement reform;
- ❖ ensure that the supply policy framework and process settings are appropriate and relevant; and
- ❖ address a range of issues that government agencies and suppliers raised in relation to the content, format or interpretation of the policies.

The result is a reduction in 'red tape' in Government procurement. This is a cost saving benefit to both public authorities and suppliers.

THE ENVIRONMENT

WASTE PAPER RECYCLING

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

ENERGY SMART GOVERNMENT POLICY

The State Supply Commission is a voluntary participant to achieve the Government's Energy Smart Government Policy objective of a 12% reduction in energy consumption by 2006-07.

The Commission achieved a 21% saving in light and power costs against the baseline of 2001-02.

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

- ❖ 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 accepted an invitation to participate in the Department of Local Government and Regional Development's Regional Policy Implementation Group.

GOVERNANCE

EVALUATIONS

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

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 5735. 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.

RECORDKEEPING PLANS

The State Records Office approved the State Supply Commission's Record Management Plan on 31 August 2004. The Commission is currently working towards compliance with the minimum requirements of *State Records Commission Standard 2*.

SUSTAINABILITY

The State Supply Commission strongly supports the inclusion of sustainability principles and practices in the performance of its core activities as the policy maker, regulator and umpire for goods and services procurement in the Western Australian public sector. This strong commitment to sustainability is reflected in the Commission's Strategic Outcomes, which include seeking to ensure that:

- ❖ Government agencies apply sustainability principles in their procurement.
- ❖ Vehicles for the State's fleet are provided in a commercially viable and sustainable manner.

The aim of the Commission's Sustainability Action Plan is to embed sustainability into the day-to-day activities of the Commission. The Commission is addressing the three overall objectives of the Sustainability Code of Practice for Government Agencies (2004) as follows:

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

- ❖ The Commission's Strategic Plan 2005 vision and strategic outcomes reflect the principles of sustainability.
- ❖ The Commission's supply policy suite represents a holistic and sustainable policy approach to procurement of goods and services.
- ❖ Development of an Environmental Procurement Policy and associated Environmental Purchasing Guide provides Government purchasers with guidance on how they can appropriately incorporate relevant environmental considerations in their procurement processes across a wide range of goods and services.
- ❖ A senior staff member is nominated as the key person responsible for sustainability issues.
- ❖ Implemented a quality management system to manage and monitor the Commission's projects and day-to-day operations.
- ❖ Specific inclusion of regional stakeholders and communities in developing strategic approach to sustainable procurement policies.

2) Agency operations support sustainability

- ❖ Updated existing policies for Recycling, Energy and Vehicle Use to incorporate sustainability considerations.
- ❖ Reviewed and updated existing environmental performance plans to ensure compliance with Sustainability Code of Practice for Government Agencies.
- ❖ Implemented the Energy Smart Government 'Ten Steps to Implement' guide to energy management.
- ❖ Printer and toner cartridges are recycled and recycled cartridges purchased where practicable.

3) Public sector employees are empowered and encouraged to support sustainability

- ❖ The Commission's supply policies and internal policies support the promotion of sustainability principles to employees to encourage the adoption of sustainable practices.

CORRUPTION PREVENTION

The State Supply Commission's induction process ensures that new staff members are made aware of their responsibilities under the Commission's Code of Conduct. The Code provides employees with clear and practical guidelines on ethical behaviour in the workplace. With particular relevance to corruption prevention, the following references to Commission employees' obligations have been incorporated in the Code:

- ❖ The giving and receiving of gifts or favours.
- ❖ Official Information and Communications, including confidentiality; public records; use of computer and communication equipment.

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

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

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

PUBLIC INTEREST DISCLOSURES

The State Supply Commission is committed to the aims and objectives of the *Public Interest Disclosure Act 2003*. The Commission recognises the value and importance of contributions of staff to enhance administrative and management practices and strongly supports disclosures being made by staff as to corrupt or other improper conduct.

The Commission does not tolerate corrupt or other improper conduct. This includes mismanagement of public resources in the exercise of the public functions of the Commission and its officers, employees and contractors.

The Commission will take all reasonable steps to provide protection to staff who make such disclosures from any detrimental action in reprisal for the making of a public interest disclosure.

The Commission does not tolerate any of its officers, employees or contractors engaging in acts of victimisation or reprisal against those who make public interest disclosures.

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

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

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

Outcomes, Services and Performance Information

The State Supply Commission was provided with an amount of \$1.494 million to meet recurrent services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.529 million. The Commission received services free of charge to the value of \$13,528.

The following outcome, outputs and performance information is the subject of a Resource Agreement that the Treasurer 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	2004-05 Budget	2004-05 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%	97	

Compliance with the supply policies ensures that all public authorities' processes achieve best practice procurement and disposal.

To measure the extent to which public authorities complied with supply policies, the Commission categorised each authority as a heavy, medium or light procurer.

The Commission then reviewed a cross-section of awarded contracts for the selected authorities. If any of the selected public authorities' contract files failed to include evidence of compliance to each supply policy question, the particular question was deemed as non-compliant against that supply policy.

The level of compliance is used as feedback to authorities for improvement.

OUTCOME 2

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

Effectiveness Indicator 2

Performance Measure	2004-05 Budget Profit (000s)	2004-05 Actual Profit (000s)	Reasons for Significant Variance
Extent to which State Fleet operations are economically sustainable.	\$450	\$7,328	See note below.

The 2004-05 outcome and effectiveness indicator is based on the new outcome and effectiveness indicator for the 2004-05 financial year.

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

The budget estimate of profit was framed in a climate of sharply declining second-hand vehicle values, and anticipated losses on disposal of vehicles at the end of their lease terms. Subsequently, the second-hand vehicle market stabilised and disposal values held up better than expected, so the anticipated losses did not arise.

