



Plumbing  
Industry  
Commission

# 2012-2013

## Plumbing Industry Commission

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**ANNUAL REPORT**



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### About this report:

This report was produced under the guidelines of Financial Reporting Direction (FRD) 30 – Standard requirements for the design and printing of annual reports as required by the Victorian State Government.

# Commissioner's Report



The announcement by the Victorian Minister for Planning, the Hon Matthew Guy, in November 2012 that the Victorian Building Authority (VBA) would become the new single building industry regulator from Monday, 1 July 2013, means this is the last annual report of the Plumbing Industry Commission.

The replacement of the Plumbing Industry Commission and the Building Commission with the VBA is the first step in a series of reforms that will enable the new authority to become a one-stop shop for consumer protection and the single point of governance for plumbers and building practitioners and, from 2014, architects. Within the VBA, an independent board will lead the strategic direction and governance, while a Chief Executive Officer will lead at an operational level. This is a significant change from the previous structure.

While not the subject of a Victorian Auditor-General's Office (VAGO) report on Compliance with Building Permits, the Plumbing Industry Commission decided it would be prudent to review its activities. In January 2013, in conjunction with the Building Commission, a Program Design and Implementation Project started, involving a complete review and redevelopment of all programs and procedures. The project was designed to ensure the Commissions could demonstrate they were improving and the project would help support the new entity, the Victorian Building Authority, becoming a best-practice regulator. Significantly advanced at the end of the period, the project has a strong emphasis on embedding monitoring and evaluation in VBA policies and processes.

The Commission continued the program of change that started in 2011-2012, at the same time continuing our primary role overseeing compliance with the *Plumbing Regulations 2008*, practitioner performance and consumer and practitioner complaints investigation. We also worked to lay the foundations for the transition to the VBA.

Since my appointment as Commissioner in February 2013, I have expanded the programs started by my predecessor, Michael Kefford, addressing governance, cost and operating efficiencies. This has seen greater scrutiny of projects and processes and a recruitment program to bring external services in-house.

As Victoria's plumbing regulator, the Commission is required to audit five per cent of plumbing jobs for which compliance certificates are lodged, five per cent of jobs where a plumber is connecting to a water authority's asset, and 100 percent of all reported residential recycled water installations. These functions were provided externally and a new provider was appointed in January 2013.

During the year, 318,469 compliance certificates were lodged, a fall of 13.4 percent compared with 2011-2012. While the fall reflects lower levels of building activity, it should be noted that in the previous year a Commission program targeted outstanding older compliance certificates. The number of people with a Victorian plumbing registration or licence rose 1.6 percent in 2012-2013 to 25,294.

On a national level, the Commission worked with the newly established National Occupational Licensing Authority (NOLA) to progress implementation of the National Occupational Licensing System (NOLS) and took an active role on the Australian Building Codes Board's plumbing codes and administration committees.

The Commission maintained its strong relationships with Victoria's 19 water corporations. In March 2013, most corporations attended a Commission-run workshop on a range of common issues, including recycled water inspections, consistency for plumbers across water authority processes, and lodging of drainage property service plans.

A review of plumbing training and assessment – launched the previous year – was finalised during the year and we began delivering key recommendations. These included establishing a Training and Education Consultative Committee, as a sub-committee of the Plumbing Industry Advisory Council (PIAC), embedding registration and licence assessments as electives in the national training package and greater use of technology in assessments.

In 2012-2013 the Commission maintained a strong working relationship with PIAC and other key stakeholders, particularly in practitioner education, consumer protection and industry and regulatory reform.

This work and the other programs implemented by the Commission during the past year will ensure the VBA commences with a strong, clear focus on its role as a best practice industry regulator and solid, sustainable financial, operational and regulatory foundations.

## Accountable Officer's Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Plumbing Industry Commission's Annual Report for the year ending 30 June 2013.

Yours sincerely

**Greg Hyams**  
Plumbing Industry Commissioner

## Financial Summary 2008-2009 to 2012-2013

ITEM	2012-2013 \$M	2011-2012 \$M	2010-2011 \$M	2009-2010 \$M	2008-2009 \$M
Total income	15.8	15.4	15.5	14.4	12.4
Total expense	14.9	15.0	15.2	14.1	11.9
Net result	0.9	0.4	0.3	0.3	0.5
Total assets	9.0	12.9	12.9	13.3	11.7
Total liabilities	5.3	5.2	5.3	5.9	4.6

# Corporate Governance

The Plumbing Industry Commission (the Commission) has employed an improved corporate governance framework and has implemented further changes to ensure it:

- effectively meets its objectives
- is efficient and transparent in its operations
- is accountable for its decisions
- complies with all relevant Acts and Regulations.

## About the Commission

The Commission is a State Government statutory authority that promotes safe, healthy and sustainable outcomes for all Victorians through an efficient and effective plumbing regulatory system.

The Commission was established under the *Building Act 1993* (the Act) Part 12A. It administers the licensing and registration system for plumbing practitioners and promotes and enforces plumbing standards across Victoria. The Commission is supported by the independent body Plumbing Industry Advisory Council (PIAC), which is established under the Act. PIAC provides advice on plumbing regulatory matters to the Minister for Planning and the Commission.

The Commission works proactively to promote plumbing practices that protect the health and safety of the community and the integrity of water supply and waste water systems. By monitoring the performance of licensed and registered plumbing practitioners, the Commission also contributes to the protection of the Victorian community in relation to water and gas supply, waste water, roofing and heating and cooling systems, including solar systems.

The Commission also works with the community, industry professionals and educators to promote better plumbing standards and sustainable plumbing in Victoria and nationally.

## Vision

An innovative, sustainable, accessible and responsive plumbing industry, fostered through collaborative partnerships between government and industry stakeholders.

## Mission

Regulating for a safe, liveable and sustainable built environment.

## Core Values

The Commission strives to have an organisational culture that is values-driven, relevant, responsive and delivers results. Its values are:

- future focus
- achieving together
- inspiring excellence
- respecting individuals
- ensuring trust.

## Functions and powers of the Commission

The functions and powers of the Plumbing Industry Commission are prescribed in Part 12A – Division 9 – Plumbing Industry Commission, Section 221ZZV(1) of the *Building Act 1993*.

These are:

- (a) to administer the plumber licensing and registration system created by this Part of the Act
- (b) to promote the maintenance of adequate levels of competence among plumbers
- (c) to advise the Minister on the making of regulations under this Part and plumbing technical standards (other than regulations and technical standards relating to Gasfitting work)
- (d) to advise the Minister on the impact on the plumbing industry of other Acts and regulations
- (e) to monitor and enforce compliance with technical standards applying to the plumbing industry, including standards applying to materials, installations, construction and maintenance
- (f) to promote plumbing practices which protect the health and safety of consumers and the integrity of water supply and waste water systems
- (g) to hold, or cause to be held, examinations in plumbing work for the purposes of this Part and to appoint examiners to conduct those examinations
- (h) to promote the resolution of consumer complaints about work carried out by plumbers
- (i) to seek the views of the plumbing industry and other interested groups on the effectiveness of this Part and the regulations
- (j) to co-ordinate the preparation of draft proposals for regulations under this Part
- (k) to conduct or promote research into matters relating to the regulation of the plumbing industry
- (l) to promote better plumbing standards both nationally and internationally
- (m) to liaise with any organisation established to promote national plumbing standards
- (n) to provide information and training to assist people and bodies in carrying out functions under this Part or the regulations
- (o) to provide an information service with respect to plumbing
- (p) to accept any gifts or donations of money or other property by deed, will or otherwise
- (q) to advise the Minister on any matter referred to it by the Minister
- (r) generally to carry out any other function or duty given to it, or imposed on it by this Act or any other Act, and to exercise any powers conferred on it by this Act or any other Act.

## Section 221ZZW – Powers of the Commission

- (1) The Commission may do all things that are necessary or convenient to enable it to perform its functions.
- (2) The Commission may, in writing, delegate to any of the following any of its powers or functions (other than this power of delegation) to:
  - (a) any member of the Commission's staff
  - (b) the Plumbing Industry Commissioner
  - (c) any member of the Plumbing Industry Advisory Council.

## Responsible Minister

The responsible Minister is the Hon Matthew Guy MLC, Minister for Planning.

## Stakeholders

The Commission is responsible to the Minister for Planning for regulation of the plumbing industry for the Victorian community. Other key stakeholders include licensed and registered plumbing practitioners, peak industry bodies and associated industry groups, the broader building and construction industry, and local, state and federal government departments, agencies and authorities.

## Commission Offices

The Commission's head office is at the Goods Shed North, 733 Bourke Street, Docklands, Victoria, 3008 and its regional offices are in Ballarat, Bendigo, Morwell and Wangaratta. Mail: PO Box 536, Melbourne, Victoria, 3001. Telephone: 1300 815 127. Website: [www.vba.vic.gov.au](http://www.vba.vic.gov.au).

## Statutory Body

The Commission provides secretariat support to one statutory body under the Act; the PIAC. The function of PIAC is to provide advice to the Minister for Planning and the Plumbing Industry Commission, either by request or of its own initiation.

## Plumbing Industry Advisory Council – Chair's Report

An industry advisory body established under the *Building Act 1993* (the Act) Part 12A, the Plumbing Industry Advisory Council (PIAC) provides advice about the plumbing industry to the Minister for Planning and the Plumbing Industry Commission. The advice is provided either at their request or at PIAC's own initiative.

