



STATE SUPPLY COMMISSION

2000/2001 ANNUAL REPORT



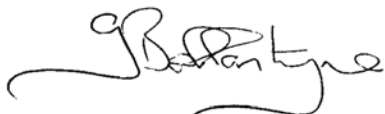
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COMPLIANCE STATEMENT

**HON TOM STEPHENS MLC
MINISTER FOR HOUSING AND WORKS**

Dear Minister

In accordance with Section 66 of the Financial Administration and Audit Act 1985, we hereby submit for your information and presentation to Parliament the Annual Report of the State Supply Commission for the financial year ending 30 June 2001.



JENNIFER BALLANTYNE

CHAIRMAN

31 AUGUST 2001



IAN HILL

MEMBER

31 AUGUST 2001

CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT

2000/2001 was a year of dynamic change in Government contracting and purchasing. Measures were implemented to reinforce a commitment to maximising opportunities for local businesses through Government buying and to enhance transparency and accountability in contracting.

The Commission extends its appreciation to Hon Rob Johnson MLA for his dedication to ensuring opportunities for local businesses were realised.

The appointment of Hon Tom Stephens MLC saw a commitment to maximising opportunities for regional businesses and enhancing community confidence in contracting.

Following extensive consultation, the Buy Local Policy was successfully developed and implemented in November 2000 to maximise opportunities for small, local and regional businesses in Western Australia through Government buying. A major awareness programme on the Buy Local Policy was undertaken throughout the State to ensure an appreciation of the content by purchasing officers and small businesses.

A new Risk Management, Competencies and Compliance Framework was developed, successfully piloted and approved for implementation this year to assist the Commission to better consider each agency's exemption to purchase and to aid in minimising the risk to Government from agency contracting. The Framework also provides base standards for competencies and risk for both the procurement and contract management function.

'Health Check 1' was tabled in Parliament and during the year, the Commission also undertook 'Health Check 2' of the procurement systems across 14 public authorities.

A number of the supply policies were amended to reflect a commitment to transparency and accountability in contracting and to enhance opportunities for small and regional businesses to access government contracts.

The Commission looks forward to working with public authorities and the community to enhance confidence in Government procurement.



JENNIFER BALLANTYNE

CHAIRMAN

31 AUGUST 2001



CHERYL GWILLIAM

CHIEF EXECUTIVE OFFICER

31 AUGUST 2001

TABLE OF CONTENTS

COMPLIANCE STATEMENT	1	EQUAL EMPLOYMENT OPPORTUNITIES	20
CHAIRMAN AND CHIEF EXECUTIVE OFFICER REPORT	2	OUTCOMES	20
TABLE OF CONTENTS	3	DECLARATION OF INTERESTS	20
CORPORATE PROFILE	4	ANTI CORRUPTION COMMISSION ACT 1988	21
MEMBERSHIP	4	FREEDOM OF INFORMATION STATEMENT AS AT	21
LEGISLATION	5	30 JUNE 2001	21
ROLE OF THE STATE SUPPLY COMMISSION	6	ADVERTISING AND SPONSORSHIP	21
OPERATIONAL HIGHLIGHTS 2000/01	7	WASTE PAPER RECYCLING	22
OUTLOOK 2001/02	8	EVALUATIONS	22
YEAR IN REVIEW	9	LANGUAGE AND CULTURAL DIVERSITY	22
SUMMARY	9	OUTCOMES	22
BUY LOCAL POLICY	10	PERFORMANCE IN RELATION TO	23
RISK MANAGEMENT, COMPETENCIES AND COMPLIANCE FRAMEWORK	10	OUTPUTS	
HEALTH CHECK	11	OUTPUT 1	23
STATE TENDERS COMMITTEE	12	OUTPUT 2	25
SUPPLY POLICIES REVIEWED	12	OUTPUT 3	26
GUIDELINES ISSUED	13	OUTPUT 4	27
MACHINERY OF GOVERNMENT TASKFORCE	13	PERFORMANCE INDICATORS	28
SALE OF BOCS TICKETING AND MARKETING	14	STATEMENT ON PERFORMANCE INDICATORS	28
COMPLAINTS HANDLING SERVICE	14	OPINION OF THE AUDITOR GENERAL	29
AUSTRALIAN PROCUREMENT AND CONSTRUCTION COUNCIL (INC)	14	EXPLANATORY & INTERPRETIVE NOTES	30
EXPRESSION OF INTENT	14	PERFORMANCE INDICATORS	31
STATE GENERAL ELECTION	14	CERTIFICATION OF FINANCIAL	
STATE FLEET – GENERAL NOTE	15	STATEMENTS	34
INFORMATION AND SUPPLY TRENDS	16	OPINION OF THE AUDITOR GENERAL	35
COMPARISONS WITH PREVIOUS YEARS	16	STATEMENT OF FINANCIAL PERFORMANCE	36
WHAT ARE THE STATISTICS SAYING?	16	FOR THE YEAR ENDED 30 JUNE 2001	36
REPORTS ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES	19	STATEMENT OF FINANCIAL POSITION	37
COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31 (1)	19	AS AT 30 JUNE 2001	37
DISABILITY SERVICES PLAN	19	STATEMENT OF CASH FLOWS	38
TWO YEAR PLAN FOR WOMEN OUTCOMES	19	FOR THE YEAR ENDED 30 JUNE 2001	38
		NOTES TO THE FINANCIAL STATEMENTS	39
		APPENDIX 1	51
		APPENDIX 2	53
		APPENDIX 3	54

CORPORATE PROFILE

MEMBERSHIP

Membership of the State Supply Commission Board is on appointment by the Minister responsible for the State Supply Commission Act 1991.

- **JENNIFER BALLANTYNE**
(Chairman)

Ms Jennifer Ballantyne is the Chief Executive Officer, Second Skin and was appointed Chairman on 1 July 2000 for a period of two years.

- **RICKY BURGES**

Ms Ricky Burges is the Chief Executive Officer, Western Australian Municipal Association and was appointed as a Member on 1 July 2000 for a period of two years.

- **JIM COLES**

Mr Jim Coles is Managing Director Westwool Carpets and was appointed as a Member on 1 July 2000 for a period of two years.

- **CHERYL GWILLIAM**

Ms Cheryl Gwilliam is an ex-officio member of the Board by virtue of her holding the Chief Executive Officer's position of the State Supply Commission (in accordance with section 8 (b) of the State Supply Commission Act 1991).

- **IAN HILL**

Mr Ian Hill is the Chief Executive, Western Australian Department of Training and Employment. He was re-appointed on 1 July 2000 for a further term expiring on 30 June 2002.

- **RICHARD MUIRHEAD**

Mr Richard Muirhead is the A/Chief Executive Officer of the Western Australian Tourism Commission. He was re-appointed on 1 July 2000 for a further term expiring on 30 June 2002.

- **VICKIE PETERSEN**

Mrs Vickie Petersen is Director of BOSS Transport and Mayor of Geraldton. Mrs Petersen was appointed as a Member on 1 July 2000 for a period of two years.

- **DAVE ROBINSON**

Mr Dave Robinson is the Branch Secretary of the Community and Public Sector Union/Civil Service Association and was appointed as a Member on 19 March 2001 for a term expiring on 26 March 2003.

- **PAUL SCHAPPER**

Dr Paul Schapper is the Chief Executive Officer of the Department of Contract and Management Services and the A/Chief Executive Officer of the Department of Commerce and Trade. He was re-appointed on 1 July 2000 for a further term expiring on 30 June 2002.

- **PETER STEWART**

Mr Peter Stewart is Principal of Stewart Consulting Engineers Pty Ltd and was appointed as a Member on 1 July 2000 for a period of two years.

- **IAN MAITLAND** (Substitute Member)

Mr Ian Maitland is an engineer in private practice. He was re-appointed on 1 July 2000 as a Substitute Member for a further term expiring on 30 June 2002.

- **MEETINGS**

In 2000/01, the State Supply Commission met on eight occasions (seven ordinary meetings and one special meeting) to consider board matters.

LEGISLATION

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

STATE SUPPLY COMMISSION ACT 1991

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

The Commission is responsible for arranging and co-ordinating the supply of goods and services within government. Through exemptions granted by the Commission, most public authorities manage and conduct their own purchasing subject to supply policies and 'best practice' guidelines issued by the Commission.

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

Go to [About the Commission: State Supply Commission Act 1991](#)

▪ RESPONSIBLE MINISTER

The Hon. Tom Stephens MLC is the Minister responsible for the State Supply Commission Act 1991.

Go to [HON TOM STEPHENS MLC](#)

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

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

▪ AMENDMENTS TO STATE SUPPLY COMMISSION REGULATIONS

The State Supply Commission Regulations 1991 were amended by the State Supply Commission amendment Regulations 2000. The effect of this change was to remove The State Energy Commission of Western Australia ('Western Power') from Schedule 1 to the Regulations, as it is no longer a public authority as described under the State Supply Commission Act 1991.

▪ LEGISLATIVE COMPLIANCE

In the performance of its functions the Commission has complied with the *Financial Administration and Audit Act 1985* and has exercised controls to provide reasonable assurance for compliance with other relevant written law. The Commission is not aware of any circumstance that would render this statement inaccurate.

ROLE OF THE STATE SUPPLY COMMISSION

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

The Commission is comprised of a Board that includes stakeholder groups of State Government agencies, small business and union representation.

Go to <http://www.ssc.wa.gov.au/>

MISSION

To promote Buying Wisely policies in the public sector through the adoption of good practice.

GOALS

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

To maximise the benefits to the State through the use of Government purchasing.

SSC FUNCTIONS

POLICY. Develop, implement and review supply and disposal policies.

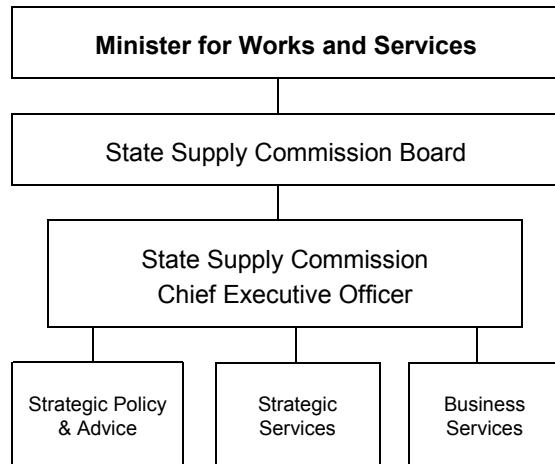
CO-ORDINATION. Arrange and coordinate the efficient supply of goods and services.

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.

ORGANISATIONAL STRUCTURE



OPERATIONAL HIGHLIGHTS 2000/01

- ❖ *The Buy Local Policy was developed and implemented to maximise local content in goods, services and works purchased or contracted by public authorities in Western Australia through government buying*
- ❖ *The following guidelines were issued to aid purchasing officers:*
 - *Management of Software Contracts*
 - *Internal Audit Reviews of Agencies Application of Supply Policies*
- ❖ *The Risk Management, Competencies and Compliance Framework was developed, piloted and approved for implementation to provide the Commission with a strategic process to manage the purchasing and contracting functions of public authorities*
- ❖ *The successful operation of the Process Review Panel to review supplier complaints*
- ❖ *The successful operation of the State Tenders Committee to provide an additional review mechanism prior to the final contract award process*
- ❖ *Supply policies were strengthened to ensure greater transparency and accountability, as well as improved opportunities for small, local and regional businesses to access government contracts*

OUTLOOK 2001/02

Major initiatives to be addressed in 2001/2002 include:

- ❖ *Review of the Government's Buy Local Policy after 1 year in operation*
- ❖ *Issue of revised Sponsorship In Government Guidelines to assist Chief Executive Officers in undertaking sponsorship arrangements*
- ❖ *Continuation of the Health Check program to monitor compliance with supply policies by public authorities*
- ❖ *Implementation of the Risk Management, Competencies and Compliance Framework to assess public authorities' level of purchasing exemption for purchasing of goods and services and disposal of goods*
- ❖ *Strengthening of the Contract Process Guidelines to aid purchasing officers in contract planning, contract formation and contract management*
- ❖ *Review of the Competitive Tendering and Contracting Framework and Guidelines Users Manual*

YEAR IN REVIEW

SUMMARY

The more significant milestones this year included:

- The Government's Buy Local Policy was implemented from 1 November 2000 following an extensive consultation and rollout process. The Policy, administered by the State Supply Commission, replaces the previous Regional Buying Compact.