EFFICIENCY INDICATORS

Service 1: Support and promote the use of the supply policy framework

Performance Measure	2004-05 Budget	2004-05 Actual	Reasons for Significant Variance
Quantity Total number of contracts and tenders over \$10,000.	3,500	5,421	Increased awareness of the requirement to publish on the Bulletin Board.
Quality Total number of complaints.	50	27	Impact of revised policies.
Timeliness Enquiries handled within 45 days taking into account the Commission's complaint handling process.	90%	44%	Complexity of some complaints requiring further reviews.
Cost Average cost of State Supply Commission services per contract or tender over \$10,000.	\$387	\$255	Increased number of awarded contracts published on Bulletin Board.

This efficiency indicator measures the cost of developing, reviewing and maintaining the State Supply Commission's supply policy framework. The cost of supporting and promoting its use to public authorities is included. This involves developing new policies and updates, handling enquiries and complaints, educating users, monitoring compliance, and providing Ministerial briefings.

The above efficiency indicator contributes to the government strategic goal to govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.

Service 2: Support to the State Tenders Committee

	2004-05 Budget	2004-05 Actual	Reasons for Significant Variance
Quantity Procurement plans and tender recommendations considered.	350	214	Impact of changed policy thresholds due to policy reform.
Quality Procurement plans and contracts endorsed by the State Tenders Committee.	95%	100%	
Procurement plans and contracts not endorsed by the State Tenders Committee.	5%	0%	
Timeliness Lodged procurement plans and contracts considered by the State Tenders Committee within 10 days.	100%	100%	
Advice on decisions provided to authorities within 3 days.	100%	100%	
Cost Average cost of State Tenders Committee operations per procurement plan or contract.	\$429	\$719	Increased thresholds for submissions due to policy reform.

The role of the State Tenders Committee (STC) is to review high value procurement plans (over \$1,000,000), and the tendering process and recommended choice of contractors for high value contracts (over \$500,000). The STC has the power to endorse or not endorse the procurement plans and tender recommendations that are submitted for its consideration.

All submitted procurement plans and tender recommendations are checked for completeness and compliance before they are tabled for the STC's consideration. Any omissions, inconsistencies or other shortfalls are referred to the relevant authority and guidance is provided as to how these should be resolved.

The above efficiency indicator contributes to the government strategic goal to govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future.

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

The average cost of support to the STC is calculated by dividing the total cost of Output 2 by the total number of procurement plans and contract award recommendations that the Committee considered.

The review of the State Supply Commission policies increased the threshold for submissions to the State Tenders Committee. This resulted in a decrease in submissions to the Committee and therefore an increase in the cost. The STC considered 214 submissions in 2004-05, compared to 293 in 2003-04.

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

	2004-05 Budget	2004-05 Actual	Reasons for Significant Variance
Quantity Number of leased vehicles	8,600	9,075	Number of vehicles determined by client agencies.
Quality Errors per 100,000 vehicles invoiced.	<10	1	
Timeliness Timing requirements for wholesale financing obligations are met.	100%	100%	
Cost Average cost of leased vehicle.	\$15,146	\$12,664	Refer to note below.

The average cost of leased vehicles decreased considerably in 2004-05 compared with 2003-04. This can be largely attributed to the lower amortisation cost in 2004-05. 174 bailment vehicles were sold in the period, compared with 1,286 bailment vehicles sold in 2003-04. Bailment vehicles are amortised at the time of being sold.

Another significant factor that has contributed to the decreased average cost of leased vehicles is the rise in the average of vehicles leased by State Fleet in 2004-05. During 2004-05, State Fleet leased an average of 9,075 vehicles per month, compared to a monthly average of 8,415 vehicles in 2003-04.


State Supply Commission Certification of Performance Indicators for the Year Ended 30 June 2005

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 2005.



Jennifer Ballantyne
CHAIRMAN

22 August 2005



Lyn Sherwood
MEMBER

22 August 2005



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2005

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 30 June 2005.

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
14 October 2005

Performance Indicators

OUTCOME 1

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

Effectiveness Indicator 1

Performance Measure	2004-05 Target	2004-05 Actual	2003-04 Actual	2002-03 Actual
The extent to which the use of best practice procurement and disposal processes by all public authorities is achieved.	100%	97%	96%	KPI introduced 2003-04.

Compliance with the supply policies ensures that all public authorities' processes achieve best practice procurement and disposal.

To measure the extent to which public authorities complied with supply policies, the Commission categorised each authority as a heavy, medium or light procurer.

The Commission then reviewed a cross-section of awarded contracts for the selected authorities. If any of the selected public authorities' contract files failed to include evidence of compliance to each supply policy question, the particular question was deemed as non-compliant against that supply policy.

The level of compliance is used as feedback to authorities for improvement.

OUTCOME 2

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

Effectiveness Indicator 2

Cost	2004-05 Target Profit	2004-05 Actual Profit	2003-04 Actual Profit	2002-03 Actual Profit
Extent to which State Fleet operations are economically sustainable.	\$450	\$7,328	\$5,068	\$13,026

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

State Fleet has operated profitably in each of the years from 2002-03 to 2004-05 and remains commercially viable. The actual profit for 2004-05 was better than target because second-hand vehicle prices held up better than was expected when the target was set and anticipated losses on sale of ex-leased vehicles did not arise.

EFFICIENCY INDICATORS

Service 1: Support and promote the use of the supply policy framework

Cost	2004-05 Target	2004-05 Actual	2003-04 Actual	2002-03
Average cost of State Supply Commission services per contract or tender over \$10,000.	\$387	\$255	\$295	KPI introduced 2003-04.

This efficiency indicator measures the cost of developing, reviewing and maintaining the State Supply Commission's supply policy framework. The cost of supporting and promoting its use to public authorities is included. This involves developing new policies and updates, handling enquiries and complaints, educating users, monitoring compliance, and providing Ministerial briefings.