PIAC has 13 members appointed by the Minister – representing industry employers and employees, vocational education, water, energy and gas regulators, the plumbing industry, and consumers.

Throughout 2012-2013, PIAC members continued to monitor and respond to a wide range of events and activities which impacted the plumbing industry, or had the potential to impact the plumbing industry. I've included some of these as examples.

- Council of Australian Governments' reform initiatives with particular emphasis on progress towards implementation of the National Occupational Licensing System.
- The State Government's impending introduction of the Victorian Building Authority which will include the functions of the Plumbing Industry Commission and the Building Commission as well as the functions of some other statutory bodies.
- An Ombudsman Report into some of the activities of the Building Commission and the Plumbing Industry Commission.
- A Victorian Auditor General's Office report regarding the Victorian Building Permit System.
- Provided input and support into the Plumbing Industry Commission's strategic direction.
- Monitored the financial management of the Plumbing Industry Commission.

PIAC was involved in a number of plumbing industry initiatives during the year including:

- Attended the United Association Instructor Training Program in the United States
- Celebrated World Plumbing Day at the Plumbing Industry Climate Action Centre
- Received plumbing research and fact finding delegations from the United States, Canada and Mongolia
- Attended the Plumbing Industry Training Awards which recognise and reward individual achievements in post apprenticeship training
- Attended the opening of the Fire Protection Centre of Excellence in Brunswick.

Government, industry and research organisation representatives presented to PIAC on a range of topics including skills and workforce development, energy and water efficiency, gas safety issues, and regulation. These included:

- *Emerging High Efficiency Heat Pump Hot Water Services* by RMIT Adjunct Professor Alan Pears
- *Transition to Lower Emission HVAC&R Industry* by the Australian Institute of Refrigeration, Air-conditioning and Heating Chief Executive Officer Mr Phil Wilkinson
- *Regulatory Changes and Plumbing Apprenticeship Figures* by Skills Victoria Higher Education and Skills Group Manager Mr Carl Walsh
- *Plumbing Education and Training Review 2012* by consultants to the PIC Mr Graham Lester and Mr Graeme Perry.



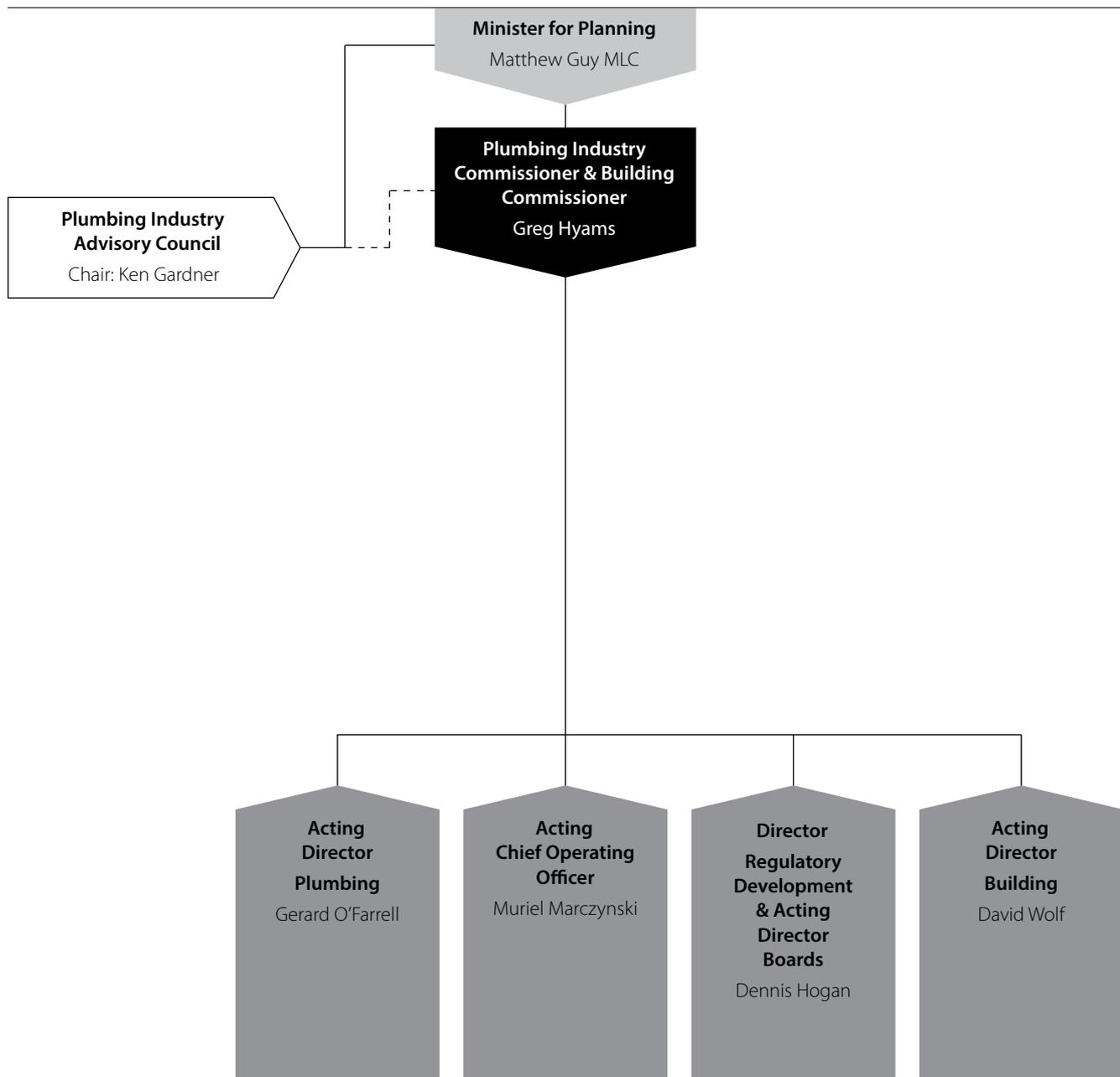
**Ken Gardner**

Plumbing Industry Advisory Council Chair

See members and attendance in Appendix 2 on page 61

# Corporate Governance

## Organisational structure as at Sunday, 30 June 2013



## Executive leadership team

The Executive leadership team consists of the Plumbing Industry Commissioner, who is also the Building Commissioner, and four senior executives, who are jointly responsible for both the Plumbing Industry Commission and the Building Commission's organisational leadership, strategic direction and the efficiency and effectiveness of operations.

The Commissions are jointly supported by a corporate services division, which consists of staff with expertise in the areas of information technology, people and culture, marketing and public relations, corporate and business planning, industry measurement, financial management, facilities management and procurement.

### Members of the executive leadership team as at Sunday, 30 June 2013

#### Greg Hyams

##### Plumbing Industry Commissioner and Building Commissioner

Greg Hyams was appointed Plumbing Industry Commissioner and Building Commissioner in February 2013 having previously served as Deputy Commissioner. He brings to the role extensive experience as a successful senior leader and consultant in the private and public sector, including 14 years as a senior executive in the Victorian Public Service. He has a record of accomplishment in complex and demanding environments. As Commissioner, Mr Hyams' responsibilities include:

- leading implementation of the Government's policies as they relate to regulation of the building and plumbing industries
- advising the Minister for Planning on regulatory reform
- leading the executive leadership team in delivering an organisational restructure and program of cultural change in the Commissions
- leading implementation of programs addressing governance and cost and operating efficiencies in the Commissions.

#### Affiliations

- Fellow with the Institute of Public Administration Australia (Victoria)

#### Gerard O'Farrell

##### Acting Director, Plumbing Industry Commission

Gerard O'Farrell is responsible for strategic and operational management of plumbing operations including:

- Practitioner services
- Compliance and performance
- Technical and regulation matters.

#### Dennis Hogan

##### Director, Regulatory Development and Acting Director Boards, Building Commission

Dennis Hogan is responsible for strategic and operational management of regulatory development functions including:

- Advice on building legislation and regulatory development
- Support to the Building Advisory Council, Building Regulations Advisory Committee, Building Practitioners Board and the Building Appeals Board (BAB)
- Technical and research services
- Sustainability and developing industry initiatives
- Leadership of the bushfires technical team
- Registration of practitioners
- Appeals and modifications to the BAB.

He is currently a member of the Livable Housing Australia board.

#### David Wolf

##### Acting Director, Building, Building Commission

David Wolf is responsible for strategic and operational management of regulatory functions, which includes:

- Case administration
- Complaint investigations
- Sector compliance audit
- Technical advice and education
- Legislative and policy liaison with the Department of Planning and Community Development
- Technical inspection services.

#### Affiliations

- Member of the Australian Institute of Company Directors
- Executive Fellow with the Australian and New Zealand School of Government

#### Muriel Marczynski

##### Acting Chief Operating Officer

Muriel Marczynski is responsible strategic and operational management of business enterprise services, which includes:

- Finance management
- Corporate and business planning
- Marketing and public relations
- Risk management, quality assurance and industry statistics and measure
- Facilities, fleet management and procurement
- Organisational development
- Workforce performance
- Employee and industrial relations
- Learning and development
- Information technology and records management.

#### Affiliations

- Member of Australian Institute of Human Resources
- Member of Institute of Public Administration Australia
- Member of Australian Institute of Company Directors
- Member of Australian Institute of Training and Development

## Corporate and business planning

The 2007 to 2012 Corporate Plan continues to provide strategic direction for the Commission. Monthly measurement and reporting against the corporate objectives and strategies continues to demonstrate organisational progress in achieving the Commission's strategic objectives.