The Buy Local Policy confirms the Government's commitment to buying local. The Policy provides incentive opportunities for competitive regional businesses tendering for government contracts.

- The State Supply Commission has developed and piloted the "Risk Management, Competencies and Compliance Framework." The Framework is designed to provide the State Supply Commission with a strategic process for managing the devolution of purchasing authority by the Commission to public authorities that purchase under the jurisdiction of the *State Supply Commission Act 1991*.

Additional detailed information is provided on the Risk Management, Competencies and Compliance Framework on page 10 of this Report.

- The State Supply Commission this year also continued to enhance policies and issued new guidelines to promote and sustain a competitive purchasing and contracting environment for the Western Australian public sector.

Supply Policies that were revised and amended during 2000/2001 were:

- Value for Money
- Open and Effective Competition
- Risk Management
- Supporting Local Industry
- Supporting Other Government Policies and Initiatives
- Managing Purchasing Conducted by Private Sector Providers
- Common Use Contracts and Agency Specific Panel Contracts

The following Guidelines were developed and issued:

- A Guideline for Internal Audit Reviews of Agencies Application of Supply Policies
- Management of Software Contracts Guideline

BUY LOCAL POLICY

The Government's Buy Local Policy was launched by the Minister for Works; Services in October 2000 in regional Western Australian and Perth metropolitan locations, commencing in Kalgoorlie. The Buy Local Policy is the Government's Policy covering all State Government purchasing, including goods, services, works, and housing. The policy applies to all public authorities, government departments and agencies and government trading enterprises unless specifically exempted by State Cabinet. The State Supply Commission administers the Policy. The Policy applies to all quotations and tenders called from 1 November 2000.

The development of the Policy followed an extensive public consultation process. Public consultation sessions were conducted throughout the State. The feedback received during the public consultation process was largely incorporated into the final document.

In October, prior to the implementation date, the Minister launched the Buy Local Policy in 11 regional centres and 2 Perth metropolitan locations. This 'roll-out' was designed to inform small businesses and government agencies of the outcome of the consultation, the detail and application of the policy and its implementation date.

Since the launch of the policy the Commission has held additional policy awareness sessions for industry and government agencies. To date 18 sessions have been held, with over 400 attendees.

The Buy Local Policy is a Government initiative aimed at recognizing the contribution of local businesses in building a stronger Western Australian economy.

One key element of the Buy Local Policy put in place to monitor the effectiveness of the Policy, is the requirement for all government entities to report on their compliance with the policy. Agency Chief Executive Officers are required to establish appropriate procedures to record:

- the total value of contracts awarded annually; and
- the percentage of the spend which represents contracts awarded to local businesses, ie regional Western Australian businesses, Perth metropolitan businesses and businesses located in other States and Territories of Australia and New Zealand.

The State Supply Commission will be coordinating the collection of the data and reporting on the buy local outcomes in its annual Who Buys What publication.

The State Supply Commission has committed to undertake a review of the Buy Local Policy in November 2001 following the first twelve months of its operation.

Go to [Buy Local Policy: Contents](#)

RISK MANAGEMENT, COMPETENCIES AND COMPLIANCE FRAMEWORK

The State Supply Commission has developed a robust mechanism for assessing a public authority's purchasing and contracting capabilities. This mechanism is called the Risk Management, Competencies and Compliance Framework.

The Framework forms an integral part of the State Supply Commission managing the exemption process for public authorities under section 21(1) of the *State Supply Commission Act 1991*.

The operation of the Framework will provide the State Supply Commission with consistent and accurate audit results from which it can

determine exemption levels for public authority purchasing and contracting activities.

The Framework also provides public authorities with a tool they can use to review their own purchasing and contracting functions through their internal audit process.

The new Framework provides the State Supply Commission and the public authorities with a benchmark for assessing the partial exemption level based on a public authority's:

- Purchasing and contracting infrastructure;
- Application of its purchasing and contracting infrastructure;
- Contract management processes and procedures;
- Compliance with State Supply Commission supply policies; and
- Competencies (organisational and individual officers) in performing the purchasing and contract management functions.

To test the functionality of the Framework, the State Supply Commission undertook a pilot audit of the following public authorities:

- WA Department of Training and Employment
- Midland Redevelopment Authority
- Wheatbelt Development Commission

Following the successful pilot, in March 2001, the State Supply Commission Board endorsed the implementation of the Framework.

HEALTH CHECK

The State Supply Commission is specifically empowered under its Act to develop policies; coordinate the supply of goods and services; monitor the supply of goods and services and disposal of goods, and provide guidance and advice to agencies and Government.

The State Supply Commission as part of its monitoring role conducts compliance reviews of agencies' procurement activities.

During the year, the Commission resolved that an ongoing health check programme be implemented on a bi-annual basis. Health

Check 1 was tabled in Parliament on 17 August 2000.

Terms of reference for Health Check 1 included:

- Adequacy of risk management, internal audit and general administration processes;
- Assessment of procurement and contracting functions; and
- Competencies of officers discharging procurement and contracting functions.

The findings of Health Check 1 confirmed some weaknesses identified previously by the Auditor-General and provided further improvements to contract management within the public sector. The findings provided an impetus to develop the Risk Management, Competencies and Compliance Framework. In addition the Guideline for Internal Audit Reviews Of Agencies Application Of Supply Policies is a tool to focus agencies' attention on auditing compliance with the implementation and management of procurement and contracting policies.

During the 2000/2001 year the Commission also undertook Health Check 2 across 14 agencies.

The Health Check 2 Review terms of reference were:

- Assess the establishment and operation of up to ten (10) agency specific panel contracts;
- Assess purchases made through a written quotation process where the final or ongoing value exceeds the original quotation price. Assessment to include policy compliance and use of contract management techniques;
- Assess the use and application of contract management planning for purchases above \$100,000;
- Compliance check on the application of the Regional Buying Compact in evaluation process and the ongoing contract management of contracts awarded; and

- Report on the number of contracting staff in the agencies reviewed and their level of contracting expertise.

The report findings generally confirmed compliance with supply policies. Some opportunities were identified for improvement in the use of contract management plans for contracts exceeding \$100,000, preparation and use of 'Buyers Guides' for agency specific panel contracts and formal arrangements for assessing contractor performance. The Health Check 2 Report is expected to be tabled in Parliament early in the 2001/2002 financial year.

STATE TENDERS COMMITTEE

The State Tenders Committee had a successful first year in operation, and for the year to 30 June 2001 considered 68 procurement plans and 171 tender submissions.

The role of the State Tenders Committee is to provide public authorities with an independent view of their contracting activities without impinging on the statutory responsibilities of the Chief Executive Officer.

A public authority holding a partial exemption granted under Section 21(1) of the State Supply Commission Act in undertaking to purchase and contract for goods and services must comply with both its exemption level and State Supply Commission supply policies.

The State Tenders Committee provides a mechanism for greater transparency and accountability in government contracting.

The contract thresholds requiring contracting documentation to be referred to the State Tenders Committee for endorsement are outlined in the Risk Management Supply Policy.

Go to [Policies and Guidelines for Buying Wisely: Risk Management](#)

In summary, the State Tenders Committee provides 'an independent review mechanism' of the award recommendation process prior to contract award finalisation.

SUPPLY POLICIES REVIEWED

During 2000/2001 the State Supply Commission endorsed amendments to a number of supply policies. The more significant amendments are outlined below.

- VALUE FOR MONEY

Updated to reflect the intent of the Government's Buy Local Policy and strengthened to encourage agencies to adopt a value for money approach when purchasing.

Go to [Policies & Guidelines for Buying Wisely: Value For Money](#)

- OPEN AND EFFECTIVE COMPETITION

- Incorporation of e-commerce to ensure that e-commerce is managed as an enabling technology; and
- Lowering the threshold for publishing contract award details on the WA Government Contract Information Bulletin Board from \$20,000 to \$10,000 per contract value.

Go to [Policies & Guidelines for Buying Wisely: Open and Effective Competition](#)

- RISK MANAGEMENT

- Inclusion of a requirement that agencies must develop disposal plans (as well as procurement plans) for nominated contract values;
- Lowering of the threshold for agencies having to develop a procurement plan or disposal plan from \$1m to \$750,000 per contract value;
- Inclusion of a policy statement ensuring the inclusion of local industry involvement as an integral part of procurement planning;
- Inclusion of a policy statement that following approval of procurement plans appropriate information shall be placed on the early tender advice section of the WA Government Contracting Information Bulletin Board;
- Inclusion of *Contract Management Planning* setting out the requirements for agencies to prepare a formal contract management plan for all contracts valued above \$250,000; and
- Inclusion of the role of the *State Tenders Committee*, setting out the requirements for agencies to submit specified procurement plans, disposal plans and

purchasing and disposal tender recommendations to the State Tenders Committee for endorsement.

Go to [Policies & Guidelines for Buying Wisely: Risk Management](#)

- SUPPORTING LOCAL INDUSTRY
- Inclusion of a reference to regional purchasing by public authorities in the *Planning and Practice* policy statement.
- Updated to reflect the intent of the Government's Buy Local Policy.

Go to [Policies & Guidelines for Buying Wisely: Supporting Local Industry](#)

- SUPPORTING OTHER GOVERNMENT POLICIES AND INITIATIVES
- The policy was updated to include the Government's Buy Local Policy, the Regional Development Policy and the Government Intellectual Property Policy 2000.

Go to [Policies & Guidelines for Buying Wisely: Supporting Other Government Policies and Initiatives](#)

- MANAGING PURCHASING CONDUCTED BY PRIVATE SECTOR PROVIDERS

The policy has been strengthened to ensure that Private Sector Providers comply with the Government's Buy Local Policy and State Supply Commission Policies.

Go to [Policies & Guidelines for Buying Wisely: Managing Purchasing Conducted by Private Sector Providers](#)

- COMMON USE CONTRACTS AND AGENCY SPECIFIC PANEL CONTRACTS

This policy was issued in place of the Common Use Contracts policy, which was revoked. The Common Use Contracts and Agency Specific Panel Contracts policy was revised to clearly define the process required to buy from a Common Use Contract or an Agency Specific Panel Contract. The policy was also revised to ensure that it complies with the Open and Effective Competition policy.

Go to [Policies & Guidelines for Buying Wisely: Common Use Contracts and Agency Specific Panel Contracts](#)

GUIDELINES ISSUED

The State Supply Commission approved the issuing of the following Guidelines:

- MANAGEMENT OF SOFTWARE CONTRACTS

This guideline provides direction to agencies by:

- Outlining appropriate internal administrative procedures for effective contract management;
- Presenting a series of logical steps in three key stages – contract planning, contract formation and contract management – to assist in market testing and awarding of software contracts; and
- Providing a software contract management summary sheet/checklist to assist agencies in ensuring that all vital details of software contracts are documented.

Go to [Guidelines: Management of Software Contracts](#)

- INTERNAL AUDIT REVIEWS OF AGENCIES APPLICATION OF SUPPLY POLICIES

This guideline was developed to encourage public authorities to use their internal accounting processes to make annual audits of their purchasing and contracting activities.

Go to [Guidelines: A Guideline for Internal Audit Reviews of Agencies Application of Supply Policies](#)

MACHINERY OF GOVERNMENT TASKFORCE

On 3 May 2001 the Hon Premier announced that State Cabinet had endorsed recommendations from the Machinery of Government Taskforce that would see the number of departments reduced from 46 to 23.

Prior to the implementation of these recommendations, the State Supply Commission commenced preparatory work to address the levels of purchasing authority of affected public authorities under the State Supply Commission Act 1991.

The Machinery of Government Taskforce Report stated that the State Supply Commission will not be affected by the Taskforce proposals.

SALE OF BOCS TICKETING AND MARKETING

A decision not to continue with the sale of BOCS Ticketing and Marketing was made. The offer against the tender was declined, effectively ending the tender process for the sale of BOCS Ticketing and Marketing. This action was in accordance with the provisions of the request for tender document and was in line with the Government's electoral commitments.

COMPLAINTS HANDLING SERVICE

The Commission has responsibility for reviewing complaints lodged by suppliers in relation to government purchasing and contracting. Suppliers are required to attempt to resolve issues with the agency directly concerned before lodging a complaint with the Commission. If a mutually acceptable resolution to the grievance cannot be reached between the parties then the Commission will undertake a formal review. During the year, the Commission reviewed 20 complaints and addressed 23 concerns raised by suppliers.

AUSTRALIAN PROCUREMENT AND CONSTRUCTION COUNCIL (INC)

The State Supply Commission is a member of the Australian Procurement and Construction Council (APCC), which is the national forum for inter-jurisdictional co-operation on procurement and construction policy matters. It reports to the Australian Procurement and Construction Ministerial Council, comprising Ministers with responsibility for procurement and construction policy.