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

The average cost of State Supply Commission services per contract or tender over \$10,000 is calculated by dividing the total cost of Service 1 by the total number of contracts or tenders over \$10,000. The Western Australian Government Information Bulletin Board provides information on the total number of awarded contracts over \$10,000.

The decrease in 2004-05 is due to the growing awareness amongst public authorities of the requirement to publish on the Bulletin Board. In 2004-05, 5,421 awarded contracts were published on the Bulletin Board; an increase of 1,213.

Service 2: Support to the State Tenders Committee

Cost	2004-05 Target	2004-05 Actual	2003-04 Actual	2002-03 Actual
Average cost of State Tenders Committee operations per procurement plan or contract.	\$429	\$719	\$471	KPI introduced 2003-04.

The role of the State Tenders Committee (STC) is to review high value procurement plans (over \$1,000,000), and the tendering process and recommended choice of contractors for high value contracts (over \$500,000). The STC has the power to endorse or not endorse the procurement plans and tender recommendations that are submitted for its consideration.

All submitted procurement plans and tender recommendations are checked for completeness and compliance before they are tabled for the STC's consideration. Any omissions, inconsistencies or other shortfalls are referred to the relevant authority and guidance is provided as to how these should be resolved.

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

The average cost of support to the STC is calculated by dividing the total cost of Service 2 by the total number of procurement plans and contract award recommendations that the Committee considered.

The review of the State Supply Commission policies increased the threshold for submissions to the State Tenders Committee. This resulted in a decrease in submissions to the Committee and therefore an increase in the average cost. The STC considered 214 submissions in 2004-05, compared to 293 in 2003-04.

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

Cost	2004-05 Target	2004-05 Actual	2003-04 Actual	2002-03 Actual
Average cost of leased vehicles.	\$15,146	\$12,664	\$15,027	\$12,653

The average cost of leased vehicles decreased considerably in 2004-05 compared with 2003-04. The decrease in cost can be largely attributed to the lower amortisation cost in 2004-05. 174 bailment vehicles were sold in the period, compared with 1,286 bailment vehicles sold in 2003-04. Bailment vehicles are amortised at the time of being sold.

Another significant factor that has contributed to the decreased average cost of leased vehicles is the rise in average number of vehicles leased by State Fleet in 2004-05. During 2004-05, State Fleet leased an average of 9,075 vehicles per month. This is compared to a monthly average of 8,415 vehicles in 2003-04.

State Supply Commission Certification of Financial Statements for the Year Ended 30 June 2005

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 2005, and the financial position as at 30 June 2005.

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



Jennifer Ballantyne
CHAIRMAN

22 August 2005



Lyn Sherwood
MEMBER

22 August 2005



Martin Braganza
PRINCIPAL ACCOUNTING OFFICER

22 August 2005



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

STATE SUPPLY COMMISSION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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 30 June 2005 and its financial performance and cash flows for the year ended on that date.

Scope

The Commission's Role

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

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

Summary of my Role

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

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

D D R PEARSON
AUDITOR GENERAL
14 October 2005

State Supply Commission Statement of Financial Performance for the Year Ended 30 June 2005

		2005	2004
	Note	\$	\$
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	3	964,274	897,459
Supplies and services	4	1,172,705	418,847
Depreciation and amortisation expense	5	40,413,249	58,123,563
Administration expenses	6	5,756,638	5,573,595
Accommodation expenses	7	139,206	125,535
Other expenses from ordinary activities	8	84,816	69,698
Costs of disposal of vehicles sold	9	60,717,907	56,237,031
Capital user charge	11	28,960	23,365
Borrowing costs expense		11,362,557	10,541,569
Total cost of services		120,640,312	132,010,662
Revenue from ordinary activities			
<u>Revenue from operating activities</u>			
Vehicle fleet lease rentals		59,787,482	54,563,140
Vehicle bailment revenues		3,609,877	23,998,304
Proceeds from the sale of vehicles	9	58,488,066	52,561,459
<u>Revenue from non operating activities</u>			
Contract supply fees		4,179,490	4,070,213
Interest revenue		324,861	361,245
Other revenues from ordinary activities	10	50,380	124,626
Total revenues from ordinary activities		126,440,156	135,678,986
NET COST OF (SURPLUS FROM) SERVICES			
		(5,799,844)	(3,668,325)
REVENUES FROM STATE GOVERNMENT			
Service appropriations	12	1,494,000	1,415,000
Resources received free of charge	12	13,529	18,625
Total revenues from State Government		1,507,529	1,433,625
Change in net assets	22	7,307,373	5,101,950
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS			
		7,307,373	5,101,950

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 2005

		2005	2004
	Note	\$	\$
Current Assets			
Cash assets	23(a)	8,604,279	6,376,823
Receivables	13	3,296,680	3,954,551
Amounts receivable for services	14	30,000	21,000
Other assets	15	16,727	39,403
Total Current Assets		11,947,686	10,391,777
Non-Current Assets			
Property, plant, equipment and vehicles	16	218,349,106	199,478,048
Intangible assets	17	624,263	3,843,263
Total Non-Current Assets		218,973,369	203,321,311
Total Assets		230,921,055	213,713,088
Current Liabilities			
Payables	18	1,746,405	1,614,098
Interest-bearing liabilities	19	106,423,608	86,230,528
Provisions	20	212,669	187,671
Other liabilities	21	3,198,908	2,901,065
Total Current Liabilities		111,581,590	90,933,362
Non-Current Liabilities			
Interest-bearing liabilities	19	100,748,993	111,477,472
Provisions	20	68,805	106,960
Total Non-Current Liabilities		100,817,798	111,584,432
Total Liabilities		212,399,388	202,517,794
NET ASSETS		18,521,667	11,195,294
Equity			
Contributed equity	22	20,070,000	20,051,000
Accumulated deficiency	22	(1,548,333)	(8,855,706)
TOTAL EQUITY		18,521,667	11,195,294