In 2012-2013, the Commission has focused on the outcomes of the Strategic Operational Plan endorsed by the Minister in November 2012. This plan pulled together a number of strategic change activities that the Commission would focus on during the financial year. These projects aimed at strengthening organisational efficiency and effectiveness in a number of areas including:

- consumer protection
- corporate governance
- systems improvement
- stakeholder relationships.

## Corporate strategy

The Commission's 2012-2013 business plans reflected the overarching goals outlined in the organisation's 2007 to 2012 Corporate Plan. This plan focuses on economic, social and environmental outcomes while emphasising the Commission's regulatory responsibility.

Through the Corporate Plan, the Commission aimed to achieve:

1. **Regulatory Excellence** – delivering effective and responsible industry governance.
  - 1.1 Continuously monitor the effectiveness of the Victorian plumbing system to enhance the amenity, safety, health and sustainability of buildings.
  - 1.2 Build a more innovative, transparent and responsible organisation.
2. **Industry Responsibility** – supporting government and industry to transform the industry.
  - 2.1 Partner with government and industry stakeholders to encourage investment, innovation and development to aid an efficient and competitive plumbing industry.
  - 2.2 Promote and encourage the attraction and retention of practitioners in the Victorian plumbing industry.
  - 2.3 Strengthen plumbing practitioner skills, capabilities and standards.
3. **Environmental Best Practice** – ensuring an environmentally sustainable built environment.
  - 3.1 Promote sustainable plumbing practices to further the Government's sustainability objectives.
  - 3.2 Strengthen compliance with energy and water efficiency requirements.

4. **Community Accountability** – ensuring safe and sustainable plumbing services for the community
  - 4.1 Maintain consumer confidence in plumbing services.
  - 4.2 Inform consumers about plumbing services.
  - 4.3 Optimise the investigation and plumbing resolution process.
  - 4.4 Promote accessibility initiatives that support both the Victorian and Federal Government initiatives.

The Commission's five-year Corporate Plan (2007 to 2012) is available on the Commission's website [www.vba.vic.gov.au](http://www.vba.vic.gov.au).

## Risk Management

The Commission's Risk Management Framework is consistent with the Victorian Government Risk Management Framework and includes a Business Risk Management Policy, Strategy and Matrix, which were tailored around a quarterly review of the business risks identified by managers and the executive leadership team.

The Commission's Business Risk Matrix forms the basis for reporting to the Commission's Audit Committee, the internal auditor and insurer and provides the ability for assessment of areas of risk exposure for the Commission and its ability to manage or mitigate internal and external risks.

The Commission has continued to improve risk management. We have reviewed the risk register, identified risks that we share with the Building Commission and we have improved the way we report on risks.

## Risk Attestation

I, Greg Hyams, certify that the Plumbing Industry Commission has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009 or its successor) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit Committee verifies this assurance and that the risk profile of the Plumbing Industry Commission has been critically reviewed within the past 12 months.



**Greg Hyams**  
Plumbing Industry Commissioner

I, Greg Hyams, certify that the Plumbing Industry Commission has complied with Ministerial Direction 4.5.5.1 – Insurance.



**Greg Hyams**  
Plumbing Industry Commissioner

## **Audit Committee and Annual Internal Audit Report for 2012-2013**

The primary purpose of the independent Audit Committee is to ensure the Commission has strong corporate governance and is open and accountable in decision-making, the management of operations and the stewardship of funds.

Major duties and responsibilities of the Audit Committee are to:

- review the scope of the internal audit plan and program, and the effectiveness of the function
- discuss with the external auditor the scope and planning of the audit
- critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues
- monitor the risk exposure of the Commission by determining if management has appropriate risk management processes and adequate management information systems
- monitor ethical standards and related party transactions by overseeing the Commission's performance against the Corporate Plan
- review and recommend for adoption, the Commission's draft annual financial report.

Members of the Commission's Audit Committee during 2012-2013 were:

- Mr Jeff Webb (Chairperson) – Deloitte Touche Tohmatsu Director
- Ms Jenny Peachey – Victoria Police Executive Director
- Mr Ken Gardner – Master Plumbers and Mechanical Services Association of Australia Chief Executive Officer.

The Audit Committee met at least quarterly. During 2012-2013, all members regularly attended and remained independent of the Commission, consistent with Guideline 3 of the Financial Management Compliance Framework of the Department of Treasury and Finance. Meetings have included presentations by both the internal and external auditors and reviews of the Commission's operations, three-year corporate plan, annual business plan and budget and risk management processes.

### **Audit Committee**

While the Audit Committee acknowledges that the risk management framework does not meet ISO31000 and it requires further improvement. The Committee agrees that the Plumbing Industry Commission's risks have been assessed within the past 12 months, based on the evidence, reports and communications provided to the Committee throughout the year.

## **Compliance with *Financial Management Act 1994***

Financial and tax compliance audits by the Commission's internal auditors Grant Thornton during 2012-2013 found no significant non-compliance in relation to the *Financial Management Act 1994*, the directions of the Minister for Finance or federal and state government tax legislation.

### **National Competition Policy**

The Commission complies with the principles of the National Competition Policy. Competitive neutrality seeks to enable fair competition between public and private sector businesses. Any advantages or disadvantages these businesses may experience, simply as a result of government ownership, should be neutralised. The Commission continues to implement and apply undertakings.

### **Major government contracts**

The Commission adheres to the state government's policy of disclosing contracts more than \$10 million under the *Financial Management Act 1994*. In 2012-2013, the Commission had no contracts of \$10 million or more.

### **Details of consultancies less than \$10,000**

In 2012-2013, the Commission engaged two consultancies at a cost of \$8560.00, where the total payable to the consultancies was less than \$10,000. See page 24 for more information.

### **Details of consultancies more than \$10,000**

In 2012-2013, the Commission engaged three consultancies at a cost of \$94,123, where the total payable to the consultancies was more than \$10,000. See page 24 for more information.

### ***Building Act 1993***

In 2012-2013, the Commission complied with the building maintenance requirements of the *Building Act 1993*. The Commission owns four properties at Ballarat, Bendigo, Morwell and Wangaratta. The head office of the Commission is at Goods Shed North in Docklands and is a shared facility with the Building Commission.

Compliance with the building and maintenance provisions of the *Building Act 1993* for this facility is the responsibility of the property owner Equiset. The Commission's facilities management unit inspects regional facilities quarterly and ensures all facilities are compliant with building standards. Routine maintenance works are scheduled and budgeted for annually.

## Freedom of Information

The *Freedom of Information Act 1982* (the FOI Act) allows the public a right of access to documents held by a government agency. The Commission is an agency for the purposes of the FOI Act and is required to comply with the procedures under which members of the public may gain access to information held by agencies.

The requests were processed as follows:

REQUESTS	2012-2013	2011-2012
Requests received including one request transferred to the Commission from another agency	148	174
Not finalised	17	6
Access granted in full	5	4
Access granted in part	123	154
Access denied in full	0	0
No documents	0	4
Act does not apply	0	0
Not proceeded with/withdrawn	3	6

## Making a request

No applications for internal review of a decision were received in 2012-2013.

On Saturday 1 December 2012, the new FOI Commissioner assumed the role of conducting those reviews, which the Commission had previously undertaken. An FOI applicant must apply to the FOI Commissioner for a review within 28 days of the Commission's decision. For further information, please refer to [www.foicommissioner.vic.gov.au](http://www.foicommissioner.vic.gov.au).

Reviews of any decisions made by the Plumbing Industry Commission's Principal Officer are conducted by the Victorian Civil and Administrative Tribunal. Additionally, either an applicant or the Plumbing Industry Commission may seek the Tribunal to review a decision of the FOI Commissioner.

## Making a request from 1 July 2013

On 1 July 2013, the Plumbing Industry Commission will merge with the Building Commission to form the Victorian Building Authority (VBA). The transitional provisions of the *Building and Planning Legislation Amendment (Governance and Other Matters) Act 2013* provide, among other things, that the VBA will take over all liabilities and obligations of the Commission that were in effect immediately before the commencement date.

All requests for access to documents under the FOI Act should be in writing to Freedom of Information Officer, Victorian Building Authority, PO Box 536, Melbourne, Victoria, 3001. More information is available by visiting the Freedom of Information website at [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

## Additional information available on request

Subject to the provisions of the FOI Act, information that must be retained by the Accountable Officer should include:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the entity about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged by the entity
- details of any major external reviews carried out on the entity
- details of major research and development activities undertaken by the entity
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including:
  - consultants/contractors engaged
  - services provided
  - expenditure committed to for each engagement.

## Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Commission does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Commission will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

People can make disclosures of improper conduct or detrimental action by the Commission or its employees to the protected disclosure coordinator Dennis Hogan, Director, Regulatory Development and Acting Director Boards, at the Building Commission, on 9618 9345.

Alternatively, people can make disclosures of improper conduct or detrimental action by the Commission or its employees directly to the Victorian Ombudsman at Level 9, (North Tower), 459 Collins Street, Melbourne, Victoria, 3000. Or on 9613 6222, toll free on 1800 806 314, or [ombudvic@ombudsman.vic.gov.au](mailto:ombudvic@ombudsman.vic.gov.au). People can get more information visiting [www.ombudsman.vic.gov.au](http://www.ombudsman.vic.gov.au).