The APCC has a national focus on policies and practices that influence the delivery of services by all Australian Governments and their impact on industry. By adopting a national approach, industry is able to better

service and understand the requirements of Government.

The Council develops nationally consistent approaches to broader procurement policies, processes and practices, with an increasing emphasis on:

- electronic commerce for government procurement;
- public sector infrastructure needs;
- competitive tendering and contracting;
- improving access to Government markets for small to medium enterprises.

Go to ['About the APCC'](#)

EXPRESSION OF INTENT

In April 2001 the State Supply Commission, the Department of Contract and Management Services and the Western Australian Municipal Association entered into a new Expression of Intent, replacing the one entered into in 1999. The Expression of Intent is designed to facilitate co-operation between the parties while allowing for flexibility.

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 10 January 2001 until the new Government was formally sworn in on 16 February 2001.

The Guidelines Applying in Western Australia during the State General Election Period 2001 had several requirements. These included a requirement that in general, government advertising and publications, except work commissioned by the Western Australian Electoral Commission, are to be deferred during the caretaker period.

Exemptions from this requirement were sought from the Chief Executive Officer of the State Supply Commission in respect of the following instances: advertisements relating to public

inquiries; advertising of commercial services provided by government; and community service announcements. The Chief Executive Officer considered 492 requests during the period.

STATE FLEET – GENERAL NOTE

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

This delegation revoked the previous delegation from the State Supply Commission to the Under Treasurer dated 12 October 1999.

INFORMATION AND SUPPLY TRENDS

WHO BUYS WHAT

Each year, the Commission collects strategic information on the scope and nature of purchasing undertaken by Government agencies. The information is used to help interested government and industry stakeholders better understand the government market and to monitor trends and developments, including the purchasing activities of the public sector.

The State Supply Commission released the 1999/2000 *Who Buys What* report in May 2001. The *Who Buys What* report highlights that the Western Australian Government expenditure on goods and services, construction and building related services was more than \$5 billion in 1999/2000.

The report shows that approximately 83% of the \$5 billion is spent on services.

Who Buys What provides annual purchasing statistics for 131 State Government agencies and details the scope of Government spending and the types of goods and services purchased. The publication provides tips for suppliers wanting to sell to Government as well as agency contacts, general information about the government purchasing process and market. It also provides special tips on using the statistical information to enhance their own market intelligence and activities.

Who Buys What provides varying perspectives of overall Government purchasing including:

- The top 10 purchasing agencies for each commodity;
- The top 10 commodities purchased for both goods and services;
- The top 10 purchasing agencies; and
- The proportion of agencies' purchases as a percentage of overall Government purchasing.

COMPARISONS WITH PREVIOUS YEARS

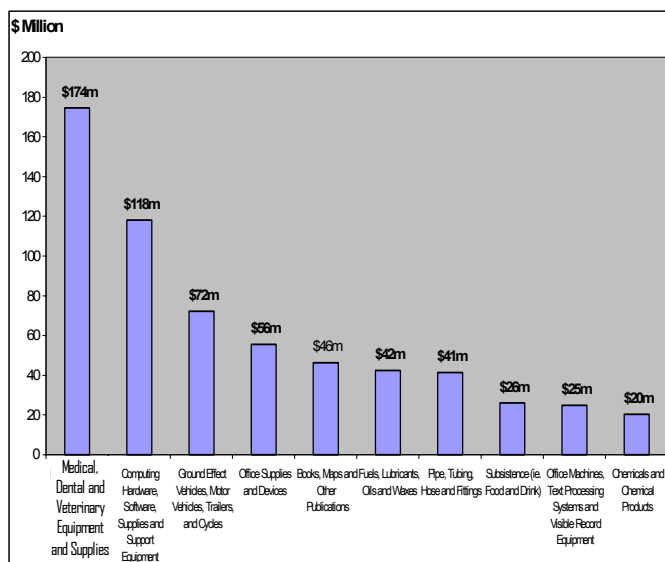
The [1999-2000 Who Buys What Report](#) is also made available through the Commission's website

To access the 'Who Buys What' database go to [How to Sell to Government](#)

WHAT ARE THE STATISTICS SAYING?

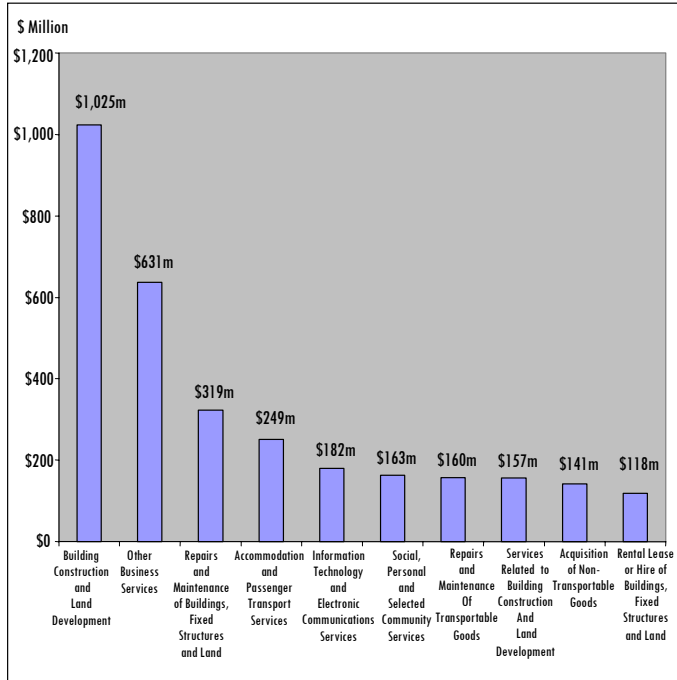
TOP 10 GOODS

This chart shows the top 10 goods purchased and the approximate amounts spent on each.



Top 10 Services

This chart shows the top 10 services purchased and the approximate amounts spent on each.



* **Whole of Health** - Includes Health Department, Government Health Supply Council, Healthways, Metropolitan Health Service

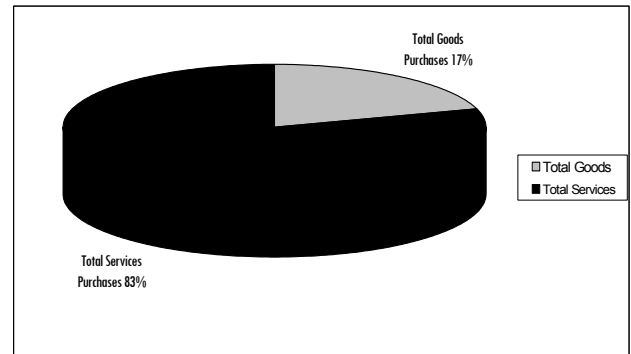
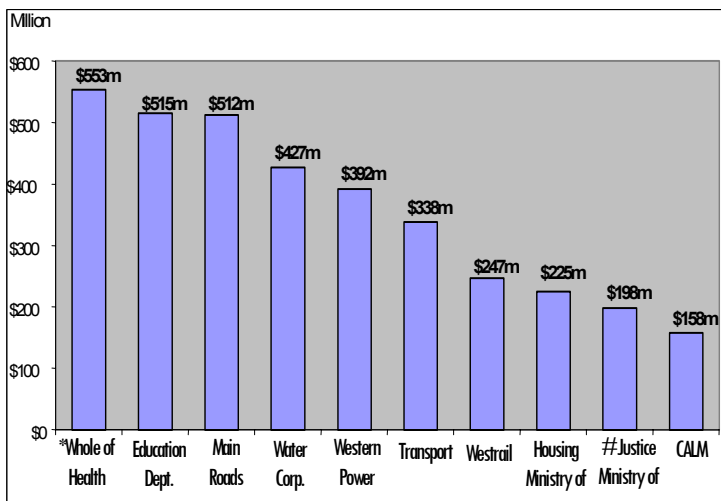
Ministry of Justice - Includes Public Trust Office, Law Reform Commission, Equal Opportunity Commission, Office of the Director of Public Prosecution & Crown Solicitor's Office

COMPARISON BETWEEN EXPENDITURE ON GOODS AND THAT ON SERVICES

Since 1994/95, there has been a gradual increase in the proportion of Government expenditure on services. In 1999/2000, services once again represented the significant majority of total commercial purchases being 83% or \$4.16 billion, compared to the \$0.86 billion being spent on goods. This is consistent with the previous financial year (1998/99), where services accounted for 80% of total expenditure. Growth in services purchasing has continued to rise, while expenditure on goods remains relatively stable, decreasing only marginally from year to year.

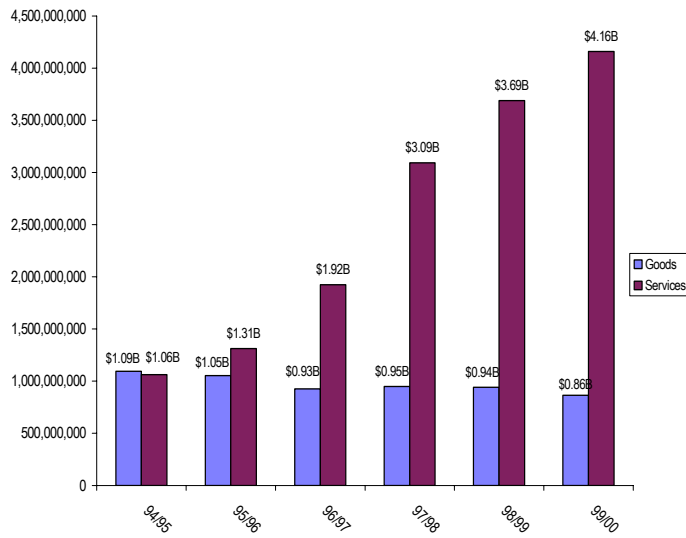
TOP 10 AGENCIES

The agencies with the greatest overall expenditure on goods and services are listed below.



GOODS AND SERVICES COMPARISONS WITH PREVIOUS YEARS

This chart compares the overall results of purchases undertaken over previous financial years. It details the continuing growth in Government purchasing of goods and services. The WA Government spent \$5.02 billion on goods and services in 1999/00



REPORTS ON CUSTOMER OUTCOMES AND OTHER ACCOUNTABILITY ISSUES

COMPLIANCE WITH PUBLIC SECTOR MANAGEMENT ACT SECTION 31 (1)

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

The State Supply Commission's Management System contains a module outlining the standards, procedures and requirements for human resource management (last updated November 2000). This includes information on how to lodge a breach of the standards, employee rights and obligations and other legislative requirements.

In January 2001, the Commission developed a Code of Conduct, which is provided to all employees as part of their induction. The purpose of the Code of Conduct is to provide employees with clear and practical guidelines on ethical behaviour in the workplace

Statement of Compliance

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

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

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

Number lodged	0
Number of breaches found	0
Number still under review	0

Cheryl Gwilliam
Chief Executive Officer

DISABILITY SERVICES PLAN

The Commission's Disability Services Plan was updated in 1999 and continues to be monitored.

The State Supply Commission continues its commitment to providing optimum access and service to people with disabilities, their families and carers.

The Commission promotes buying practices in government agencies that enable access for people with disabilities. The State Supply Commission's guideline, Buying Wisely to Ensure Access for People with Disabilities, forms part of the Commission's Buying Wisely manual, which currently houses the Commission's complete set of policies and guidelines on government purchasing.

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

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

TWO YEAR PLAN FOR WOMEN OUTCOMES

The Commission continues to encourage women business operators to interact with the Commission in policy reviews and in programs

to communicate and share in policy development.

This year's launch and rollout of the Buy Local Policy showed a significant improvement in the level of female representation from last year's launch of the draft Buy Local Policy. Female representation increased from 19% (draft Buy Local forums) to 25% representation at awareness raising and information sessions presented by the Commission in 31 regional and metropolitan centres.

Women were encouraged to attend forums by way of direct postal invitation from the Commission, through local Chambers of Commerce and Industry and broad press advertising.

The representation of women at the Commission has increased in the year ended June 30, 2001. The ratio of women staff has increased from 45% in 1999/00 to 57.1% in 2000/01 and includes a member of the Senior Executive Service.

**EQUAL EMPLOYMENT
OPPORTUNITIES OUTCOMES**

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

The Commission implemented its EEO/Diversity Management Plan in 1999 and has endeavoured to ensure these aims are achieved where possible.