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 2005

		2005	2004
	Note	\$	\$
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		1,473,000	1,400,000
Capital contributions		19,000	-
Holding account draw-downs		12,000	-
Net cash provided by State Government		1,504,000	1,400,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(990,524)	(951,290)
Suppliers, services, administration and accommodation services		(7,041,521)	(5,847,379)
GST payments on purchases		(13,223,534)	(12,313,896)
Capital user charge		(28,960)	(23,365)
Borrowing costs		(11,316,005)	(10,433,940)
Other Costs		(74,892)	(37,267)
Receipts			
Vehicle fleet lease receipts		60,830,319	54,543,833
Contract supplier fee receipts		4,223,490	3,824,683
Interest received		317,297	363,679
Other receipts		75,288	113,239
GST receipts from State Government agencies and ATO		13,286,156	12,428,586
Net cash provided by/(used in) operating activities	23(b)	46,057,114	41,666,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of fleet owned vehicles		57,326,638	51,373,279
Proceeds from the sale of fleet bailment vehicles		3,499,018	23,551,199
Purchase of non-current physical assets		(115,623,915)	(118,278,901)
Net cash used in investing activities		(54,798,259)	(43,354,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		13,990,300	6,216,262
Repayment of borrowings		(4,525,699)	(6,792,611)
Net cash provided by/(used in) financing activities		9,464,601	(576,349)
Net increase/(decrease) in cash held		2,227,456	(863,890)
Cash assets at the beginning of the financial year		6,376,823	7,240,713
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	23(a)	8,604,279	6,376,823

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 2005

1. COMMISSION'S MISSION AND FUNDING

The Commission's mission is to provide leadership, support and services to ensure that Western Australian Government agencies adhere to the use of best practice procurement and disposal processes. To achieve this, the State Supply Commission:

- provide an effective policy framework across all buying activities;
- promote and facilitate the adoption of best practice to achieve improvements in public sector performance and accountability;
- maintain systems and processes for the assessment of agency buying performance and practice;
- operate an independent, compliant grievance facility to address anti-competitive behaviour and procedural errors by agencies aimed at enhancing accountability and public confidence in public sector procurement; and,
- manage 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 State Fleet is outsourced 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) Service Appropriations

Service 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 volume rebates on the purchase of some goods and services in relation to selected Common Use Contracts.

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

(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.

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

(i) *Bailment Rights*

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

(ii) *Revaluation of Bailment Rights*

In November 2001 the Commission terminated the Matrix Agreement. As part of the termination process the State Supply Commission acquired the rights to the use of, and the rental and sale proceeds (collectively the bailment rights) 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 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. The Commission contributes to this accumulation fund in compliance 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 3 and 20).

(m) Accrued Salaries

At the 30 June 2005 accrued salaries represent the amount due to other departments or agencies for staff on secondment to the Commission but unpaid at the end of the financial year. At the 30 June 2004 accrued salaries represent the amount due to staff but unpaid as 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

(q) 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

	2005	2004
	\$	\$
Wages and salaries	851,914	842,626
Superannuation	76,873	77,022
Long service leave (i)	29,427	(35,532)
Annual leave (i)	6,060	13,343
	<u>964,274</u>	<u>897,459</u>

(i) 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 20.

4. SUPPLIES AND SERVICES

Consultants and contractors	91,275	130,742
Audit	75,500	0
Legal fees (i)	911,328	139,161
Repairs and maintenance	12,691	2,509
Travel	24,060	48,811
Other	55,852	97,624
	<u>1,172,705</u>	<u>418,847</u>

(i) Legal fees have been incurred by the Commission in its ongoing management of the responsibility acquired, following the termination of the Matrix Vehicle Fleet Lease Transaction in November 2001.

5. DEPRECIATION AND AMORTISATION EXPENSE

Depreciation

Computer equipment and software	9,590	12,264
Leasehold improvements	3,786	3,786
Office equipment	3,778	3,778
Motor vehicles	37,177,095	31,226,335
Total depreciation	<u>37,194,249</u>	<u>31,246,163</u>

Amortisation

Intangible assets-Bailment Rights	3,219,000	26,877,400
Total amortisation	<u>3,219,000</u>	<u>26,877,400</u>
Total depreciation and amortisation expense	<u>40,413,249</u>	<u>58,123,563</u>

6. ADMINISTRATION EXPENSES

	2005	2004
	\$	\$
Communications	25,622	63,007
Consumables	5,422	7,412
Other staff costs	25,696	23,173
Contract management fee	4,179,490	4,070,213
Facility management fee	900,000	900,000
State Fleet management fee	620,408	509,790
	<u>5,756,638</u>	<u>5,573,595</u>

7. ACCOMMODATION EXPENSES

Lease rentals	139,206	125,535
	<u>139,206</u>	<u>125,535</u>

**8. OTHER EXPENSES FROM
ORDINARY ACTIVITIES**

Capital acquisitions less than \$5000	30,878	1,893
Motor vehicle expenses	25,808	30,538
Other	28,130	37,267
	<u>84,816</u>	<u>69,698</u>

9. NET PROFIT/(LOSSES) ON DISPOSAL OF NON CURRENT ASSETS	2005	2004
	\$	\$
<u>Loss on Disposal of Non Current Assets</u>		
Costs of disposal of vehicles sold	60,717,907	56,237,031
Gross proceeds on disposal of motor vehicles	58,488,066	52,561,459
Net loss on disposal of non current assets	<u>(2,229,841)</u>	<u>(3,675,572)</u>

10. OTHER REVENUES FROM ORDINARY ACTIVITIES

Sale of publications	-	108
Expense recoveries	9,090	90,941
Other	41,290	33,577
	<u>50,380</u>	<u>124,626</u>

11. CAPITAL USER CHARGE	<u>28,960</u>	<u>23,365</u>
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A capital user charge rate of 8% has been set by the Government for 2004-2005 and represents the opportunity cost of capital invested in the net assets of the Commission used in the provision of services. 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	18,190,170	10,861,488
Net assets attributed to other activities and subject to the capital user charge	331,498	333,806
Total net assets of the State Supply Commission	<u>18,521,668</u>	<u>11,195,294</u>

12. REVENUES FROM STATE GOVERNMENT

Appropriation revenue received during the year:

Service appropriations (i)	1,494,000	1,415,000
	<u>1,494,000</u>	<u>1,415,000</u>

Resources received free of charge (ii)

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

State Solicitor's Office-Legal Services	13,529	18,625
	<u>13,529</u>	<u>18,625</u>

Total revenues from State Government	<u>1,507,529</u>	<u>1,433,625</u>
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(i) Service appropriations are accrual amounts reflecting the full cost of services delivered. The appropriation revenue comprise a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense (other than fleet vehicles) for the year and 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 recognised as expenses, as applicable.