### Further information

Written guidelines outlining the system for reporting disclosures of improper conduct or detrimental action by the Commission or its employees are available on the Commission's website: [www.vba.vic.gov.au](http://www.vba.vic.gov.au).

## Disclosures under the *Whistleblowers Protection Act 2001*

Please note that the current procedures established by the public body under Part 6 are available upon request. The number and types of disclosures made to the Commission during 2012-2013.

TYPE	2012-2013	2011-2012
Public interest disclosures	0	0
Protected disclosures	0	0
The number of disclosures referred during the year by the public body to the Ombudsman for determination as to whether they are public interest disclosures	0	0
The number and types of disclosed matters referred to the public body by the Ombudsman for investigation	0	0
The number and types of disclosures referred by the public body to the Ombudsman for investigation	0	0
The number and types of investigations taken over from the public body by the Ombudsman	0	0
The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body	0	0
The number and types of disclosed matters that the public body has declined to investigate	0	0
The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation	0	0
Any recommendations made by the Ombudsman that relate to the public body	0	0

## Environmental impacts

The Plumbing Industry Commission and the Building Commission, as co-inhabitants of the Goods Shed North (GSN), continue to assess their impact on the environment through the measurement of sustainability efforts including monitoring consumption of paper, electricity, water, and gas. The Goods Shed North is shared accommodation with several other tenants.

### Energy

INDICATOR	2012-2013			2011-2012		
	ELECTRICITY	NATURAL GAS	GREEN POWER	ELECTRICITY	NATURAL GAS	GREEN POWER
Total energy use segmented by primary source (MJ)	1,578,211	1,361,285	0	1,332,554	N/A	0
Greenhouse gas emissions associated with energy use, segmented by primary source and offsets (t CO <sup>2</sup> e)	530	72	NA	485	100	0
Percentage of electricity purchased as green power	0	N/A	N/A	0	N/A	N/A
Units of energy used per FTE (MJ/FTE)	17,393	N/A	N/A	21,779	N/A	N/A
Units of energy used per unit of office area (MJ/m <sup>2</sup> )	890	N/A	N/A	1,104	N/A	N/A

### Targets for 2013-2014

No targets have been set for 2013-2014 due to likely changes in the Goods Shed North tenancies.

### Waste

INDICATOR	2012-2013			2011-2012		
	LANDFILL	COMMINGLED RECYCLING	COMPOST	LANDFILL	COMMINGLED RECYCLING	COMPOST
Total units of waste disposed of by destination (m <sup>3</sup> )	128	71.67	2.40	119	108	6
Units of waste disposed of per FTE by destinations (m <sup>3</sup> /FTE)	0.76	0.42	0.1	0.75	0.65	0.4
Recycling rate (percentage of total waste)		58			55.23	
Greenhouse gas emissions associated with waste disposal (t CO <sup>2</sup> -e)		11.5			10.7	

### Paper

INDICATOR	2012-2013	2011-2012
Total units of copy paper used (reams)	3,283	3,464
Units of copy paper used per FTE (reams/FTE)	19.42	20.87
Percentage of 75 percent to 100 percent recycled content copy paper purchased	100	100
Percentage of 50 percent to 75 percent recycled content copy paper purchased	0	0
Percentage of 0 percent to 50 percent recycled content copy paper purchased	0	0

### Water

INDICATOR	2012-2013	2011-2012
Total units of metered water consumed by use types (kilolitres)	640	653
Units of metered water consumed in offices per FTE (kilolitres/FTE)	3.79	3.94
Units of metered water consumed in offices per unit of office area (kilolitres/m <sup>2</sup> )	0.19	0.20

# Performance against targets and key achievements

## 2012-2013 Strategic Operational Plan outcomes

In November 2012, the Commission developed an interim 2012-2013 Strategic Operational Plan to guide it until the start of the Victorian Building Authority on 1 July 2013. This Plan contained strategic change activities and provided the Commission with a focus for the remainder of this financial year. Projects arising aimed at improving efficiency and effectiveness. In particular, the Plan focused on improving efficiency and effectiveness, with a particular emphasis on:

- Practitioner compliance
- Consumers
- Corporate governance
- Systems improvement
- Stakeholder relationships.

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES		
		MEASURE	TARGET	OUTCOME
<b>Consumers</b>				
Enhance the Commission's response to customer enquiries (customer service hub)	Undertake initial scoping exercise for the centralisation of all customer enquiries	Undertake initial scoping	Scoping completed	Achieved
	Develop the customer service hub phase 3 – inclusion of the Plumbing Industry Commission's complaints and enquiries into the existing call centre plan	Phase 3 – started	28 February 2013	Achieved
	Begin scoping options for a customer service hub phase 4 – appointment of a business analyst to undertake comprehensive scoping of the implementation of an customer service hub	Phase 4 – started	19 November 2012	Achieved
	Do a baseline customer satisfaction survey using the SERVQUAL framework and then annually thereafter	Survey report received	30 June 2013	Not achieved Waiting for system upgrade
Enhance consumer awareness of CO poisoning hazards	With Energy Safe Victoria, implement a campaign to educate consumers on the hazards of CO poisoning and incorrectly installed gas heaters	Strategy implemented	31 July 2012	Achieved
Enhance consumer awareness of the importance of compliance certificates	Implement and evaluate consumer "WARNING" advertising campaign	Campaign evaluated	31 January 2013	Achieved
Strengthen complaints handling and investigations processes	Review existing complaints handling and investigations systems, processes and procedures	Review completed	30 June 2013	Achieved
	Finalise a new agreement for the conduct of plumbing compliance audits	Agreement in place	31 December 2012	Achieved
	Implement a consumer information strategy	Strategy completed	30 April 2013	Achieved

# Performance against targets and key achievements

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES		
		MEASURE	TARGET	OUTCOME
<b>Corporate Governance</b>				
Start the implementation of the Corporate Policy Framework	Engage key staff in implementation of the Corporate Policy Framework	Start program delivery	31 January 2013	Achieved
	Develop a Compliance and Enforcement Policy	Policy to be endorsed by the Commissioner	30 April 2013	Achieved
	Identify and prioritise areas where corporate policies and operational procedures are required and begin development	Priority list to be developed	30 June 2013	Achieved
Start the implementation of monitoring, evaluation and reporting principles	Improve the quality of governance and business management through the introduction of monitoring, evaluation and reporting principles into business planning and governance processes	Implementation started	31 November 2012	Achieved
Commence the implementation of the cultural change project	Commence implementation of the cultural change program – achieving cultural change through changes to organisational structure, systems, programs, practices, procedures and training	Implementation completed	28 February 2013	Achieved
Develop the 2013-2016 Corporate Plan	Drive organisational strategic direction and change through the implementation of the 2013–2016 Corporate Objectives and Strategies	Plan delivered	31 March 2013	Not applicable Completion of the 2013-2016 Corporate Plan will be the responsibility of the new Victorian Building Authority (VBA)
Improve risk management practice	Evaluate the existing risk management register to assess its efficacy as the tool for identifying, mitigating and reporting corporate and operational risk	Evaluation completed	31 December 2012	Achieved Target date not met; completed in June 2013
	Implement the recommendations identified from the risk management register review	Recommendations implemented	31 March 2013	Achieved in part Recommendations will be the responsibility of the VBA
Review legal services	Complete a legal services review and implement recommendations	Recommendations implemented	31 December 2012	Achieved
Review organisational delegations	Assure organisational probity and transparency through a review of delegations	Review to be completed	31 December 2012	Achieved
Review current contract management services	Assure organisational probity and transparency through undertaking a review of the contract management procedures and processes	Review completed	1 August 2012	Achieved
	Implement the recommendations identified from the contract management review	Partial implementation of recommendations	31 October 2012	Achieved
Evaluate the quality management system	Evaluate the existing quality management practices to assess their capability to adapt to service changes	Evaluation completed	31 October 2013	Achieved

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES			
		MEASURE	TARGET	OUTCOME	
<b>Systems Improvement</b>					
Develop an on-line assessment framework and software system for the plumbing industry	Develop a new on-line assessment framework and software system for testing and examination of practitioners	Framework completed	28 February 2013	Achieved in part Scoping and framework under development	
	Assess locations and the resources required to manage and undertake online practitioner assessments	Assessment completed	15 April 2013	Achieved in part Scoping and framework under development	
	Promote and deliver eToolbox training to practitioners		On going	Achieved	
Review the Information Management Architecture Strategy	Review the Information Management Architecture Strategy to provide a road map for information management integration, prioritisation and investment	Review completed	30 June 2013	Achieved	
Review the records management systems	Commence a review of records management processes, practices and procedures to ensure effective compliance with legislative requirements and keeping of critical records for operational needs	Review completed	30 June 2013	Achieved	
Maintain relationships with industry stakeholders	Participate in industry forums designed to identify and resolve problems and that build mutual understanding of roles and responsibilities. For example, Victorian water and gas authorities and insurance businesses.	Number of forums attended	30 June annually	Achieved	
	Engage the representatives of industry through members of Plumbing Industry Advisory Committee and committees administered by the Commission	Industry climate survey reported	30 June annually	Achieved	
<b>Stakeholder Relationships</b>					
Prepare for the implementation of the National Occupational Licensing System (NOLS)	Assess and provide advice to State and Commonwealth bodies concerning the impacts and risks associated with the proposed National Occupational Licensing model	Advice provided on time	100%	Achieved	
	Assess the impacts of national licensing on the Plumbing Industry Commission's business systems and processes	Impacts assessed on a case-by-case basis	100%	Achieved	
	Implement changes to business systems and processes	Implementation started	30 June 2013	Not applicable as NOLS has been delayed	
	Assist Department of Planning and Community Development to develop drafting instructions for consequential amendments to Victorian plumbing legislation	Drafting instructions prepared	1 April 2013	Achieved	
	Develop and implement a NOLS stakeholder communication strategy		Strategy developed	31 January 2013	Not applicable as NOLS has been delayed
			Implementation commenced	1 April 2013	Not applicable as NOLS has been delayed

# Performance against targets and key achievements

## Plumbing Industry Commission operations

The Commission's operational focus on delivering services to practitioners, consumers and key stakeholders groups are reported under four major performance areas. Each area has a defined purpose and function and these are linked to one or more of the Commission's five-year corporate strategies. The areas are:

- Regulatory development
- Practitioner licensing and development
- Compliance and technical services
- Investigations and prosecutions.