The Commission recognises that different people have different skills to offer and has incorporated procedures to ensure that issues of equal employment and diversity management are addressed.

Staffing Profile (as at 30 June 2001)

Number of Staff employed	14
Number of permanent, full time staff	14
Number of fixed term, full time staff	1
Number of staff on secondment from SSC to other agencies	1
Number of staff on secondment to SSC from other agencies	7
Number of staff who have a disability	0
Number of staff employed under Enterprise Agreement	0
Number of staff employed under Workplace Agreement	12

Salary Profile by Gender

Number of Permanent and Fixed Term Employees by Gender as at 30 June 2001

SALARY RANGE \$	WOMEN	MEN	TOTAL
0–33,556	0	0	0
33,557–38,577	0	0	0
38,578–43,431	0	0	0
43,432–47,604	1	0	1
47,605–55,376	3	0	3
55,377–64,567	2	0	2
64,568–72,824	0	1	1
72,825–83,586	1	3	4
83,587–94,798	0	2	2
>94,798	1	0	1
TOTAL	8	6	14

DECLARATION OF INTERESTS

To the best of our knowledge, none of our staff members have any interests (pecuniary or otherwise), which could possibly be construed as having any influence on the proper and objective performance by the State Supply Commission.

State Supply Commission Board members are required to make a declaration of their

interests at the start of each meeting. If a conflict of interest should exist, the member is asked to leave the room or is asked not to comment during discussion of the particular agenda item.

ANTI CORRUPTION COMMISSION
ACT 1988

In accordance with the *Anti-Corruption Commission Act 1988* Section 14, during the year 2000/01, one report has been made under the above Act.

FREEDOM OF INFORMATION
STATEMENT AS
AT 30 JUNE 2001

The State Supply Commission's statistical return to the Office of the Information Commissioner showed seven applications were received during the period 1 July 2000 to 30 June 2001.

One request was for personal information and six requests were for non-personal information and were dealt with in the following manner:

Access in full	3
Edited access	2
Access refused	2
Total	7

The *Freedom of Information Act 1992* provides the right for the public to lodge an application for documents not routinely available. To apply for any documents under the Freedom of Information legislation, an application in writing to the FOI Co-ordinator, State Supply Commission, 5th Floor, 2 Havelock Street, West Perth, WA 6005 is required. The application must have a return address within Australia and identify the applicant. Appendix 3 details the documents routinely available from the State Supply Commission.

For assistance in making an application, contact the FOI Co-ordinator on 9222 5700. The FOI Coordinator may contact the

applicant to assist in clarifying the request. Applications will be dealt with within 45 days.

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

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

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

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

ADVERTISING AND SPONSORSHIP

Section 175ZE of the *Electoral Act 1907* requires the State Supply Commission to include a statement in its Annual Report detailing expenditure incurred by or on behalf of the Agency during the current reporting period over the class of expenditure set out below.

During 2000/01, the Commission expended a total of \$44,094 with advertising/publication and market research organisations, dispersed as below.

Market Research Organisations		\$23,996
The Boshe Group	Customer Survey	\$9,750
Right Marketing Australia	Annual Supply Report collation and analysis	\$14,246
Media Advertising Agencies		\$13,379
Marketforce Productions	Press advertisements	\$12,018
Intersector	Positions advertised	\$1,361
Advertising Agencies		\$6,718
Linkletters	Design and typesetting of manuals and publications	\$4,504
Keystrokes	Design of inserts for manuals	\$2,214

WASTE PAPER RECYCLING

The State Supply Commission is committed to using recycled paper and waste paper is recycled.

EVALUATIONS

In continuing to seek improvements to its effectiveness indicators, the Commission has recently reviewed and revised existing measures to more appropriately reflect its role. This has been undertaken for the reporting year 2001/02. Alternative mechanisms for data collection have also been evaluated in this process.

LANGUAGE AND CULTURAL DIVERSITY OUTCOMES

The Commission is aware of the Office of Multicultural Interests' policy of Interpretations & Languages translations and would contact them directly or refer customers as the need arises.

PERFORMANCE IN RELATION TO OUTPUTS

The State Supply Commission was provided with an amount of \$1.426 million to meet recurrent and capital services during the year. The Commission consumed, on a net cost of services basis, a total of \$1.445 million. The Commission received services free of charge to the extent of \$63,000.

The following outcome, outputs and performance information is the subject of a Resource Agreement signed by the Minister, a representative of the accountable authority and the Chief Executive Officer.

OUTPUT 1

OUTPUT 1

PROCUREMENT, DISPOSAL AND BEST PRACTICE GUIDELINES POLICY ADVICE, DEVELOPMENT AND EVALUATION

Maintain an effective policy framework across all buying activities, and promote and facilitate the adoption of best practice to achieve improvements in the public sector performance and accountability.

EFFICIENCY:

Performance Measures	2000/01 Target	2000/01 Actual	Reasons for Significant Variance
Quantity: Policies and guidelines developed, evaluated and reviewed	18	18	Advice provided on new policies, eg Buy Local Policy
Units of policy advice provided to agencies and industry	1600	2336	

EFFICIENCY:

Performance Measures	2000/01 Target	2000/01 Actual	Reasons for Significant Variance
Quality: Industry and agencies satisfaction with policies and guidelines *	80%	66%	Overall mean satisfaction has not changed significantly but a significant increase in percentage scoring neutral
* Responses from agency personnel only are included in this measure, in line with the effectiveness measure for the Commission's Outcome			
Timeliness: Policies, guidelines and advice provided within agreed time frames	90%	100%	
Cost: Average cost to develop, evaluate and review policies and guidelines	\$23500	\$24,800	Includes costs for services received free of charge
Average cost to provide advice to agencies and industry	\$177	\$127	

EFFECTIVENESS:

Measure: *The extent to which public authorities are satisfied that policies, practices and guidelines enhance public sector supply activities.*

In total, 157 respondents from the Commission's primary market were interviewed to determine performance against this measure.

This incorporated the following groups:

Chief Executive Officers	69
Principal Purchasing Officers	88

Respondents were asked to assess the extent to which they were satisfied that "the policies and guidelines established by the State Supply Commission have contributed to the efficiency and effectiveness of public sector activities".

The table below reports the percentages of the CEO and Purchasing Officers samples that were satisfied or dissatisfied that “the Commission” has had this effect.

RATING	CEOs N=69 (%)	PURCHASING OFFICER's N=88 (%)	TOTAL N=157 (%)
7 - Very satisfied	4.3	5.6	5.1
6	39.1	27.0	32.5
5	23.2	32.6	28.7
Net Satisfied	66.6	65.2	66.3
4 - Neutral	15.9	20.2	18.5
3	5.8	9.0	7.6
2	1.4	1.1	1.3
1 - Very dissatisfied	0	0	0
Net Dissatisfied	7.2	10.1	8.9
Don't know	10.1	4.5	6.3
Total	100	100	100

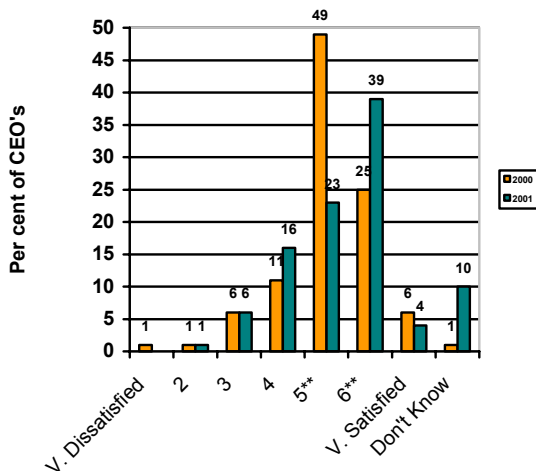
Note: Columns may not add due to rounding

Chief Executive Officers (CEOs)

Sixty seven per cent of CEOs surveyed indicated that they were satisfied that the State Supply Commission had contributed to the ‘efficiency and effectiveness of their agency’s purchasing activities’. Seven (7) per cent were dissatisfied and 16% were neutral. Compared to 2000, overall mean satisfaction has not changed significantly but there have been significant shifts in the way that CEOs have rated this question. In 2001, there has been a significant decrease in the proportion scoring a ‘5’ but a significant increase scoring a ‘6’ for this question.

** = Significance at 95%

CEO satisfaction with the SCC

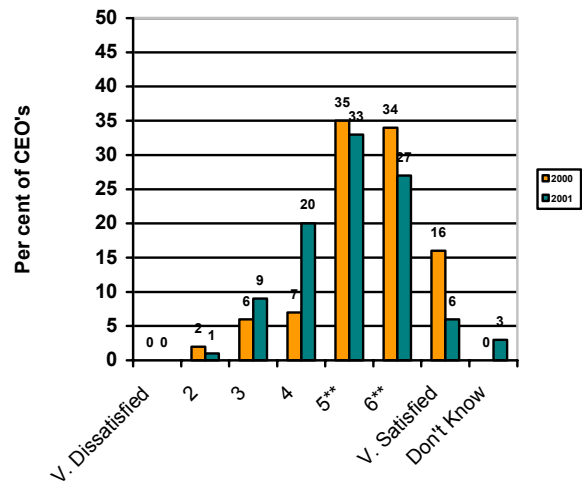


Purchasing Officers

Overall, sixty six per cent of purchasing officers indicated that the State Supply Commission had enhanced efficiency and effectiveness of the public sector. Twenty per cent were neutral, ten per cent were dissatisfied and three per cent said they did not know.

The findings on this question for all respondents (CEOs and Purchasing Officers) for the past five years may be seen in the following table.

Purchasing Officer satisfaction with the SCC



RATING	1996/ 97 %	1997/ 98 %	1998/ 99 %	1999/ 00 %	2000/ 01 %
7 - Very satisfied	14	9	10	12	5
6	27	43	41	29	32
5	26	24	23	39	29
Net Satisfied	67	76	74	80	66
4 - Neutral	17	16	12	10	19
3	5	6	3	6	8
2	5	1	3	2	1
1 - Very dissatisfied	2	0	0	1	0
Net Dissatisfied	12	7	6	9	9
Don't Know	4	1	8	1	6
Total	100	100	100	100	100

OUTPUT 2

OUTPUT 2

ACCREDITATION MANAGEMENT,
BUYING PRACTICE ASSESSMENTS,
INVESTIGATION AND ADVICE

Maintain systems and processes for the assessment of agency buying performance and practice.

EFFICIENCY:

Performance Measures	2000/01 Target	2000/01 Actual	Reasons for Significant Variance
<p>Quantity: Agencies monitored for compliance with accreditation conditions and procurement policy requirements</p> <p>Exemptions and approvals evaluated to purchase accreditation conditions</p>	43	17	The Commission instituted a new approach with the agency monitoring via a health check. Only 1 round was completed by 30 June 2001
	250	268	Increased complexity of contracting
<p>Quality: Agencies which satisfy and meet accreditation conditions and procurement policy requirements</p>	90%	100%	
<p>Timeliness: The successful completion of scheduled assessments of agencies' accreditation conditions and procurement policy requirements</p>	100%	100%	
<p>Cost: Average compliance cost per agency</p> <p>Average cost of exemption and approval evaluated</p>	\$9553	\$18,381	The increased cost was due to the decreased number of agencies monitored during the year
	\$1125	\$777	This has dropped due to the increased number of agency requests for exemption

EFFECTIVENESS

Measure: An improvement in the State Supply Commission risk ratings of agencies across the public sector.

In accordance with the Commission's program requirements, the Commission undertook two reviews of procurement and contracting within agencies which are currently operating under the Commission's partial exemption (see Appendix 1) for devolved purchasing. These reviews were:

- 14 agencies were reviewed as part of Health Check 2. The 'Health Check' program reviews procurement practices of agencies and their compliance with Supply Policies and also Government Policies under the administration of the Supply Commission eg. 'Buy Local Policy' ; and
- Pilots for Risk Management, Competencies and Compliance Framework conducted in 3 agencies

Health Check

A health check on 14¹ public sector agencies was undertaken by consultants Deloitte Touche Tomatsu, on behalf of the Commission.

Sample agencies were selected from the following three divisions of annual spend on goods and services:

- Greater than \$70m
- Between \$15m and \$70m
- Up to \$15m

The Health Check 2 Review terms of reference were:

1. Assess the establishment and operation of up to ten (10) agency specific panel contracts;

¹ This health check intended to review 15 public sector agencies. However, the proposal to conduct a health check review of one of the scheduled public authorities, Westrail was deemed inappropriate at this time, due to restructuring of the organization.