13. RECEIVABLES

	2005	2004
	\$	\$
Trade debtors	530,516	426,559
Vehicle lease receivables	2,740,248	3,509,640
Interest receivable	25,916	18,352
	<u>3,296,680</u>	<u>3,954,551</u>

14. AMOUNTS RECEIVABLE FOR SERVICES

Current	<u>30,000</u>	<u>21,000</u>
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This asset represents the non cash component of service appropriations. It is restricted in that it can only be used for asset replacement.

15. OTHER ASSETS

Prepayments	<u>16,727</u>	<u>39,403</u>
	<u>16,727</u>	<u>39,403</u>

**16. PROPERTY, PLANT,
EQUIPMENT AND VEHICLES**

	2005	2004
	\$	\$
<u>Leasehold Improvements</u>		
At cost	18,931	18,931
Accumulated depreciation	(14,457)	(10,671)
	<u>4,474</u>	<u>8,260</u>
<u>Computer Hardware & Software</u>		
At cost	167,920	167,476
Accumulated depreciation	(167,303)	(157,713)
	<u>617</u>	<u>9,763</u>
<u>Office Equipment & Furniture & Fittings</u>		
At cost	68,758	68,758
Accumulated depreciation	(65,511)	(61,734)
	<u>3,247</u>	<u>7,024</u>
<u>Motor Vehicles Under Lease</u>		
At cost	267,705,333	236,160,578
Accumulated depreciation	(49,364,565)	(36,707,577)
	<u>218,340,768</u>	<u>199,453,001</u>
Total	<u>218,349,106</u>	<u>199,478,048</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	9,763	8,260	7,024	199,453,001	199,478,048
Additions	444	-	-	115,710,560	115,711,004
Disposals	-	-	-	(59,645,698)	(59,645,698)
Depreciation	(9,590)	(3,786)	(3,777)	(37,177,095)	(37,194,248)
Carrying amount at end of year	<u>617</u>	<u>4,474</u>	<u>3,247</u>	<u>218,340,768</u>	<u>218,349,106</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	44,028,381	45,526,175
(ii) later than one year and not later than 5 years	23,056,268	23,438,881
(iii) later 5 years	<u>20,162</u>	<u>76,106</u>
	<u>67,104,811</u>	<u>69,041,162</u>

The above commitments are inclusive of GST.

17. INTANGIBLE ASSETS

	2005	2004
	\$	\$
Bailment Rights		
At valuation June 30, 2002	90,829,063	90,829,063
Less accumulated amortisation	(90,204,800)	(86,985,800)
Bailment rights at valuation	<u>624,263</u>	<u>3,843,263</u>

18. PAYABLESCurrent

Trade payables	945,078	811,954
GST payable	801,327	802,144
	<u>1,746,405</u>	<u>1,614,098</u>

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 2005 \$207,172,601 (2004-\$197,708,000) was drawn against the facility.

Amount due to the Western Australian Treasury Corporation	<u>207,172,601</u>	<u>197,708,000</u>
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The aggregate carrying amount of borrowings recognised and included in the financial statements is as follows:

-Current	86,360,046	86,230,528
-Non-current	<u>120,812,555</u>	<u>111,477,472</u>
Total	<u>207,172,601</u>	<u>197,708,000</u>

20. PROVISIONS

Employee Benefits

Current

Annual leave	115,144	131,885
Long service leave	<u>97,525</u>	<u>55,786</u>
	<u>212,669</u>	<u>187,671</u>

Non-current

Long service leave	<u>68,805</u>	<u>106,960</u>
	<u>68,805</u>	<u>106,960</u>

Employee Benefits

2005

2004

\$

\$

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

Provision for employee benefits:

Current	212,669	187,671
Non-current	68,805	106,960
	<u>281,474</u>	<u>294,631</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 liability for such on-costs is included here. The associated expense is included under annual leave and long service leave at note 3.

21. OTHER LIABILITIESCurrent

Accrued expenses	75,388	141,994
Accrued salaries	13,231	30,939
Accrued interest payable to WA Treasury Corporation	527,388	480,836
Unearned revenue – vehicle fleet lease rentals	<u>2,582,901</u>	<u>2,247,296</u>
	<u>3,198,908</u>	<u>2,901,065</u>

22. EQUITYAccumulated Deficiency

Opening balance	(8,855,706)	(13,957,656)
Change in net assets	<u>7,307,373</u>	<u>5,101,950</u>
Closing balance	<u>(1,548,333)</u>	<u>(8,855,706)</u>

Contributed Equity

Opening balance	20,051,000	20,051,000
Capital contributions (i)	<u>19,000</u>	<u>-</u>
Closing balance	<u>20,070,000</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

2005	2004
\$	\$

(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	8,604,279	6,376,823
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(b) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net (cost of)/ surplus from services	5,799,844	3,668,325
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Non-cash items:

Depreciation and amortisation expense	40,413,249	58,123,563
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Net loss on disposal of vehicles	2,229,841	3,675,572
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Resources received free of charge	13,529	18,625
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Vehicle fleet bailment revenue-(investment activity)	(3,499,018)	(23,998,304)
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Insurance (proceeds)/expenses & other loss (recoveries)/expenses (investment activity)	2,130	(291,276)
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39,159,731	37,528,180
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(Increase)/decrease in assets:

Current receivables	657,871	(87,234)
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Other current assets	22,676	(23,403)
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680,547	(110,637)
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Increase/(decrease) in liabilities:

Current payables	132,307	1,321,685
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Other current liabilities	297,842	(718,483)
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Current provisions	(26,176)	23,415
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Non-current provisions	13,019	(45,604)
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416,992	581,013
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Net cash provided by (used in) operating activities	46,057,114	41,666,882
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24. COMMITMENTS FOR EXPENDITURE

2005	2004
\$	\$

(a) Commitments

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2005:

Consultancies and management agreements let or in progress

21,500	504,475
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(b) Non-cancellable operating lease commitments

Not later than 1 year

153,441	156,117
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Later than 1 year and not later than 5 years

332,610	461,192
486,051	617,309

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.

	2005	2004	Variance	Note
	Actual	Actual		
	\$	\$	\$	
<u>Expenses</u>				
Depreciation and amortisation expense	40,413,249	58,123,563	(17,710,314)	1
Costs of disposal of vehicles sold	60,717,907	56,237,031	4,480,876	2
<u>Revenues</u>				
Vehicle fleet lease rentals	59,787,482	54,563,140	5,224,342	3
Proceeds from the sale of vehicles	58,488,066	52,561,459	5,926,607	2
Vehicle bailment revenues	3,609,877	23,998,304	(20,388,427)	4

1. Depreciation and Amortisation Expense

During 2004-05 the number of bailment vehicles sold was 200, compared with 1,286 in 2003-04. The reduction in expense corresponds with the reduction in bailment vehicles sold during 2005.

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

During 2004-05, State Fleet sold 2,979 of its owned vehicles compared to 2,711 vehicles in 2003-04. Accordingly, the revenue and expenses associated with vehicle sales increased significantly in 2004-05.

3. Vehicle Fleet Lease Rentals

During 2004-05, State Fleet leased on average approximately 9,100 vehicles per month to agencies. This compares to a monthly average of approximately 8,400 vehicles leased during 2003-04.

4. Vehicle Bailment Revenues

During 2004-05, State Fleet received sales proceeds on 174 bailment vehicles compared with 1,286 bailment vehicles in 2003-04.

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

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

	Estimate	Actual	Variance	Note
	2005	2005		
	\$	\$	\$	
<u>Expenses</u>				
Depreciation and amortisation expense	36,530,000	40,413,249	3,883,249	1
Costs of disposal of vehicles sold	79,110,000	60,717,907	(18,392,093)	2
Borrowing costs expense	13,200,000	11,362,557	(1,837,443)	3
<u>Revenues</u>				
Vehicle fleet lease rentals	54,809,000	59,787,482	4,978,482	4
Vehicle bailment revenues	2,132,000	3,609,877	1,487,877	5
Proceeds from the sale of vehicles	73,554,000	58,488,066	(15,065,934)	2

1. Depreciation and Amortisation Expense

During 2004-05, the number of State Fleet owned vehicles leased to agencies increased from 8,403 vehicles leased at 30 June 2004 to 9,390 vehicles by 30 June 2005. This significant increase in vehicle lease numbers can be largely attributed to State Fleet now leasing vehicles to agencies that previously used other arrangements. This has directly increased the depreciation expense for the period. The size of the increase in vehicle numbers was not anticipated in the budget.

2. Costs of Disposal/Proceeds from the Sale of Vehicles

During 2004-05, State Fleet disposed of 2,979 State Fleet owned vehicles compared to budget of 4,020. This reduction is attributed to agencies moving to longer-term leases.

3. Borrowing Costs Expense

State Fleet directs all surplus profit towards reducing borrowings. In 2004-05, State Fleet produced a profit approximately \$7 million in excess of the budgeted forecast. This higher profit total for the year has enabled State Fleet to maintain borrowing levels lower than initially forecast. This has decreased the total interest charged on borrowings.

4. Vehicle Fleet Lease Rentals

State Fleet budgeted for approximately 8,600 vehicles to be leased each month to agencies during 2004-05. Due to increased business from agencies which had previously leased vehicles under alternative arrangements, State Fleet leased on average 9,100 vehicles each month.

5. Vehicle Bailment Revenues

State Fleet received net sale proceeds from 174 bailment vehicles during 2004-05, compared to budget of 104 bailment vehicles.

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:

		<u>Fixed Interest Rate Maturity</u>						
		Weighted Average Effective Interest Rate %	Variable Interest Rate \$000	Less than 1 Year \$000	1 to 5 Years \$000	More than 5 Years \$000	Non- Interest Bearing \$000	Total \$000
	<u>2005</u>							
Financial Assets								
Cash assets		5.39	7,690				914	8,604
Receivables							3,297	3,297
Other							47	47
			7,690	-	-	-	4,258	11,948
Financial Liabilities								
Payables							1,746	1,746
Employee benefits							281	281
Other							3,199	3,199
Interest Bearing Liabilities		5.54		106,424	100,629	120		207,173
			-	106,424	100,629	120	5,226	212,399
	<u>2004</u>							
Financial assets		4.96	5,418	-	-	-	4,974	10,392
Financial liabilities		5.47	-	86,231	111,256	220	4,811	202,518

(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

	<u>2005</u>	<u>2004</u>
<u>Remuneration of Members of the Accountable Authority</u>		
The number of members of the Accountable Authority, whose total of fees, salaries and other benefits received including superannuation, or due and receivable, for the financial year, fall within the following bands are:		
\$0	1	-
\$1-\$10,000	8	7
\$10,001 - \$20,000	1	1
\$140,001 - \$150,000	-	1
\$150,001 - \$160,000	1	-
The total remuneration of the members of the Accountable Authority is:		
	<u>\$ 173,686</u>	<u>\$ 162,315</u>

Remuneration of Senior Officers

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

\$1 - \$10,000	-	1
\$20,001 - \$30,000	2	-
\$50,001 - \$60,000	-	1
\$60,001 - \$70,000	2	-
\$90,001 - \$100,000	1	1
\$100,001 - \$110,000	-	1
The total remuneration of senior officers is:		
	<u>\$ 283,753</u>	<u>\$ 264,140</u>

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

29. REMUNERATION OF AUDITOR**2005****2004**

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

Auditing the accounts, financial statements and performance indicators

\$40,000**\$37,500**

30. SUPPLEMENTARY FINANCIAL INFORMATION

During the year the Board of the Commission endorsed the write-off of 32 motor vehicles (2003-04 – 58 motor vehicles). In the main these vehicles were damaged beyond repair in accidents.