## Regulatory development

The regulatory development unit focuses on delivering innovative regulatory and non-regulatory solutions that support the plumbing industry and enhance consumer protection through:

- managing the development of the plumbing regulatory system
- providing expert advice to internal and external stakeholders relating to strategic and policy matters
- managing strategic issues and activities.

### Performance against targets – regulatory development

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Quantity</b>					
Environmental scanning and issues monitoring (Oc2π) reports delivered	number	6	6	6	6
Regulatory amendments implemented	number	4	2	1	2
<b>Timeliness/Quality</b>					
Time/resources allocated to research and initiatives	%	18	25	26	25
Time/resources allocated to supporting government policy development and regulatory reform	%	49	40	26	35
Time/resources allocated to strategic issues management	%	11	15	16	15
Requests for briefs, information and advice provided within agreed time frame	%	92	100	98	100
<b>Cost</b>					
Total output cost	\$M	\$373,963	\$448,485	\$338,000	\$437,000

## Regulatory reforms

To ensure the plumbing regulatory framework remained relevant, the Commission made changes in conjunction with the Department of Planning and Community Development. These changes included the updating of:

- The list of competency units required for plumber registration or licensing. This strengthened consumer protection and ensured training for plumbing apprentices reflected changes in the national curriculum.
- Plumbing fees to reflect changes in the cost of living and inflation. The increase aligned to with the State Treasurer's approved rate of 2.5 percent. The Commission is also considering a regulatory amendment to have plumbing fees expressed as a fee unit.
- The energy efficiency requirements for solar water heaters installed in new class 1 buildings (Section 15, Part 7 of Schedule 2 of the *Plumbing Regulations 2008*). Key changes included referencing an updated Standard, providing for an alternative means of meeting the solar collector orientation and inclination requirements and miscellaneous changes to tidy up redundant provisions, corrections and updated references to the NCC.

## Strengthening the regulatory framework

The Commission was represented in a number of key groups which continued to help strengthen strategic relationships with key statutory and government stakeholders.

The Commission was part of an inter-governmental Project Reference Group with the Office of Living Victoria (OLV), the Department of Planning and Community Development, and the Building Commission. The reference group identified and assessed options for improved water performance on building projects. OLV will prepare a Regulatory Impact Statement for controls to improve water performance of new buildings.

The Commission has also worked with:

- The Department of Sustainability and Environment's Water Group on proposed new regulations on trade waste and water supply and sewerage.
- Department of Health on its review of the regulatory framework for alternative water supplies.
- The Australian Institute of Refrigeration Air Conditioning and Heating on its transitioning to low emissions for the heating, ventilation, air conditioning and refrigeration industry.

The Commission improved the way it provided advice to the Australian Building Codes Board and associated committees on proposed changes to the NCC. This included better coordination across the Commission and consultation with internal and external stakeholders.

## Program Design and Implementation Project

The Program Design and Implementation (PDI) Project was established to enhance the Commission's ability to demonstrate it was an effective regulator. It started in 2012 as Project Orion. To maximise opportunities, Project Orion became the PDI when it was set up to cover both Commissions in early 2013. This was done because it was recognised efficiencies could be gained through sharing knowledge, streamlining program synergies and implementing common programs and processes.

The PDI objectives are to redesign, document and implement the Commissions' regulatory programs. A key element of PDI is to embed the principles of monitoring, evaluation and reporting as outlined in the Commissions' *An Integrated Planning Framework to Embed Monitoring and Evaluation* report.

As a result of PDI, there will be a suite of regulatory program policies and standard operating procedures developed and implemented. More meaningful performance indicators will be developed for each regulatory program, which will drive continued learning and operational improvement. Better regulatory practices will be introduced ensuring the Commissions can demonstrate they are accountable, effective and delivering their regulatory obligations.

# Performance against targets and key achievements

## Practitioner licensing and development

The practitioner licensing and development area is responsible for ensuring a skilled and competent workforce services consumers. To achieve this, practitioner licensing and development will:

- deliver a plumbing registration and licensing function
- conduct plumbing practitioner assessments (examinations)
- facilitate skills maintenance among plumbing practitioners.

### Performance against targets – practitioner licensing and development

	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Quantity</b>					
Registrations processed (new and renewals)	number	6,295	N/A	4,335	N/A
Licences processed (new and renewals)	number	12,700	N/A	12,041	N/A
Total – registered practitioners	number	20,281	N/A	20,167	N/A
Total – licensed practitioners	number	12,056	N/A	12,048	N/A

**Note:** Quantity targets were not set due to data being practitioner driven, for example, the Commission had no knowledge of the exact number of practitioners who would register annually.

	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Timeliness/Quality</b>					
Qualifications Experience Review Committee (QERC) determinations made within 30 days of receipt of application	%	95	95	95	100
Registration assessments available within 60 days of QERC determinations	%	85 <sup>(1)</sup>	100	80 <sup>(1)</sup>	100
Licence assessments available within five working days of application	%	100	100	100	100
Report quarterly trends analysis with registration and licensing examination pass rates	%	100	100	100	100
Renewal applications finalised within 5 days of receipt	%	100	100	100	100
<b>Cost</b>					
Total output cost	\$M	\$2,542	\$1,959	\$2,511	\$2,494

(1) The 15 per cent difference between the target and actual was caused by a shortage of examiners and venue availability for single stream registration assessments. The Commission has allocated additional resources in 2013-2014 to address this shortfall.

**Note:** For further information on practitioner licensing and development statistics see Appendix 4 for five-year operational trends (Table three, four, five and six).

## Licensing and Registration of Plumbing Practitioners

The steady growth of plumbing practitioners continued throughout 2012-2013 with particular emphasis on registered practitioners rather than licenced practitioners.

	PERCENTAGE INCREASE/ DECREASE	2012-2013	2011-2012
Registered practitioners	0.56	20,281	20,167
Licensed practitioners	0.06	12,056	12,048
Overall practitioners	1.63	25,294	24,886

**Note:** Figures do not add up to overall practitioners number as practitioners can be licenced and registered.

## Examining Practitioners

The number of assessments conducted in two of the Commission's three exam categories increased during 2012-2013. Apprenticeship assessments rose to 2340 this financial year, compared with 2204 in 2011-2012, a 6.1 percent increase. There continues to be a strong upward trend in apprenticeship assessments with trends during the past five years showing the number of annual assessments has risen 72.5 percent (from 1356 to 2340). Single stream registration assessments remained steady in 2012-2013.

While this number remains consistent, candidates backgrounds have changed considerably from local non-apprentice applicants to predominantly overseas skilled practitioners who need to undertake gap training to attain appropriate skills and knowledge. Licence assessments this financial year were 2546 compared with 2274 in the 2011-2012, an 11.9 percent increase. During the past three years, the number of assessments has grown sharply each year and is up from 797 in 2009-2010.

## Interstate and Overseas Plumbing Practitioner Movements

In 2012-2013, overseas applicants dropped 123 going from 285 to 162 this is a 75.9 percent decrease. Applicants came from a number of countries including 42 from the United Kingdom, 32 from Ireland, 20 from New Zealand, 12 from Greece and eight from China. Detailed information on practitioners granted a registration or licence under mutual recognition provisions is provided below.

## Mutual recognition

TYPE OF REGISTRATION	% INCREASE/ DECREASE	2012-2013	2011-2012
Licence holders	5.4	39	37
Registration holders	24.3	51	41
Overall practitioners	15.3	90	78

Detailed information on practitioners granted a reciprocal Victorian accreditation because they lived on the Victorian-New South Wales border and hold NSW accreditation is provided below.

## Reciprocal accreditation

TYPE OF REGISTRATION	% INCREASE/ DECREASE	2012-2013	2011-2012
Licence holders	4.2	148	142
Registration holders	89.5	127	67
Overall practitioners	31.5	275	209

## Composition of plumbing licences and registrations

Licences and registrations held by individuals continued to increase with a 1.3 percent rise to 133,453 in 2012-2013 – this rise was based on registration holders. The number of registered classes went from 77,303 in 2011-2012 to be 79,193 this financial year, a 2.4 percent increase, with the largest rises in sanitary, water supply and irrigation (non-agricultural). The number of licenced classes fell slightly this year (0.26 percent) to 54,260.