2. Assess purchases made through a written quotation process where the final or ongoing value exceeds the original quotation price. Assessment to include policy compliance and use of contract management techniques;
3. Assess the use and application of contract management planning for purchases above \$100,000;
4. Compliance check on the application of the Regional Buying Compact in evaluation process and the ongoing contract management of contracts awarded;
5. Report on the number of contracting staff in the agencies reviewed and their level of contracting expertise.

Key Observations

Without exception, Chief Executive Officers of the 14 public authorities reviewed demonstrated an understanding of the importance of having an effective system of internal control governing contracting and procurement practices.

Whilst all agencies need to apply some degree of attention to aspects of the Commission's Policies and Guidelines, every agency gave a commitment to address these issues in the short to medium term, if they were not already doing so.

The consultant's findings for Terms of Reference 1 to 4 were that agencies demonstrated compliance with State Supply Policies and Guidelines

For Terms of Reference 5, it was the consultant's finding that in the public authorities reviewed the contracting staff had appropriate skills.

The consultants did recommend that some agencies could make more appropriate use of Buyer's Guides and that more discriminant use of contract management plans may have been appropriate. These identified shortcomings are not mandatory compliance issues and more correctly reflect good practice.

Pilot Audit Risk Management, Competencies and Compliance Framework

The Commission undertook an audit of the purchasing and contracting functions in three (3) public authorities to assess the effectiveness of its new Risk Management, Competencies and Compliance Framework.

The pilot audit provided the Commission with a practical evaluation of the framework effectiveness in determining public authorities level of risk management processes, officers and organisation competencies and level of compliance with supply policies. This audit information forms part of the evaluation of the public authority's level of purchasing and contracting authority.

All three public authorities were found to be compliant in their purchasing activities and were considered adequately competent to purchase and contract under their existing partial exemption levels. Through this pilot process one public authority has been offered the opportunity to increase their partial exemption level based on excellent audit results, while the others have retained their existing levels.

OUTPUT 3

OUTPUT 3

COMPLAINTS HANDLING SERVICE

The operation of an independent, complaint grievance facility to address anti-competitive behaviour and procedural bias by agencies aimed at enhancing accountability and public confidence in public sector procurement.

EFFICIENCY:

Performance Measures	2000/01 Target	2000/01 Actual	Reasons for significant variance
Quantity: Complaints acted upon	30	20	Many supplier concerns are being satisfactorily resolved at agency level
Quality: Recommendations accepted and implemented	85%	91%	21 of 23 recommendations have been fully implemented with the 2 remaining recommendations in the process of being implemented
Timeliness: Grievances finalised within 45 days	50%	86%	Comprises: 23 concerns 13 formal complaints
Cost: Average cost per complaint	\$5100	\$11160	Increased complexity of complaints has resulted in higher cost to review

EFFECTIVENESS

Measure: The extent to which this output contributes towards ensuring agencies' tender processes and procedures meet principles of open and effective competition, value for money, fair and equitable access to government contracting opportunities. This will be monitored as to the extent to which agencies incorporate any recommendations to improve tender or contracting procedures or processes as a result of a determination.

Of the 20 formal complaints reviewed by the Commission, during the year, 7 were not completed as at 30 June 2001, 5 were not sustained and 8 cases resulted in 23 recommendations being made to agencies. In all cases, agencies accepted the 23 recommendations and 21 recommendations have been implemented. The remaining 2 recommendations are in the process of being implemented.

The State Supply Commission has taken an active role in pursuing the status of implementation and working with agencies to ensure that purchasing processes are improved through the findings of such reviews.

OUTPUT 4

OUTPUT 4

MANAGEMENT OF THE FUNDING AND LEASING OF THE STATE'S VEHICLE FLEET

Note: This was not an agreed output for the State Supply Commission at the commencement of the 2000/2001 year. By agreement, this output commenced within State Supply Commission in June 2001. For the majority of the 2000/2001 year this output was contained within Treasury's Output 2: Financial Management and Advisory Services. This is now an agreed output for the State Supply Commission for the 2001/2002 year. Total cost of operating for 2000/2001 - \$20.196 million.

PERFORMANCE INDICATORS

STATEMENT ON PERFORMANCE INDICATORS

We hereby certify that the performance indicators are based on proper records and fairly represent the performance of the State Supply Commission for the financial year ended 30 June 2001.



JENNIFER BALLANTYNE

CHAIRMAN

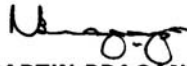
31 AUGUST 2001



IAN HILL

MEMBER

31 AUGUST 2001



MARTIN BRAGANZA

MANAGER BUSINESS SERVICES

PRINCIPAL ACCOUNTING OFFICER

31 AUGUST 2001

OPINION OF THE AUDITOR GENERAL



AUDITOR GENERAL

To the Parliament of Western Australia

**STATE SUPPLY COMMISSION
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2001**

Scope

I have audited the key effectiveness and efficiency performance indicators of the State Supply Commission for the year ended June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the State Supply Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2001.

A handwritten signature in black ink, appearing to read 'K O'Neil'.

K O O'NEIL
ACTING AUDITOR GENERAL
November 30, 2001

State Supply Commission's Outcome, Outputs & Performance Indicators

In 1998/99, the State Supply Commission underwent a significant review and restructure emerging as a high level policy organization with three outputs aimed at achieving the Commission's Outcome of '**Promotion of best procurement practice in Public Sector Agencies**'.

To measure the Commission's performance in achieving its Outcome the Commission has relied, to date and historically, on information gathered through client surveys.

Given the Commission's high level policy and monitoring roles, it is apparent that the existing Outcome, Outputs and Performance Indicators have not adequately reflected the breadth of the Commission's performance.

In continuing to seek improvements to its effectiveness indicators, the Commission has recently reviewed and revised existing measures to more appropriately reflect its role. This has been undertaken for the reporting year 2001/02. Alternative mechanisms for data collection have also been evaluated in this process.

Government Initiatives Impacting the Indicators

Since July 2000 the State Supply Commission has embarked on a number of initiatives to enhance transparency and accountability in public sector contracting.

- Establishment of the State Tenders Committee

From 1 July 2001 the State Tenders Committee was established to provide public authorities with an independent view of their contracting activities without impinging on the statutory responsibilities of the Chief

Executive Officer. This role has improved transparency and accountability in public sector contracting. However, the survey results suggest that this has been perceived somewhat by public authorities as a further level of approval and as such an impediment on their purchasing and contracting processes.

- Devolution of contracting authority to agencies

Pending the implementation of the Risk Management, Competencies and Compliance Framework, reviews of public authorities' partial exemption levels were put on hold. Following the implementation of the Framework, public authorities are now required to undergo a rigorous assessment to determine an appropriate level of purchasing authority.

- Compliance with supply policy

The State Supply Commission's supply policies were amended to reflect the Government's commitment to transparency and accountability in purchasing and contracting activities.

The State Supply Commission assesses all public authority requests for exemption from supply policies. The requests are subject to a rigorous process requiring agencies to provide a compelling argument and evidence in support of requests to waive a supply policy.

The proportion of requests that have been declined evidence the higher level of compliance with supply policies demanded by the Commission.

Survey Structure and Administration of Survey

(a) Survey Conduct

The Annual Customer Survey was undertaken on behalf of the State Supply Commission by The Boshe Group. (The Boshe Group was selected to undertake the survey through a competitive quotation process).

The 2000/01 survey comprised interviews with 157 clients who had accessed the services of the State Supply Commission in the last 12 months.

All Chief Executive Officers (or their equivalent) and the primary purchasing officer contact were approached to participate in the 2000/01 customer survey - in effect a census of the Commission's total recorded client population of 222.

During the period that the fieldwork was undertaken, the number of clients eligible to participate in the survey was reduced due to:

- transitional arrangements associated with the implementation of the machinery of government recommendations and;
- changes to status of public authorities recorded as eligible clients (ie no longer reporting independently).

The total eligible client population for the survey was reduced from 222 to 204 and consists of the Chief Executive Officer (or equivalent) of each public authority under the jurisdiction of the State Supply Commission and the primary purchasing officer contact of each public authority under the jurisdiction of the State Supply Commission.

(b) Survey Questionnaire

This year's client survey was self completed (and remitted over the internet or via fax) or completed with an interviewer by telephone.

The survey questionnaire was based upon the questionnaire used in 2000 with slight modifications to the scaling method. This remained similar in that the same number of categories was provided for respondent's answers (5 and 7 point scales) but the word anchors were reduced to either ends of the scale rather than at every point. This method is less biasing for the respondent as words at every point can mislead them. (Eg. the jump between 'Somewhat Satisfied' and 'Very Satisfied' may not be the same in respondents' minds).

Standard sets of questions were used for each client group – Purchasing Officers and Chief Executive Officers. The audited survey question was the same for both client groups and remained unchanged from previous years (other than scaling method changes as discussed).

PERFORMANCE INDICATORS

Outcome:

Promotion of best procurement practice in Public Sector Agencies

Effectiveness Indicator

In its 2000/01 customer satisfaction survey, the Commission asked CEOs and Principal Purchasing officers of public sector agencies whether they were satisfied with the Commission's ability to promote best practice and the effectiveness of the Commission's performance towards this outcome.

In total, 157 respondents from the Commission's primary market were interviewed by an independent market research analyst for the 2000/01 customer satisfaction survey. The respondents

consisted of 69 Chief Executive Officers and 88 Purchasing Officers.

The survey question asked respondents to assess the extent to which they were satisfied that *“the policies and guidelines established by the Commission have contributed to the efficiency and effectiveness of public sector activities”*.

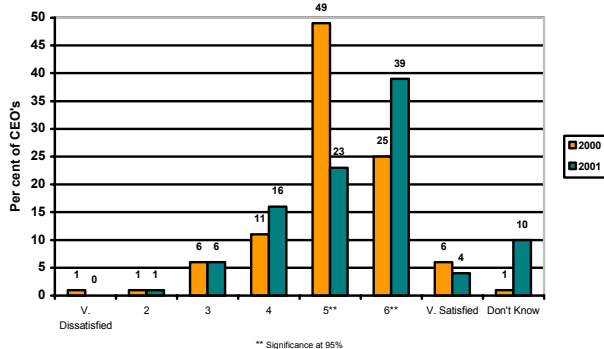
The findings on this question for the past five years may be seen in the following table.

Client Satisfaction with Policy & Guideline contribution to Efficiency & Effectiveness of Public Sector Purchasing (Chief Executive Officers & Purchasing Officers)					
	96-97 %	97-98 %	98-99 %	99-00 %	00-01 %
Satisfied	67	76	74	80	66
Neutral	17	16	12	10	19
Dissatisfied	12	7	6	9	9
Don't Know	4	1	8	1	6
Total	100	100	100	100	100

Chief Executive Officers (CEOs)

Sixty seven per cent of CEOs surveyed indicated that they were satisfied that the State Supply Commission had contributed to the 'efficiency and effectiveness of their agency's purchasing activities'. Seven (7) per cent were dissatisfied and 16% were neutral. Compared to 2000, overall mean satisfaction has not changed significantly but there have been significant shifts in the way that CEOs have rated this question. In 2001, there has been a significant decrease in the proportion scoring a '5 out of 7' but a statistically significant increase in those CEOs scoring a '6' for this question.

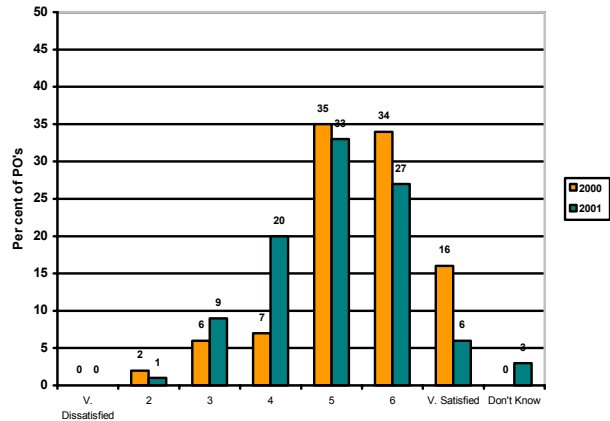
CEO satisfaction with the SCC



Purchasing Officers (POs)

Overall, sixty six per cent of purchasing officers indicated that the State Supply Commission had enhanced efficiency and effectiveness of the public sector. Twenty per cent were neutral, ten per cent were dissatisfied and three per cent said they did not know.