\$738,968**\$1,477,097**

31. 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 (AIFRS).

International Accounting Standards are designed for the For Profit sector. The Australian Accounting Standards Board has issued a single set of accounting standards that are sector neutral with specific provisions included to accommodate the Not For Profit (NFP) sector. Treasurer's Instruction 1106 prescribes policies to provide agencies with certainty and to ensure consistency and appropriate reporting across the public sector in the transition to AIFRS. The policy primarily mandates an accounting treatment or disclosure where there are alternatives under the standards. The Commission is a NFP entity for the purposes of International Reporting Standards.

The Commission is preparing and managing the transition to AIFRS effective for financial reporting periods commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Commission's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Commission has assessed the significance of the expected changes and is preparing for their implementation. The Commission's opinion of the key material differences in accounting policies on conversion to AIFRS and the financial effect of these differences where known are described below. However, users of the financial statements should note that the amounts disclosed could change should standard-setters make any amendments to the current AIFRS, or interpretation of the AIFRS requirements change due to the Commission's continuing transition work.

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

1. 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.

Transition Adjustment

There will be no transition adjustment as a consequence of the change in this accounting policy as the accounting policy represents a change in presentation only.

Current Year Impact

Under International Financial Reporting Standards the face of the Statement of Financial Performance for 2005 would be restated and the name changed. The Statement of Financial Performance will be restated as the Income Statement. Secondly, the proceeds from the sale of vehicles (\$58,488,066) will be offset against the costs of disposal of vehicles sold (\$60,717,907) to show a loss on disposal of non current assets of \$2,229,841 on the Income Statement.

Ongoing Impact

In future years where there is a disposal of non current assets the net gain or loss will be reported on the face of the Income Statement.

2. 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.

Transition Adjustment

There would be no transition adjustment required if AASB 5 were to apply. If it were to apply it would only require a reclassification between asset categories on the face of the balance sheet.

Current Year Impact

As at 30 June 2005 the number of vehicles that can be classified as held for sale is 74 of a total of 9,423. This number represents .7% of the total fleet. The 74 vehicles represent a value of approximately \$1,369,000 or .62% of the total vehicle fleet value. As this number and value is immaterial when applying the definitions of materiality under AIFRS, no reclassification is proposed.

Ongoing Impact

The number and value of vehicles held for resale will need to be monitored. Where there is a material change in circumstances then the required reclassification will need to be made in accordance with AASB5.

3. 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 NFP entities the recoverable amount is the higher of the fair value less selling costs and depreciated replacement cost. The major asset group, motor vehicles, is 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.

Transition Adjustment

The results of impairment testing across the Commission at 1 July 2004 did not result in any impairment adjustment against the assets of the Commission.

Current Year Impact

The results of impairment testing across the Commission's assets at 30 June 2005 did not result in any impairment adjustment.

Ongoing Impact

The ongoing impact in the method for calculating the impaired value and consequently the recoverable amount is likely to mean that impairment of assets is recognised sooner and that the amount of the write-downs will be greater. Reliable estimation of this change in accounting policy is impracticable because conditions under which impairment will be assessed in the future are not known.

4. 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 that the Commission holds are Bailment Rights that 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 Commission's treatment of intangible assets currently mirrors the requirements of the new standard.

Transition Adjustment

Given that the Commission has mirrored the requirements of AASB 138, no transition adjustment is required.

Current Year Impact

Given that the Commission mirrors the requirements of AASB 138, no transition adjustment is required to the balances reported at 30 June 2005 in this report.

Ongoing Impact

The Bailment Rights were a one-off acquisition in November 2001 as a consequence of the State Government exercising its contractual rights to terminate the Matrix Vehicle Fleet Leasing Transaction that had become uneconomic for the State. Accordingly, there will be no further impact to consider.

5. Accounting Standard AASB 119 (Employee Benefits) applies to all employee benefits provided by an employer. The current standard AASB excludes those post-employment benefits that are superannuation or medical benefits from its scope, other than disclosures for defined benefit superannuation plans (such as the GESB Pension and Gold State Superannuation schemes). These post-employment benefits are currently accounted for under existing GAAP, such as SAC 4 and other guidance. Post-employment benefits (particularly the recognition, measurement and disclosures concerning defined benefit superannuation funds) are specifically covered under the scope of AASB 119.

Those employee benefits, such as wages and salaries, annual leave, sick leave and non monetary benefits, that are payable 12 months or more after the end of the reporting period, are to be measured on a discounted basis rather than at nominal amounts. Also, the Australian Guidance accompanying AASB 119 on employee on costs, such as payroll tax and workers' compensation insurance, mentions that these on-costs are not employee benefits and should not be classified as such.

Transition Adjustment

Employee provisions at 30 June 2004 consist of annual leave and long service leave. These provisions total approximately \$295,000. At 30 June 2004 the provisions were recorded as follows:

(i) Annual Leave

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

(ii) 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 employees provide 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.

In addition, employee benefit on-costs such as superannuation and workers compensation insurance are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities and expenses.