## Continuous professional development

The Commission maintained its support for the continuing training and development of practitioners during 2012-2013. The fourth annual Plumbing Industry Training Awards (PITAs) was held in March 2013. The awards recognised licenced and registered plumbing practitioners who did further training and development beyond traditional apprenticeship studies. The awards also recognised employers and Registered Training Organisations through the Employer Award and Trainer and Innovation categories. This year, a new Energy Safe Victoria sponsored-award was introduced.

## eToolbox

The Commission's whole-of-organisation IT solution eToolbox recorded another year of growth in 2012-2013. Plumbing practitioner visits to the site grew two percent to 299,248 compared with the previous year, while consumer visits were 97,057, a seven percent rise.

# Performance against targets and key achievements

## Compliance and technical services

This service area aims to ensure a high level of consumer protection by ensuring that practitioners adhere to the regulatory compliance system through audits, inspections and management of the effectiveness of the compliance certificate lodgement process.

### Performance against targets – compliance and technical services

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Quantity</b>					
Audit of all lodged compliance certificates	%	5	5	5.6	5
Inspect a minimum of 5% of all below ground drainage works (sanitary drains) offered for inspection	%	5.3	5	5.6	5
Inspect all requested inspection of recycled water installations completed (domestic recycled water)	%	100	100	100	100
Assess all applications for plumbing modifications	%	100	100	100	100
Solar installation rebate audits undertaken for Sustainability Victoria	number	210	360 <sup>(1)</sup>	494	360 <sup>(1)</sup>
Compliance certificates lodged	number	318,469	N/A <sup>(2)</sup>	367,401	N/A <sup>(2)</sup>
<i>(1) Targets set by Sustainability Victoria.</i>					
<i>(2) Quantity targets were not set due to data being practitioner driven, for example, the Commission had no control over the number of compliance certificates lodged per annum</i>					
<b>Quality</b>					
Commission undertakes quality check of plumbing work to ensure compliance with current plumbing standards	%	100	100	100	100
Check of contracted audits and inspections against Commission checklists	number	100	100	160	100
Assessments of audits and inspection results of all data fields are completed in the Commission's eToolbox software system	%	100	100	100	100
eToolbox quality assurance checks undertaken monthly to ensure the accuracy and clarity of responses to enquiries from industry stakeholders	%	100	100	100	100
<b>Timeliness</b>					
Respond to written enquiries from industry stakeholders within 10 business days	%	95	100	100	100
Modifications processed within 10 business days of receipt	%	100	100	100	100
Provide responses to enquiries from industry stakeholders within one business day	%	95	100	98	100
<b>Cost</b>					
Total output cost	\$M	\$6,857	\$6,924	\$3,663	\$3,557

**Note:** For further information on compliance and technical services statistics see Appendix 4 of five-year operational trends (Tables two and seven).

## Lodgements

The industry taking responsibility for its performance was reflected in the 318,469 compliance certificates lodged. This was a 13.3 percent decrease on the previous year.

## Audits and Inspections

The Commission continued to provide better safeguards for consumers through a drive for higher compliance levels. This was achieved through the continued development of a risk-based approach to audits and inspections and increased contact with practitioners.

During 2012-2013, the Commission conducted 16,069 audits of plumbing work, representing five percent of the total number of compliance certificates lodged. Initially 1522, or 9.5 percent, of audits failed to meet plumbing standards. Compared to the previous financial year this was a six percent decrease.

During the same period, 2179 below ground drainage works were inspected, exceeding the target of five percent. Of these, 6.5 percent failed the initial inspection.

The audits help identify trends or systemic non-compliance and drive practitioner education. The Commission uses *The Registered Plumber* magazine and eBulletin to provide information on compliance. In some cases, practitioners may be contacted individually about their non-compliant work. This communication with practitioners has yielded excellent results and this was reflected in the reduced audit failure rate in most classes of plumbing. Of particular significance was the increased compliance in the classes of solar installation, irrigation and backflow prevention, where audit failure rates fell 58 percent, 41 percent and five percent respectively.

## Investigations and prosecutions

Investigations and prosecutions unit enhances consumer protection and maximises compliance with regulatory requirements because it provides consumer advice on plumbing complaint matters and through:

- the provision of independent investigation of consumer and/or practitioner complaints
- enforcement of compliance in line with regulatory requirements.

### Performance against targets – investigations and prosecutions

	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Quantity</b>					
Complaints received	number	2,120	N/A	2,195	N/A
Investigations undertaken	number	1,098	N/A	1,552	N/A
Prosecutions of unregistered persons in the Magistrates Court	number	31	N/A	27	N/A
Disciplinary hearings of registered practitioners	number	48	N/A	58	N/A
<b>Note:</b> Quantity targets were not set due to data being practitioner driven, for example, the Commission had no control over the number of complaints received.					
<b>Timeliness</b>					
Report on the number of prosecutions started	monthly	12	12	12	12
Report all investigations finalised within 90 days of allocation	monthly	12	12	12	12
Report on the number of complaints escalated from all sources	monthly	12	12	12	12
<b>Cost</b>					
Total output cost	\$M	\$2,208	\$2,538	\$2,623	\$2,755

**Note:** For further information on investigations and prosecutions statistics see Appendix 4 for five-year operational trends (Table one)

# Performance against targets and key achievements

## Investigations

Throughout the year, the Commission focused on investigating complaints from consumers and the industry relating to breaches of the *Building Act 1993* (Act) and the *Plumbing Regulations 2008* (Regulations). In 2012–2013, the Commission received 2,120 complaints or allegations against practitioners and unregistered persons, which translated into 1,066 formal investigations.

## Prosecutions and hearings

During 2012–2013, the Commission conducted prosecutions for breaches of the Act and the Regulations against 31 unregistered people in the Magistrates Court.

During 2012–2013, the Commission issued six warning letters to practitioners for minor breaches of the Act and the Regulations.

## Employee workforce information

### Gender profile as at 30 June 2013

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
<b>Female</b>	11 (24%)	17 (31%)	17 (34%)	16 (36%)	16 (36%)
<b>Male</b>	36 (76%)	38 (69%)	33 (66%)	29(64%)	29(64%)
<b>Total head count</b>	47	55	50	45	45

### Staffing profile

As at 30 June 2013, the Commission employed 47 people (or 45.7 full-time equivalent employees). The Commission is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

### Victorian Industry Participation Policy Act 2004

The Commission was not required to implement the *Victorian Industry Participation Policy Act 2004* in 2012–2013. Government agencies are only required to apply this Policy for tenders of more than \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. The Commission had no tenders over these amounts.

### Public Administration Act 2004, Employment and Victorian Public Sector Code of Conduct

The *Public Administration Act 2004* ensures that employee conduct is based on merit, fairness, equality and avenues of redress against unreasonable treatment. The purpose of the Act and resulting Code of Conduct for Victorian Public Sector Employees is to promote adherence to public sector values.

As part of the Victorian public sector, all Commission employees are required to abide by the Victorian Public Sector Code of Conduct.

The Code of Conduct designed to help employees understand their responsibilities and obligations associated with working in the public sector. This includes the responsibility of ensuring the Commission and stakeholders and the community perceive the public sector positively.

The Code provides employees with guidelines to ensure behaviour is consistent with the Victorian public sector values of Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership, and Human Rights. Regular information sessions ensure all employees understand the requirements of the Code of Conduct and new employees are advised of the requirement to declare any potential conflicts of interest to ensure these are managed appropriately. All members and executives of the

Commission's statutory bodies administered by the Commission sign a Declaration of Private Interest annually.

Commission employees are expected to act with impartiality, integrity, accountability and provide responsive service to consumers, practitioners and the Victorian community.

### Core Values

The Commission's five key values are embedded within organisational policies, recruitment processes, corporate orientation, e-module training, position briefs, communication guidelines and the established Enterprise Agreement – ensuring a holistic approach.

The Commission's core values are:

- Future focus
- Achieving together
- Inspiring excellence
- Respecting individuals
- Ensuring trust.

### Recruitment

The Commission conducts recruitment through the Victorian Government's eRecruitment contract and continues to ensure best practice recruitment based on merit, equity, openness, and transparency.

### Suitability Testing

The Commission conducts suitability testing of external candidates prior to appointment and this testing further strengthens the effectiveness of the Commission's recruitment and engagement process and aligns with industry best practice, to improve candidate selection, best organisational fit and reduce attrition.

### Police and Working with Children checks

In 2012, the Commission introduced a requirement was introduced for all new employees to produce National Police Record Checks, and Working with Children checks (for applicable roles).

## Work Health and Safety

The Commission's health, safety and wellbeing initiatives address the *Occupational Health and Safety Act 2004*.

The Commission is committed to providing all employees with a safe and healthy working environment that complies with legislative requirements in respect to Work Health and Safety. The Commission's Policies aims to:

- highlight the responsibilities of the Commission and its employees in ensuring a safe and healthy workplace
- ensure health and safety is integrated into all facets of operations and activities

- promote a proactive health and safety management philosophy based on effective communication and consultation, the systematic identification, assessment and control of hazards and the encouragement of innovation.
- consider current and future legislative requirements in developing a safety system.

The Commission's work is supported by the Wellbeing Committee, which enhances and promotes employee holistic health, safety and wellbeing.

## Employee workforce information

### Occupational and base salary standards

With the introduction of the Building Commission and Plumbing Industry Commission Enterprise Agreement 2010, the banding for the Plumbing Industry Commission changed significantly from previous years. Due to this change the Commission is unable to compare 2012–2013, 2011–2012 and 2010–2011 data with previous years and has supplied this information in two tables below.