Purchasing Officer satisfaction with the SCC

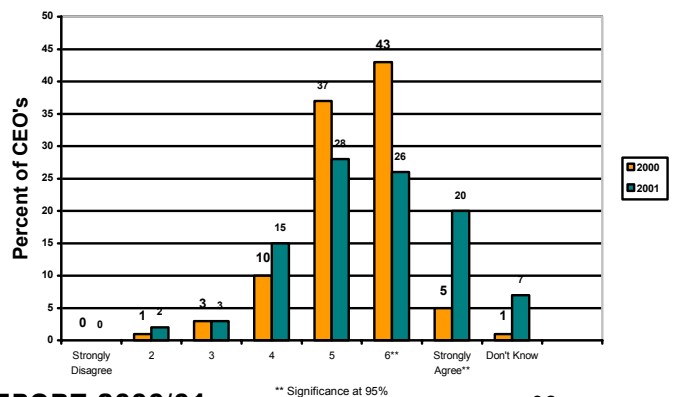


Openness and Accountability

The majority of CEOs agreed (74%) that the State Supply Commission has increased confidence in the openness and accountability of Government purchasing processes with 15% remaining neutral and 7% not knowing.

Comparing this question with 2000 data, there has been no significant change in the confidence levels but there were significant shifts in the way the questions were scored over the 2-year period.

CEO Confidence in SSC



In 2001, the distribution of scores has shifted with a significant increase in the per cent of CEOs answering that they 'strongly agree' the State Supply Commission has increased confidence in the openness and accountability of Government purchasing processes and a significantly lower percentage that have rated '6' for this question.

EFFICIENCY INDICATORS

The following table details the average cost for each output in promoting best procurement practice to public sector agencies.

Output 1

Procurement, disposal and best practice guidelines policy advice, development and evaluation

COST	1999/00	2000/01
Average cost to develop, evaluate and review policies and guidelines	\$27,686	\$24,800
Average cost to provide advice to agencies and industry	\$254	\$127

Output 2

Accreditation management, buying practice assessments, investigation and advice

COST	1999/00	2000/01
Average compliance cost per agency	\$29,859	\$18,381
Average cost exemption and approval granted	\$930	\$777

Output 3

Complaints handling service

COST	1999/00	2000/01
Average cost per complaint	\$6,483	\$11,160

Output 4

Management of the funding and leasing of the State's vehicle fleet

Note: This was not an agreed output for the State Supply Commission at the commencement of the 2000/2001 year. By agreement, this output commenced within State Supply Commission in June 2001. For the majority of the 2000/2001 year this output was contained within Treasury's Output 2: Financial Management and Advisory Services. This is now an agreed output for the State Supply Commission for the 2001/2002 year.

COST	2000/01
Total cost of operating for 2000/01	\$20.196 million

CERTIFICATION OF FINANCIAL STATEMENTS

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 2001 and the financial position as at 30 June 2001.

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



JENNIFER BALLANTYNE

CHAIRMAN

30 NOVEMBER 2001



IAN HILL

MEMBER

31 NOVEMBER 2001



MARTIN BRAGANZA

MANAGER BUSINESS SERVICES

PRINCIPAL ACCOUNTING OFFICER

31 NOVEMBER 2001



AUDITOR GENERAL

To the Parliament of Western Australia

**STATE SUPPLY COMMISSION
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001**

Scope

I have audited the accounts and financial statements of the State Supply Commission for the year ended June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Commission.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Commission to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Commission's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

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 and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Commission at June 30, 2001 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'K O'Neil'.

K O'NEIL
ACTING AUDITOR GENERAL
November 30, 2001

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 \$	2000 \$
COST OF SERVICES			
Expenses from ordinary activities			
Employee expenses	2	797,686	973,979
Supplies and services	3	386,790	365,308
Depreciation expense	4	62,138	22,059
Vehicle fleet lease agreement	1e	-	17,736
Doubtful debt expenses		(5,600)	(31,962)
Administration expenses	5	113,025	101,027
Accommodation expenses	6	123,962	198,375
Other expenses from ordinary activities	7	52,546	28,603
Interest Expense		151,918	-
Rebates	10	-	450,000
Vehicle fleet contractual payments	1p	20,000,000	-
Total cost of services		<u>21,682,465</u>	<u>2,125,125</u>
Revenue from ordinary activities			
Trading profit	8	-	-
Interest revenue		23,290	9,011
Other revenues from ordinary activities	9	41,065	37,658
Total revenue from ordinary activities		<u>64,355</u>	<u>46,669</u>
NET COST OF SERVICES		<u>21,618,110</u>	<u>2,078,456</u>
REVENUES FROM GOVERNMENT			
Appropriations	11	36,426,000	1,360,000
Liabilities assumed by the Treasurer		64,814	89,211
Resources received free of charge		63,000	40,405
Total revenues from Government		<u>36,553,814</u>	<u>1,489,616</u>
Change in net assets		14,935,704	(588,840)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		<u>14,935,704</u>	<u>(588,840)</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2001

	Note	2001 \$	2000 \$
Current Assets			
Cash assets	22(a)	39,456,768	903,680
Receivables	13	733,996	14,210
Other assets	14	150,040,485	10,254
Total Current Assets		190,231,249	928,144
Non-Current Assets			
Property, plant, equipment and vehicles	15	6,613,435	24,296
Total Non-Current Assets		6,613,435	24,296
Total Assets		196,844,684	952,440
Current Liabilities			
Payables	16	35,888	62,283
Interest-bearing liabilities	17	27,000,000	-
Interest payable	18	4,128,075	-
Provisions	19	164,078	340,580
Other liabilities	20	58,712	32,727
Total Current Liabilities		31,386,753	435,590
Non-Current Liabilities			
Interest-bearing liabilities	17	150,000,000	-
Provisions	19	5,377	-
Total Non-Current Liabilities		150,005,377	-
Total Liabilities		181,392,130	435,590
NET ASSETS		15,452,554	516,850
Equity			
Accumulated surplus	21	15,452,554	516,850
TOTAL EQUITY		15,452,554	516,850

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2001

	Note	2001 \$	2000 \$
CASH FLOWS FROM GOVERNMENT			
Recurrent appropriations		36,401,000	1,360,000
Capital appropriations		25,000	-
Net cash provided by Government		<u>36,426,000</u>	<u>1,360,000</u>
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee costs		(940,729)	(752,109)
Suppliers & services		(610,958)	(723,576)
Contractual payments		(20,000,000)	-
GST on vehicles and other GST		(710,557)	-
Other payments	10	-	(450,000)
		<u>(22,262,244)</u>	<u>(1,925,685)</u>
Receipts			
Sale of goods and services		58,628	726,186
Interest received		591	9,010
Other receipts		5,229	8,734
		<u>64,448</u>	<u>743,930</u>
Net cash used in operating activities	22(c)	<u>(22,197,796)</u>	<u>(1,181,755)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current physical assets		(6,651,273)	-
Prepaid Contractual Obligations		(150,000,000)	-
Net cash provided by/(used in) investing activities		<u>(156,651,273)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		177,000,000	-
Other Proceeds		3,976,157	-
Repayment of borrowings		-	(5,000,000)
Net cash provided by/(used in) financing activities		<u>180,976,157</u>	<u>(5,000,000)</u>
Net increase/(decrease) in cash held		38,553,088	(4,821,755)
Cash assets at the beginning of the financial year		903,680	5,725,435
CASH ASSETS AT THE END OF THE FINANCIAL YEAR	22(a)	<u>39,456,768</u>	<u>903,680</u>

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

NOTES TO THE FINANCIAL
STATEMENTS

1. 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, which has been prepared in accordance with Australian Accounting Standards 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 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 financial 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.

The statements have been prepared on the accrual basis of accounting using the historical cost convention. Additions to non-current physical assets since valuation are stated at cost.

(a) Comparative Figures

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

(b) Grants and Other Contributions Revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Commission obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

(c) Depreciation of non-current assets

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.

Depreciation is provided for on the straight-line basis using rates, which are reviewed annually. Useful lives for each class of depreciable asset are:

- Computer Equipment-3 years
- Office equipment-5 years
- Leasehold Improvements-5 years
- Motor Vehicles – State Fleet Vehicles are depreciated on a straight line basis taking into account the residual values and terms of the vehicles leases. The useful life of these vehicles is between 6 months and 60 months.

The State Supply Commission only capitalised assets with a value equal to or greater than \$5,000.

(d) Employee entitlements

Annual leave and long service leave

Annual and long service leave entitlements are provided at current salary rates, with long service leave being calculated on an accrued and pro rata entitlement basis in accordance with the State Supply Commission Workplace Agreement. As all Commission staff have signed individual workplace agreements since 1 July 1996, they are permitted, after a period of 7 years continuous service, to take a portion of their accrued long service leave after each additional completed year of continuous service. Where an employee has not

completed the first seven (7) year cycle, a liability is only recognised after four (4) years service has been completed.

An actuarial assessment of long service leave was carried out at 30 June 1997, and it was determined that the actuarial assessment of the liability was not materially different from the liability reported. This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS30 "Accounting for Employee Entitlements".

Superannuation

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

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

The note disclosure required by paragraph 51(e) of AAS 30 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Commission. Accordingly, deriving the information for the Commission is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

The superannuation expense comprises the following elements:

- (i) notional employer contributions which would have been paid to the Gold State

and West State Superannuation Schemes if the Commission had made concurrent employer contributions to those schemes; and

- (ii) change in the unfunded employer's liability in respect of current employees who were members of the Superannuation and Family Benefits Act Scheme and current employees who accrued a benefit transferred from that Scheme to the Gold State Superannuation Scheme.

(e) Leases

The Commission has entered into a number of operating lease arrangements for the rent of motor vehicles and office buildings used by the Commission where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

(f) Receivables

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

Collectability of accounts receivable is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. A provision for doubtful debt is raised where some doubts as to collection exists and in any event where the debt is more than 120 days overdue.

(g) Accrued Salaries

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

(h) Payables

Accounts Payable, including accruals not yet billed, are recognised when the Commission

becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(i) Interest bearing liabilities

Loans from the WA Treasury Corporation are recorded at an amount equal to the net proceeds received. Borrowing cost expense is recognised on an accrual basis.

(j) State Fleet

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

This delegation revoked the previous delegation from the SSC to the Under Treasurer dated 12 October 1999.

The results for the year ended 30 June 2001 reflect 1 months trading of the State Government's vehicle fleet.

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

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

(l) Revenue

Trading profit represents the surplus of vehicle sale proceeds over the termination value paid by the Commission. This relates to the treatment of vehicles under the Motor Vehicle Fleet Lease Agreement transaction prior to May 1999, which required the Commission to pay a termination value on vehicles that were returned 60 days past their due date or are deemed a casualty occurrence for insurance purposes. Vehicles awaiting sale are treated as inventory. Since May 1999, Treasury paid for any vehicles terminated under the Lease

Agreement. Details of cost of goods sold and proceeds from sales are presented in Note 8.

Other revenue is fully described in the Statement of Financial Performance. Interest revenues are recognised as they accrued.

(m) Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues in the period in which the Commission gains control of the appropriated funds. Appropriations that are repayable by the Commission to the Treasurer are recognised as liabilities.

(n) Cash Resources

The funds of the Commission are substantially held in an account at Treasury called the 'State Supply Commission Account'.

(o) Net Fair Values of Financial Assets and Liabilities

Net fair values of financial instruments are determined on the following basis:

- Monetary financial assets and liabilities not traded in an organised financial market – cost basis carrying amounts of debtors, accrued revenue, accounts payable, and accruals (which approximate net market value); and

Assets and liabilities are considered to approximate the net fair value in the Statement of Financial Position as at 30 June 2001.

(p) Contractual Payments

Payments made under agreements associated with the renegotiations of the Vehicle Fleet Funding Facility.