The Commission considers annual leave a short-term employee benefit. The Commission believes the leave will be taken within 12 months of year-end. Accordingly, no actuarial assumptions are required to measure the obligation or cost to the Commission.

The Australian Guidance accompanying AASB 119 on employee on-costs, such as payroll tax and workers' compensation insurance, mentions that these on-costs are not employee benefits and should not be classified as such. Included in the balance of employee entitlements at 30 June is the statutory superannuation contribution of 9%, annual leave loading at 17.5% plus workers' compensation premium of .05%. On the basis that the total liability for annual leave at 30 June 2004 is \$131,885, the workers' compensation premium of .5% should be reclassified as a separate provision. The net value of the workers' compensation insurance is approximately \$520.00, which the Commission believes is immaterial and does not require an adjustment.

The long service leave balance at 30 June 2004 also includes an on-cost for workers compensation. The value is approximately \$750, which the Commission believes is immaterial and does not require an adjustment.

(iii) Superannuation Benefits

The Commission's employees are covered by two superannuation schemes. The West State Scheme and the Gold State Scheme. Some Commission employees are members of both schemes. The West State Scheme is an accrual-based scheme through which the employer and employee make contributions and the fund invests those funds for a return. The employee on retirement is entitled to the contributions plus earnings on those contributions less any expenses and taxes. The Gold State Scheme is a defined benefit scheme under which the final retirement benefit is calculated on years of service and an averaging of salary level. All liabilities for the Gold State Scheme rest with the Government Employees Superannuation Board. There is no requirement for the Commission to fund the final retirement benefit or make good any shortfall. Accordingly the Commission does not believe it has any reporting obligation under the new standard for either the West State or Gold State Schemes.

(iv) Sick leave

Commission employees are entitled to 10 days paid sick leave a year. Sick leave does not accumulate across years. Accordingly, the cost of the sick leave will continue to be recognised as and when it arises, on the basis that the leave is not directly linked to a period service provided by the employees.

No change is required to the retained earnings of the Commission as a consequence of introducing international standards other than for renaming the employee provisions to Employee Benefit Obligations.

Current Year Impact

The Commission has identified approximately \$1,000 of on-costs included in the current balances of employee entitlements that under AASB119 would be excluded. Given the balance is immaterial, no adjustment is required.

Ongoing Impact

The applicable on-costs will be excluded from the balances of employee entitlements.

State Supply Commission Notes to the Financial Statements - Schedule of Services Delivered for the Year Ended 30 June 2005

	Service 1 SSC Policy		Service 2 State Tenders Committee		Total Excluding State Fleet and Supplier Fees		Supplier Fees		State Fleet		Total All	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST OF SERVICES												
Expenses from ordinary activities												
Employee expenses	867,847	807,713	96,427	89,746	964,274	897,459	-	-	-	-	964,274	897,459
Supplies and services	247,415	268,480	27,491	29,831	274,906	298,311	-	-	897,799	120,536	1,172,705	418,847
Depreciation and amortisation expense	15,438	17,845	1,715	1,983	17,153	19,828	-	-	40,396,096	58,103,735	40,413,249	58,123,563
Administration expenses	51,066	84,232	5,674	9,359	56,740	93,591	4,179,490	4,070,213	1,520,408	1,409,790	5,756,638	5,573,594
Accommodation expenses	125,285	112,981	13,921	12,553	139,206	125,535	-	-	-	-	139,206	125,535
Other operating expenses from ordinary activities	51,017	29,188	5,669	3,243	56,686	32,431	-	-	28,130	37,267	84,816	69,698
Written down value of vehicles sold	-	-	-	-	-	-	-	-	60,717,907	56,237,031	60,717,907	56,237,031
Capital charge on equity	26,064	21,029	2,896	2,337	28,960	23,365	-	-	-	-	28,960	23,365
Interest Expense	-	-	-	-	-	-	-	-	11,362,557	10,541,569	11,362,557	10,541,569
Total cost of services	1,384,132	1,341,468	153,793	149,052	1,537,925	1,490,520	4,179,490	4,070,213	114,922,897	126,449,928	120,640,312	132,010,661
Revenue from ordinary activities												
Vehicle fleet lease revenues	-	-	-	-	-	-	-	-	59,787,482	54,563,140	59,787,482	54,563,140
Vehicle bailment revenues	-	-	-	-	-	-	-	-	3,609,877	23,998,304	3,609,877	23,998,304
Sale of vehicles	-	-	-	-	-	-	-	-	58,488,066	52,561,459	58,488,066	52,561,459
Contract Supply Fee	-	-	-	-	-	-	4,179,490	4,070,213	-	-	4,179,490	4,070,213
Interest revenue	-	40	-	4	-	44	-	-	324,861	361,201	324,861	361,245
Other revenue from ordinary activities	8,181	81,944	909	9,105	9,090	91,049	-	-	41,290	33,577	50,380	124,626
Total revenues from ordinary activities	8,181	81,984	909	9,109	9,090	91,093	4,179,490	4,070,213	122,251,576	131,517,681	126,440,156	135,678,986
NET COST OF (SURPLUS FROM) SERVICES	1,375,951	1,259,485	152,883	139,943	1,528,835	1,399,427	-	-	(7,328,679)	(5,067,753)	(5,799,844)	(3,668,326)
Revenues from State Govt.												
Appropriations	1,344,600	1,273,500	149,400	141,500	1,494,000	1,415,000	-	-	-	-	1,494,000	1,415,000
Resources received free of charge	12,176	16,763	1,353	1,863	13,529	18,625	-	-	-	-	13,529	18,625
Total revenues from State Govt.	1,356,776	1,290,263	150,753	143,363	1,507,529	1,433,625	-	-	-	-	1,507,529	1,433,625
Change in net assets resulting from operations	(19,175)	30,778	(2,131)	3,420	(21,306)	34,198	-	-	7,328,679	5,067,753	7,307,373	5,101,951