### Occupational and base salary standards after 2010-2011

LEVEL	2012-2013	2011-2012	2010-2011
<b>Executives</b>			
E01 – 03 of Victorian Government Sector	0 (0%)	1 (2%)	1 (2%)
EO1 (\$250,082 – \$364,378)			
EO2 (\$172,087 – \$274,181)			
EO3 (\$138,212 – \$191,953)			
<b>Professional and managerial</b>	8 (17%)	9 (16%)	6 (12%)
Band 6 (\$84,710 – \$115,035)	8		
<b>Associate professional</b>	30 (64%)	33 (60%)	32 (64%)
Band 5 (\$66,939 – \$88,891)	25		
Band 4 (\$53,922 – \$71,243)	5		
<b>Administrative/secretarial/customer service</b>	9 (19%)	12 (22%)	11 (22%)
Band 3 (\$45,613 – \$57,934)	3		
Band 2 (\$36,520 – \$50,459)	6		
<b>Trainee</b>	0 (0%)	0 (0)	0 (0%)
Band 1 (\$32,421 – \$38,622)	0		
<b>Total Head Count</b>	<b>47</b>	<b>55</b>	<b>50</b>
<b>Full time equivalent (FTE)</b>	<b>45.7</b>	<b>53.7</b>	<b>47.9</b>

### Occupational and base salary standards pre-2010-2011

LEVEL	2009-2010	2008-2009
<b>Executive and managerial</b> (\$95,000 – \$137,000)	6 (13%)	5 (11%)
<b>Professional</b> (\$69,000 – \$95,000)	9 (20%)	8 (18%)
<b>Associate professional including technical</b> (\$49,000 – \$74,000)	20 (44%)	19 (42%)
<b>Administrative/secretarial/customer service</b> (\$36,000 – \$55,000)	10 (22%)	13 (29%)
<b>Total Head Count</b>	<b>45</b>	<b>45</b>
<b>Full time equivalent (FTE)</b>	<b>42.3</b>	<b>42.9</b>

# Performance against targets and key achievements

## Employee workforce information

### External Contractors

The Plumbing Industry Commission uses a range of professional external contractors in the areas of assessments, investigations and inspections to fulfil its regulatory functions. External contractors are engaged under contract by the Commission.

### Work Health and Safety

The Commission's health, safety and wellbeing initiatives address the *Occupational Health and Safety Act 2004*.

The Commission is committed to providing all employees with a safe and healthy working environment that complies with legislative requirements in respect to Work Health and Safety. The Commission's Policies aims to:

- highlight the responsibilities of the Commission and its employees in ensuring a safe and healthy workplace
- ensure health and safety is integrated into all facets of operations and activities
- promote a proactive health and safety management philosophy based on effective communication and consultation, the systematic identification, assessment and control of hazards and the encouragement of innovation.
- consider current and future legislative requirements in developing a safety system.

The Commission's work is supported by the Wellbeing Committee, which enhances and promotes employee holistic health, safety and wellbeing.

The Commission has achieved its goals in this area through regular communication, consultation and education via the Wellbeing Committee, regular communication on our intranet 'CommLink', an induction and orientation program for new employees and a safety induction for all existing staff. A safe and healthy workplace is a priority with risk assessments conducted and ergonomic checks.

### Performance against targets – people and culture

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
<b>Quantity</b>					
Days lost to occupational health and safety incidents	number	92 <sup>(1)</sup>	0	28	0

(1) Days relate to two compensation cases.

# Financial statements 2012 – 2013

## Summary of significant changes to financial position

The Plumbing Industry Commission achieved a \$0.9 million financial surplus in the 2012-2013 financial year. This is an increase of \$0.5 million from 2011-2012 in a year where Victoria experienced similar plumbing activity to the previous year. Compliance certificate sales in 2012-2013 increased slightly to 315,558 from 314,772 in 2011-2012.

Total Commission income increased by \$0.4 million (\$15.4 in 2011-2012) to \$15.8 in 2012-2013 and can largely be attributed to the increase in the compliance certificate selling price of 2.5 percent. This increased revenue \$0.2 million or three percent while compliance certificate unit sales increased by less than one percent. Registration income increased \$0.1 million representing an eight percent increase on 2011-2012.

Total expenses from transactions and other economic flows saw a slight decrease to \$14.90 million from \$14.96 million in 2011-2012 – this contributed to the overall surplus increase. The Commission directed its revenues to the delivery of:

- regulatory development
- practitioner registrations
- compliance
- plumbing industry research
- consumer and industry information
- sustainable plumbing and water saving projects
- plumbing and inspection activities.

Major variances in expense outflows for the financial year were:

1. Employee benefits reduced \$0.8 million (13 percent). This was due to a number of factors including vacated positions not being filled, a number of positions being made redundant and new budgeted positions not being recruited.
2. Inspections and audits increased \$0.6 million (22 percent). In January 2013 a new inspection and audit contract was signed which saw an increase in the price per inspection and audit.

As a result of significant cost control introduced by the Plumbing Industry Commissioner during 2012-2013 the surplus of \$0.9 million was significantly higher than forecast in the Commissioner's 2012-2013 budget of a \$0.4 million surplus.

For the Commission, as a statutory self-funding body, the surplus net result of \$0.9 million has contributed to a net surplus of \$2.4 million during the past six years, evident of the focus on strong financial management while delivering its regulatory services to the plumbing industry and consumers.

Total asset holdings increased \$1.0 million which was primarily due to the net effect of posting \$0.9 million surplus. Cash and deposits increased \$2.2 million while a decrease in intangible assets of \$0.7 million related to the amortisation of eToolbox software following significant investment in this area in 2010-2011. A reduction in receivables of \$0.06 million and prepayments of \$0.1 million were the other notable reductions in assets.

The Commission's working capital surplus and cash/investment positions remain strong at \$7 million and \$9.2 million respectively and both are in accord with the Commission's Reserves and Expenditure Policy.

## Financial governance

The Commission continued to focus on a strong financial governance framework, supported by a proactive independent Audit Committee. The Commission's Financial Code of Practice and Audit Committee Charter are published on the Commission's website.

There have been no events subsequent to the balance day that may have an effect in subsequent years. Full disclosure of the Plumbing Industry Commission's financial position is included in the Financial Statements and Notes to the Financial Statements.

# Financial statements 2012 – 2013

## Summary of the Commission's financial performance during the past five years

### Financial performance during the past five years

ITEM	2012-2013 \$M	2011-2012 \$M	2010-2011 \$M	2009-2010 \$M	2008-2009 \$M
Total income	15.8	15.4	15.5	14.4	12.4
Total Expense	14.9	15.0	15.2	14.1	11.9
Net result	0.9	0.4	0.3	0.3	0.5
Total Assets	9.0	12.9	12.9	13.3	11.7
Total Liabilities	5.3	5.2	5.3	5.9	4.6

### Details of consultancies of less than \$10,000

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2012-2013 (EX GST)	FUTURE EXPENDITURE (EX GST)
Grant Thornton	Legislation Review/PIAC board fees	01/07/2012	30/06/2013	7,750.00	7,750.00	N/A
Kino Australia	Online Assessment Project	27/11/2012	30/11/2012	N/A	810.00	N/A
<b>Total</b>				N/A	<b>8,560.00</b>	N/A

### Details of consultancies of more than \$10,000

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2012-2013 (EX GST)	FUTURE EXPENDITURE (EX GST)
JMcB Water & Energy Sustainability	Online Assessment Project	01/07/2013	30/06/2013	N/A	61,800.00	N/A
Ross Marshallsea	Online Assessment Project	31/08/2012	30/06/2013	N/A	10,723.00	N/A
Fleet Software & Services Pty Ltd	Vehicle Use Efficiency Project	18/04/2013	30/06/2013	N/A	21,600.00	N/A
<b>Total</b>				N/A	<b>94,123.00</b>	N/A

## INDEPENDENT AUDITOR'S REPORT

### To the Commissioner, Plumbing Industry Commission

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2013 of the Plumbing Industry Commission which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

#### *The Commissioner's Responsibility for the Financial Report*

The Commissioner of the Plumbing Industry Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioner determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Plumbing Industry Commission as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Plumbing Industry Commission for the year ended 30 June 2013 included both in the Plumbing Industry Commission's annual report and on the website. The Commissioner of the Plumbing Industry Commission is responsible for the integrity of the Plumbing Industry Commission's website. I have not been engaged to report on the integrity of the Plumbing Industry Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
11 September 2013



John Doyle  
Auditor-General

## **Accountable officer's and chief finance and accounting officer's declaration**

The attached financial statements for the Plumbing Industry Commission have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2013 and financial position of the Plumbing Industry Commission at 30 June 2013.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 10 September 2013.