	<u>2001</u>	<u>2000</u>		<u>2001</u>	<u>2000</u>
	\$	\$		\$	\$
2.EMPLOYEE EXPENSES			7.OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Wages and salaries	819,427	781,985	Capital Acquisitions Less than \$5000	29,967	6,619
Superannuation	64,814	89,211	Motor Vehicle Expenses	22,579	16,366
Long service leave	(85,307)	53,131	State Taxes & Stamp Duties	-	5,618
Annual leave	(23,887)	25,768		<u>52,546</u>	<u>28,603</u>
Other related expenses	22,640	23,884			
	<u>797,686</u>	<u>973,979</u>	8. TRADING PROFIT		
3.SUPPLIES AND SERVICES			Sales	-	529,571
Consultants and contractors	259,055	249,756	Less: Cost of Sales	-	529,571
Government Agencies	63,000	40,405	Trading Profit	-	-
Repairs and maintenance	6,932	6,773			
Travel	17,383	33,214	9.OTHER REVENUES FROM ORDINARY ACTIVITIES		
Other	40,419	35,160	Sale of Publications	2,314	5,506
	<u>386,790</u>	<u>365,308</u>	Services	-	2,000
4.DEPRECIATION EXPENSES			Expense Recoveries	38,626	15,722
Computer Equipment	7,198	12,086	Other	124	14,430
Leasehold Equipment	1,151	-		<u>41,065</u>	<u>37,658</u>
Office Equipment	10,103	9,973	10. REBATES		
Motor Vehicles	43,687	-	Payment of Microsoft Software Volume Rebates to Treasury	-	450,000
	<u>62,138</u>	<u>22,059</u>		-	450,000
5.ADMINISTRATION EXPENSES			11. REVENUES (TO)/FROM GOVERNMENT		
Communication	66,776	55,136	Appropriation revenue received during the year:		
Consumables	41,952	40,522	Recurrent	36,401,000	1,360,000
Other staff costs	4,297	5,369	Capital	25,000	-
	<u>113,025</u>	<u>101,027</u>		<u>36,426,000</u>	<u>1,360,000</u>
6.ACCOMMODATION EXPENSES					
Lease rentals	123,962	198,375			
	<u>123,962</u>	<u>198,375</u>			

	<u>2001</u>	<u>2000</u>
	\$	\$
The following liabilities have been assumed by the Treasurer:		
Government Employees Superannuation Board Contributions	64,814	89,211

Resources received free of charge

Determined on the basis of the following provided by agencies:

Office of the Auditor General-Auditing Services	15,000	15,000
Crown Solicitor's Office-Legal Services	43,000	23,405
Contract and Management Services-IT Services	5,000	-
Treasury Department-Financial & Banking Services	-	2,000
	<u>63,000</u>	<u>40,405</u>
Total revenues from Government	<u>36,553,814</u>	<u>1,489,616</u>

Supplementary funding of \$35,000,000 was received from the Consolidated Fund in June 2001 to manage the State Government's Vehicle Fleet.

12. FUNDS HELD IN TRUST

The State Supply Commission holds contractors' surety deposits in a trustee capacity pending the satisfactory performance of service. These monies are excluded from the financial statements as the Commission cannot use these funds for its own operations. The funds are held by Treasury in the Deposits-Contracts-State Supply Commission Trust Account.

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

	<u>2001</u>	<u>2000</u>
	\$	\$
Balance as at 1 July	21,416	24,784
Interest received	1,316	10,376
Additional Deposits Received	-	1,979,673
Less: Deposits and interest paid from the Trust Account	21,532	1,993,417
Balance as at 30 June	<u>1,200</u>	<u>21,416</u>

Cash held in the account is to be used only for the purpose of repaying retention monies withheld from suppliers subject to their final claims.

13. RECEIVABLES

Current		
Trade debtors	8,113	27,210
Provision for doubtful debts	(7,400)	(13,000)
GST receivable	710,557	-
Accrued interest	22,726	-
	<u>733,996</u>	<u>14,210</u>

14. OTHER ASSETS

Current		
Prepayments-operating expenses	34,288	6,066
Prepaid Contractual Obligations	150,000,000	-
Sundry Debtors	6,196	4,188
	<u>150,040,485</u>	<u>10,254</u>

As part of the renegotiation of the Vehicle Fleet Funding Facility a prepayment of \$150 million was made towards debt related to the facility.

	<u>2001</u>	<u>2000</u>
	\$	\$
15. PROPERTY, PLANT, EQUIPMENT AND VEHICLES		
<u>Leasehold Improvements</u>		
Leasehold Improvements	13,671	-
Accumulated depreciation	(1,151)	-
	<u>12,520</u>	<u>-</u>
<u>Computer Hardware & Software</u>		
At capitalised cost	100,765	100,765
Accumulated depreciation	(94,777)	(87,579)
	<u>5,988</u>	<u>13,186</u>
<u>Office Equipment & Furniture & Fittings</u>		
At capitalised cost	61,009	49,869
Accumulated depreciation	(48,860)	(38,759)
	<u>12,149</u>	<u>11,110</u>
<u>Motor Vehicles</u>		
At capitalised cost	6,626,465	-
Accumulated depreciation	(43,687)	-
	<u>6,582,778</u>	<u>-</u>
Total	<u>6,613,435</u>	<u>24,296</u>

Reconciliations

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

	Computer Equipment, Software and Furniture & Fittings	Leasehold Improvements	Office Equipment, Furniture & Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Carrying amount at start of year	13,186	-	11,110	-	24,296
Additions	-	13,671	11,140	6,626,465	6,651,276
Depreciation	7,198	1,151	10,101	43,687	62,137
Carrying amount at end of year	5,988	12,520	12,149	6,582,778	6,613,435

<u>2001</u>	<u>2000</u>
\$	\$

16. PAYABLES

Current

Trade payables	<u>35,888</u>	<u>62,283</u>
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17. INTEREST-BEARING LIABILITIES

Amount due to the Western Australian Treasury Corporation	<u>177,000,000</u>	<u>-</u>
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The aggregate carrying amount of borrowings recognised and included in the financial statements is as follows:

-Current	27,000,000	-
-Non-current	150,000,000	-
Total	<u>177,000,000</u>	<u>-</u>

The State Supply Commission has a facility agreement in place with the Western Australian Treasury Corporation to borrow up to \$250,000,000 to meet contractual requirements, to purchase vehicles and to provide working capital.

18. INTEREST PAYABLE

Amount due to Western Australian Treasury Corporation	<u>4,128,075</u>	<u>-</u>
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This amount represents the interest payable to the Western Australian Treasury Corporation.

	2001	2000
	\$	\$
19. PROVISIONS		
<u>Current</u>		
Annual leave	62,034	119,058
Long service leave	102,044	221,522
	164,078	340,580

<u>Non-current</u>		
Long service leave	5,377	-
	5,377	-

Employee Entitlements

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

Provision for employee entitlements:		
Current	164,078	340,580
Non-current	5,377	-
	169,455	340,580

20. OTHER LIABILITIES

Current		
Accrued expenses	45,388	13,527
Accrued salaries	13,324	19,200
	58,712	32,727

21. EQUITY

Accumulated surplus		
Opening balance	516,850	1,105,690
Change in net assets	14,935,704	(588,840)
Closing balance	15,452,554	516,850

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

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

	2001	2000
	\$	\$
Cash at Bank	39,456,768	903,680
Total cash assets in the Statement of Financial Position	39,456,768	903,680

(b) Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Statement of Cash Flows.

(c) Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of providing services	21,618,110	2,078,456
Non-cash items:		
Depreciation expense	62,138	22,059
Doubtful debt expense	(5,600)	(39,668)
Liabilities assumed by the Treasurer	64,814	89,211
Resources received free of charge	63,000	40,405
	184,352	112,007

	2001	2000
	\$	\$
(Increase)/decrease in assets:		
Current receivables	(714,185)	127,144
Current inventories	-	528,170
Other current assets	(30,231)	1,400,860
	<u>(744,416)</u>	<u>2,056,174</u>
Increase/(decrease) in liabilities:		
Current accounts payable	125,519	(1,374)
Other Current Liabilities	25,985	(1,349,005)
Current provisions	(176,503)	78,899
Non-current provisions	5,377	-
	<u>(19,622)</u>	<u>(1,271,480)</u>
Net cash used in operating activities	<u>(22,197,796)</u>	<u>(1,181,755)</u>

23. COMMITMENTS FOR EXPENDITURE

(a) Commitments (not longer than one year)

The following amounts have been identified as expenditure commitments by the Commission as at 30 June 2001:

Consultancies let or in progress	7,838	32,000
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(b) Non-cancellable operating lease commitments

Not later than 1 year	133,773	110,315
Later than 1 year and not later than 5 years	494,805	399,329
Later than 5 years	256,432	-
	<u>885,010</u>	<u>509,644</u>

Events Occurring After Reporting Date

On 2 July 2001 the State Supply Commission was advised by Matrix Facility Management Pty Ltd that the marginal cost of the transaction had increased by more than 60% relative to the original cost of the transaction. On 3 July 2001 the State Supply Commission issued notices to the relevant parties that the State was entitled to

terminate the transaction subject to a 30 business day negotiation period with the other parties to see if it is possible to restructure the transaction so as to avoid the need to terminate. A viable restructure proposal did not materialise in the negotiation period and on 17 August 2001 the State Supply Commission issued notices to formally terminate the transaction.

The termination process was still under way at the date this report was finalised. On payment of the termination amount (estimated in the region of \$65 million) and at the conclusion of the termination process the State Supply Commission will acquire bailment rights (rights to use and sub-lease) over the vehicles that were in the transaction and sale proceeds when vehicles are sold.

Non-cancellable Operating Lease Commitments

At 30 June 2001 there were 8654 vehicles leased under the Vehicle Fleet Lease Agreement with Matrix Finance Group Pty Ltd. The lease commitment under the Vehicle Fleet Lease Agreement was estimated by State Fleet Treasury at that time at:

1 Year	\$41,016,566
1-5 Years	\$24,300,667

Subsequently, as noted above the State Supply Commission exercised its rights under the contract to terminate the transaction. This results in the ongoing lease commitments also being terminated.

24. 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% or \$50,000.

	2001	2000	Variance
	\$	\$	\$
Employee expenses	797,686	973,979	176,293
Vehicle fleet lease agreement	0	17,736	17,736
Doubtful debt expenses	(5,600)	(31,962)	26,362
Administration expenses	113,025	101,027	(11,998)
Accommodation expenses	123,962	198,375	74,413
Other operating expenses	52,547	28,603	(23,944)
Rebates-software	0	450,000	450,000

Employee Expenses

Employee expenses for the current year also include a decrease in the long service leave for the current year. This provision was reduced after the Commission met its liability to transferring employees and the resignation of some staff before entitlements were due to them.

Accommodation Expenses

The Commission reduced its occupancy space at Dumas House and renegotiated its rental agreement for the revised floor space. As a consequence, the Commission has been able to make a substantial saving in its accommodation cost.

Rebates-software

In 1999-2000 the Commission made a payment to Treasury of \$450,000 representing purchase volume software rebates received from Microsoft for the whole of Government. These volume rebates were recorded as income in the Commission's financial statements in prior periods. No rebates were received in the current year.

- (ii) Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between estimates and actual results are

detailed below. Significant variations are considered to be those greater than 10% or \$ 50,000

	Estimates	Actual	Variance
	\$	\$	\$
Employee expenses	917,000	797,686	(119,314)
Administration expenses	91,900	113,025	21,125
Interest Expense	0	151,918	151,918
Vehicle fleet contractual payments	0	20,000,000	20,000,000
Depreciation	11,000	62,138	51,138

The variations to budget occurred as a consequence of the following:

Employee Expenses

Employee expenses for the current year also include decreases in the provisions for annual leave and long service leave for the current year. These provisions were reduced by \$171,000 as employees used leave entitlements, transferred to other Government agencies or left the employ of the State Supply Commission. The saving in provisions were offset by increased costs of seconded staff to the Commission during the year.

Administration Expenses

Administration expenses were above budget due primarily to communications costs associated with the Internet as the Supply Commission updated its network and public accessibility to its Internet site. Internet services accounted for \$20,000 of the difference noted above.

Interest Expense, Vehicle Fleet Contractual Payments Depreciation Expenses

These expenses are directly associated with the activities of managing the State Vehicle Fleet since May 2001. No estimates were made for these activities for the current year.

25. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

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

	Weighted Average Effective Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity			Non- Interest Bearing	Total
			Less than 1 Year	1 to 5 Years	More than 5 Years		
2001	%	\$000	\$000	\$000	\$000	\$000	
Financial Assets							
Cash assets	5.30%	38,639				818	39,457
Receivables						734	734
Other						150,040	150,040
		38,639				151,592	190,231
Financial Liabilities							
Payables						36	36
Employee entitlements						169	169
Other						4,187	4,187
Interest bearing liabilities	5.63%	150,000	27,000				177,000
		150,000	27,000			4,392	181,392
2000							
Financial assets						928,144	928,144
Financial liabilities						435,590	435,590

(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 note 1 to the financial statements.

26. REMUNERATION AND RETIREMENT BENEFITS OF MEMBERS OF THE ACCOUNTABLE AUTHORITY AND SENIOR OFFICERS

Remuneration of Members of the Accountable Authority

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

\$	<u>2001</u>	<u>2000</u>
\$0-\$10,000	6	6
\$20,000 - \$30,000	-	1
\$100,001-\$110,000	-	1
\$130,001 - \$140,000	1	-

The total remuneration of the members of the Accountable Authority is: \$145,512 \$152,078

Retirement Benefits of Members of the Accountable Authority

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

	<u>2001</u>	<u>2000</u>
1. Redundancy payments	-	-
2. Total notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	\$11,644	\$12,000
3. Contributions to other Superannuation funds	-	-

No members of the Accountable Authority are members of the Superannuation and Family Benefits Act Scheme.

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, or due and receivable, for the financial year, fall within the following bands are:

\$	<u>2001</u>	<u>2000</u>
\$30,000-\$40,000	1	-
\$60,000-\$70,000	1	-
\$70,000-\$80,000	2	1
\$80,000-\$90,000	1	1
\$90,000-\$100,000	-	1

The total remuneration of senior officers is: \$325,765 \$245,003

Retirement Benefits of Senior Officers

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

	<u>2001</u>	<u>2000</u>
1. Redundancy payments	-	-
2. Total notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	\$26,061	\$26,000
3. Contributions to other Superannuation funds	-	-

No Senior Officers are members of the Superannuation and Family Benefits Act Scheme.

27. OUTPUT INFORMATION

	Accreditation		Complaints		Policy		Vehicle Contract		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST OF SERVICES										
Expenses from ordinary activities										
Employee expenses	441,877	436,971	26,379	41,164	329,430	495,844			797,686	973,979
Supplies and services	131,060	154,136	75,689	25,292	180,041	166,062	20,000,000	19,818	20,386,790	365,308
Depreciation and amortisation expense	5,676	9,941	3,794	2,177	8,982	9,941	43,687		62,138	22,059
Vehicle fleet lease agreement	5,542	7,819	4,769	1,880	12,267	8,037			22,579	17,736
Doubtful debt expense					(5,600)			(31,962)	(5,600)	(31,962)
Administration expenses	25,808	38,324	15,175	16,018	72,041	46,685			113,025	101,027
Accommodation expenses	34,531	89,147	22,811	20,044	66,620	89,184			123,962	198,375
Rebates								450,000		450,000
Other expenses from ordinary activities	6,678	10,142	5,575	3,638	17,715	14,823	151,918		181,885	28,603
Total cost of services	651,172	746,480	154,192	110,213	681,496	830,576	20,195,605	437,856	21,682,464	2,125,125
Revenue from ordinary services										
Trading profit										
Interest revenue			564	9,011			22,726		23,290	9,011
Other revenue from ordinary activities		472	90	14,597	40,974	22,589			41,065	37,658
Vehicle fleet lease agreement										
Total revenues from ordinary activities		472	654	23,608	40,974	22,589	22,726		64,355	46,669
NET COST OF SERVICES	651,172	746,008	153,538	86,605	640,522	807,987	20,172,879	437,856	21,618,109	2,078,456
REVENUES FROM GOVERNMENT										
Appropriations	630,140	612,000	149,560	136,000	646,300	612,000	35,000,000		36,426,000	1,360,000
Assets assumed/(transferred)	21,527	40,128	8,661	2,387	34,626	46,695			64,814	89,210
Resources received free of charge	18,900	18,150	12,600	4,105	31,500	18,150			63,000	40,405
Total revenues from Government	670,567	670,278	170,821	142,492	712,426	676,845	35,000,000		36,553,814	1,489,615
Change in net assets resulting from operations	19,395	(75,730)	17,283	55,887	71,904	(131,142)	14,827,121	(437,856)	14,935,704	(588,841)

APPENDIX 1

**Public Authorities with Partial and
Total Exemptions
[as at 30 June 2001]**

Aboriginal Affairs Department	\$50,000	Great Southern TAFE	\$250,000
Agriculture WA	\$250,000	Health Department (Administration)	\$50,000
Animal Resources Authority	\$50,000	Heritage Council of WA	\$5,000
Anti Corruption Commission	\$20,000	Insurance Commission of WA	Total Exemption
Burswood Park Board	\$50,000	Keep Australia Beautiful Council	\$50,000
Central TAFE	\$50,000	Kimberley College of TAFE	\$50,000
Central West College of TAFE	\$50,000	Kimberley Development Commission	\$250,000
Challenger TAFE	\$50,000	Library and Information Services WA	\$50,000
Chemistry Centre (WA)	\$5,000	Lotteries Commission	\$1 million
Curriculum Council	\$20,000	Main Roads Western Australia	Total Exemption
CY O'Connor College of TAFE	\$50,000	Metropolitan Cemeteries Board	\$50,000
Department of Commerce and Trade	\$50,000	Mid West Development Commission	\$20,000
Department of Conservation and Land Management	\$100,000	Midland College of TAFE	\$50,000
Department of Contract and Management Services	\$500,000	Midland Redevelopment Authority	\$50,000
Department of Education Services	\$5,000	Minister for Health (Government Health Supply Council)	\$10 million
Department of Environmental Protection	\$20,000	Ministry for Culture and the Arts	\$250,000
Department of Family and Children's Services	\$250,000	Ministry for Planning	\$20,000
Department of Land Administration	\$250,000	Ministry of Fair Trading	\$50,000
Department of Local Government	\$250,000	Ministry of Housing	\$500,000
Department of Minerals and Energy	\$1 million	Ministry of Justice	\$250,000
Department of Productivity and Labour Relations	\$50,000	Ministry of Sport and Recreation	\$20,000
Department of Resources Development	\$250,000	Ministry of the Premier and Cabinet	\$250,000
Department of Training and Employment	\$250,000	Next Step Specialist Drug and Alcohol Services	\$20,000
Department of Transport	\$1 million	Office of Citizenship and Multicultural Interest	\$50,000
Disability Services Commission	\$1 million	Office of Energy	\$50,000
Dried Fruits Board	\$5,000	Office of Racing, Gaming and Liquor	\$50,000
East Perth Redevelopment Authority	\$250,000	Office of the Auditor General	\$50,000
Eastern Pilbara College of TAFE	\$150,000	Office of the Information Commissioner	\$20,000
Education Department of WA	\$5 million	Office of the Inspector of Custodial Services	\$50,000
Fire and Emergency Services Authority	Total Exemption	Office of the Public Sector Standards Commissioner	\$50,000
Fisheries Department	\$20,000	Office of Water Regulation	\$50,000
Forest Products Commission	\$50,000	Parliamentary Commissioner for Administrative Investigation	\$50,000
Fremantle Cemeteries Board	\$5,000	Peel Development Commission	\$250,000
Gascoyne Development Commission	\$50,000	Perth Dental Hospital and Community Dental Services	\$50,000
Goldfield Esperance Development Commission	\$50,000	Perth Market Authority	\$50,000
Government Employees Housing Authority	\$5,000	Pilbara Development Commission	\$50,000
Great Southern Development Commission	\$50,000	Rottneest Island Authority	\$500,000

APPENDIX 1

Public Authorities with Partial and Total Exemptions [as at 30 June 2001]

Small Business Development Corporation	\$20,000
South East Metropolitan College of TAFE	\$50,000
South West Development Commission	\$50,000
South West Regional College of TAFE	\$250,000
State Revenue Department	\$50,000
Subiaco Redevelopment Authority	\$250,000
Totalisator Agency Board	Total Exemption
Tourist Commission of WA	\$50,000
Treasury Department	\$20,000
Valuer General's Office	\$5,000
WA Electoral Commission	\$50,000
WA Health Promotion Foundation	\$50,000
WA Industrial Relations Commission	\$50,000
WA Sports Centre Trust	\$50,000
WA Treasury Corporation	\$5,000
Water and Rivers Commission	\$250,000
West Coast College of TAFE	\$50,000
West Pilbara College of TAFE	\$50,000
Western Australia Police Service	\$100,000
Western Australian Government Railways	Total Exemption
Wheatbelt Development Commission	\$5,000
Workcover WA	\$50,000
Worksafe Western Australia	\$20,000
Zoological Gardens Board	\$50,000

Public Authorities with Special Exemptions [as at 30 June 2001]

Art Gallery of WA—Artworks
Crown Solicitor—Legal Services
Director of Public Prosecution—Legal Services

Public Authorities which can Contract under the Powers of their own Legislation [as at 30 June 2001]

Botanic Gardens and Parks Authority - *Botanic Gardens and Parks Authority Act 1998*
Government Employees Superannuation Board – *State Superannuation Act 2000*
WA Land Authority (Landcorp) – *Western Australian Land Authority Act 1992*

APPENDIX 2

SUPPLY POLICIES

- Value for Money
- Open and Effective Competition
- Risk Management
- Supporting Local Industry
- Integrity and Ethics
- Supporting Other Government Policies and Initiatives
- Managing Purchasing Conducted by Private Sector Providers
- Common-Use Contracts and Agency Specific Panel Contracts
- Provision of Supply Information (under review for revocation)
- Delegated Purchasing Authority (under review for revocation)

GUIDELINES

- Managing Purchasing Conducted by Private Sector Providers

Assists public authorities in developing a new contract or changing an existing contract with a private sector provider who will be responsible for conducting purchasing activities on behalf of the public authority.

- Assuring Quality in Government Purchasing – A risk based approach

Assuring quality is a risk management strategy to ensure that suppliers use recognised systems and standards to assure quality in their goods and services.

- Buying Wisely to Ensure Access for People with Disabilities

Requires public authorities to consider the needs of people with disabilities when planning contracts.

- Disposal of Goods

Provides public authorities with guidance and options for the efficient and equitable disposal of surplus public property. The guidelines address key issues such as achieving the best available return to government and goods that require special consideration to ensure appropriate disposal eg. information technology and hazardous and pollutant materials.

- Engaging Consultants – Contracts for Professional Services

Provides public authorities with assistance in determining the appropriate circumstances for engaging consultants and highlights key issues involved in engaging consultants and how to successfully select and manage consultants. The guidelines require public authorities to be particularly diligent when addressing the issue of risk, conflict of interest, the employer/employee relationship, taxation obligations, professional indemnity and public liability insurance.

- Ethical Standards in Government Buying

Government requires high standards of ethical conduct in buyers. These guidelines provide buyers with the key ethical issues that require consideration and management.

- Partnering

Partnering introduces a range of measures to enhance supplier relationships and contract management techniques.

- Sale of Government Business

An outline of the key steps in preparing a business for sale and strategies to achieve a sound outcome.

- Sponsorship in Government

Assists public authorities to grant or obtain sponsorship where it fits their strategic business needs and where the sponsorship is for a contract for services.

- Internal Audit Reviews of Agencies

To provide agencies with guidance to ensure that the existing internal audit functions provide a suitable and preferred mechanism for ensuring that the agencies meet their public accountabilities for their purchasing and contracting.

- Management of Software Contracts

The Guidelines assist agencies with the contract planning, contract formation and contract management of software contracts.

GOVERNMENT POLICIES AND GUIDELINES ADMINISTERED BY THE STATE SUPPLY COMMISSION

- Buy Local Policy

This Policy seeks to maximise the use of competitive local businesses in goods, services and works purchased or contracted on behalf of Government.

APPENDIX 3

Publications List

[as at 30 June 2001]

Annual Reports 1999, 2000
Annual Supply Reports (Who Buys What) - 1997/98, 1998/99, 1999/00
A Guideline for Internal Audit Reviews of Agencies Application of Supply Policies
Assuring Quality in Government Purchasing – A Risk Based Approach
Buy Local Policy
Buyer Alerts (Probity Auditing, GST and GST Update)
Buying Wisely
Buying Wisely - A perspective for CEOs and Government Buyers
Buying Wisely - A perspective for Industry and Small Business
Buying Wisely to Ensure Access for People with Disabilities
Contract Management – A perspective for CEOs and Senior Executives
Disposal of Goods Guidelines
Effective Contracting for Services a Casebook of Good Practice
Engaging Consultants – Contracts for Professional Services
Ethical Standards in Government Buying – Education Resource Pack
Ethical Standards in Government Buying - Guideline
Ethical Standards in Government Buying - Guidelines for suppliers to Government
Managing Purchasing Conducted by Private Sector Providers – Guideline
Management of Software Contracts - Guideline
Partnering Guideline
Policies and Guidelines for Buying Wisely Manual
Policies and Guidelines for Buying Wisely Overview for Chief Executive Officers
Sale of Government Businesses - An Overview for Chief and Senior Executives
Sale of Government Businesses - Guidelines
Sponsorship in Government Guideline
State Supply Commission Customer Service Charter
State Supply Commission's Complaints Handling Process