**G Hyams**

Plumbing Industry Commissioner/Accountable Officer

Melbourne

10 September 2013



**M Zanatta**

Chief Finance and Accounting Officer

Melbourne

10 September 2013

# Financial statements 2012 – 2013

## Comprehensive operating statement for the financial year ended 30 June 2013

	NOTES	2013 \$	2012 \$
<b>Continuing operations</b>			
<b>Income from transactions</b>			
<b>Fee Income</b>			
Registrations		1,249,881	1,167,438
Licences		3,073,862	3,027,894
Certificates of compliance		9,230,936	8,966,872
Special audits and inspections		1,603,414	1,480,076
Examinations		196,331	195,596
Other fee income		80,192	86,445
<b>Total fee income</b>		<b>15,434,616</b>	<b>14,924,321</b>
<b>Other Revenue</b>			
Sale of publications		28,654	24,315
Interest income		252,611	279,829
Other income	2	134,779	206,514
<b>Total other revenue</b>		<b>416,044</b>	<b>510,658</b>
<b>Total income from transactions</b>		<b>15,850,660</b>	<b>15,434,979</b>
<b>Expenses from transactions</b>			
Employee benefits		5,761,347	6,596,259
Advertising and promotion		50,894	59,021
Audit, legal & consultants fees		167,349	90,940
Cost of publication sales		15,535	19,859
Depreciation and amortisation	8, 9, 10	1,366,667	1,325,994
IT expenses		280,563	370,804
Examination expenses		29,299	25,031
General administration expenses	3	2,346,918	2,173,858
Office occupancy expenses		195,941	99,563
Office rent		466,737	467,666
Postages		25,162	35,448
Plumbing inspections and audits		3,404,220	2,795,124
Printing and stationery		218,985	233,253
Telephone		193,025	213,183
Travelling & motor vehicle expenses		381,986	477,109
<b>Total expenses from transactions</b>		<b>14,904,628</b>	<b>14,983,112</b>
<b>Net result from transactions (net operating balance)</b>		<b>946,032</b>	<b>451,867</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	4	(14,064)	(54,594)
Asset write-off		–	–
<b>Total other economic flows included in net result</b>		<b>(14,064)</b>	<b>(54,594)</b>
<b>Net result from continuing operations</b>		<b>931,968</b>	<b>397,273</b>
<b>Net result</b>		<b>931,968</b>	<b>397,273</b>
<b>Other economic flows – other non-owner changes in equity</b>			
Transfer from physical asset revaluation surplus to accumulated profits		–	60,175
<b>Total other economic flows – other non-owner changes in equity</b>		<b>–</b>	<b>60,175</b>
<b>Comprehensive result</b>		<b>931,968</b>	<b>457,448</b>

The comprehensive operating statement should be read in conjunction with the accompanying notes.

## Balance sheet as at 30 June 2013

	NOTES	2013 \$	2012 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	5	9,322,400	7,115,506
Receivables	6	655,478	722,085
<b>Total financial assets</b>		<b>9,977,878</b>	<b>7,837,591</b>
<b>Non-financial assets</b>			
Inventories	7	44,176	45,378
Prepayments		–	134,562
Property, plant and equipment	8	3,504,561	3,803,221
Intangible assets	9	662,744	1,382,853
Make good asset	10	99,990	109,080
<b>Total non-financial assets</b>		<b>4,311,471</b>	<b>5,475,094</b>
<b>Total assets</b>		<b>14,289,349</b>	<b>13,312,685</b>
<b>Liabilities</b>			
Payables	11	597,163	766,960
Provisions for employee entitlements	12	1,069,758	1,229,410
Make good provision		154,484	148,186
Deferred revenue	13	3,460,252	3,092,405
<b>Total liabilities</b>		<b>5,281,657</b>	<b>5,236,961</b>
<b>Net Assets</b>		<b>9,007,692</b>	<b>8,075,724</b>
<b>Equity</b>			
Accumulated surplus/(deficit)		4,876,983	3,912,261
Reserves	19	1,340,581	1,373,335
Contributed capital		2,790,128	2,790,128
<b>Net worth</b>		<b>9,007,692</b>	<b>8,075,724</b>
Commitments for expenditure	15		
Contingent assets and contingent liabilities	16		

The balance sheet should be read in conjunction with the accompanying notes.

# Financial statements 2012 – 2013

## Statement of changes in equity for the financial year ended 30 June 2013

NOTES	PHYSICAL ASSET REVALUATION SURPLUS \$	DEVELOPMENT RESERVE \$	PLUMBING INDUSTRY COMMISSION (PIC) TRUST NO 1 RESERVE \$	ACCUMULATED SURPLUS \$	CONTRIBUTED BY OWNER \$	TOTAL \$
<b>Balance at 1 July 2011</b>	822,093	68,634	404,263	3,533,158	2,790,128	7,618,276
Net result for the year	–	–	–	397,273	–	397,273
Transfer to accumulated surplus	60,175	–	18,170	(18,170)	–	60,175
<b>Balance at 30 June 2012</b>	<b>882,268</b>	<b>68,634</b>	<b>422,433</b>	<b>3,912,261</b>	<b>2,790,128</b>	<b>8,075,724</b>
<b>Net result for the year</b>	–	–	–	931,968	–	931,968
Transfer to accumulated surplus	–	–	(32,754)	32,754	–	–
<b>Balance at 30 June 2013</b>	<b>882,268</b>	<b>68,634</b>	<b>389,679</b>	<b>4,876,983</b>	<b>2,790,128</b>	<b>9,007,692</b>

The statement of changes in equity should be read in conjunction with the accompanying notes.

## Cash flow statement for the financial year ended 30 June 2013

NOTES	2013 \$	2012 \$
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Receipts from customers	16,879,257	16,012,956
Interest received	202,289	284,457
<b>Payments</b>		
Payments to suppliers and employees	(14,521,780)	(14,585,120)
<b>Net cash flows from/(used in) operating activities</b>	18(b) <b>2,559,766</b>	<b>1,712,293</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of property, plant and equipment	(933,197)	(910,912)
Proceeds from sale of property, plant and equipment	580,325	300,858
<b>Net cash flows from/(used in) investing activities</b>	<b>(352,872)</b>	<b>(610,054)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,206,894</b>	<b>1,102,239</b>
Cash and cash equivalents at beginning of financial year	7,115,506	6,013,267
<b>Cash and cash equivalents at end of financial year</b>	18(a) <b>9,322,400</b>	<b>7,115,506</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the year ended 30 June 2013

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# Notes to the Financial Statements

For the year ended 30 June 2013

## 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Plumbing Industry Commission for the period ending 30 June 2013. The purpose of the report is to provide users with information about the Commission's stewardship of resources entrusted to it.

### (A) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act (FMA)* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 25.

The annual financial statements were authorised for issue by the Plumbing Industry Commissioner/Accountable Officer on 10 September 2013.

### (B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 1(J));
- superannuation expense (refer to Note 1(F)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(K)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value with changes reflected in comprehensive operating statement (fair value through profit and loss); and
- available-for-sale investments which are measured at fair value with movements reflected in 'Other economic flows-other non-owner changes in equity'.

### (C) Reporting Entity

The financial statements cover the Commission as an individual reporting entity.

The Commission is a self funded statutory authority established under the *Building Act 1993*.

Its principal address is:

Plumbing Industry Commission  
733 Bourke Street  
Docklands VIC 3008

The Commission has no controlled entities, however, the following Trust is included in the reporting entity.

The Plumbing Industry Commission Trust No 1 is a trust established by the Plumbing Industry Commission and it is administered by independent trustees. A separate reserve has been established to recognise the amounts administered by the independent trustees under the Trust Deed.

A description of the nature of the Commission's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

### (D) Scope and presentation of financial statements

#### Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005 and Amendments to Australian Systems of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) (The GFS manual, refer to Note 25).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals;
- revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASs.

#### **Balance sheet**

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months) are disclosed in the notes, where relevant.

#### **Cash flow statement**

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

#### **Statement of changes in equity**

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' related to 'Transactions with owner in its capacity as owner'.

#### **Rounding**

Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated.

#### **(E) Income from transactions**

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value.

#### **Registration and licence fees**

The fees brought to account equate with that portion appropriate to the current financial period. The proportion of these fees received relating to periods beyond the current financial period have been deferred on a pro-rata basis and included in current liabilities.

Registration fees currently being received by the Commission are for a triennium ending for three years from the date paid.

Licence fees received by the Commission are for up to twelve months, paid in advance.

#### **Other fees and services**

All other fees and services are recognised as revenues when services are provided.

#### **Interest**

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains and losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

#### **(F) Expenses from transactions**

Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

#### **Employee expenses**

Refer to the section in Note 1(K) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

#### **Superannuation – State superannuation defined benefit plans**

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relations to these plans.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 1. Summary of significant accounting policies *continued*

### Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1 (J) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following are typical estimated useful lives for the different asset classes for current and prior years.

ASSET CLASS	USEFUL LIFE
Buildings	40 years
Make good	15 years
Furniture and fittings	10 years
Motor vehicles	5 years
IT	3 years
Office machines, equipment and intangibles	3 years

Land which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation and is included in the net result as another economic flow.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

### Interest expense

Interest expense (excluding swap interest which is classified as another economic flow) is recognised in the period in which it is incurred.

### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

### Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expenses when distributed.

### Bad and doubtful debts

Refer to Note 1(l) *Impairment of financial assets*.

### (G) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

#### *Revaluation gains/(losses) of non-financial physical assets*

Refer to Note 1(J) *Revaluation of non-financial physical assets*.

#### *Disposal of non-financial assets*

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

#### *Amortisation of non-produced intangible assets*

Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### *Impairment of non-financial assets*

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for *Inventories* (refer Note 1(J)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(J) in relation to the recognition and measurement of non-financial assets.

#### **(H) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Commission's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the Commission are financial instruments because, although authorised under statute, the term and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

#### **Categories of non-derivative financial instruments**

##### ***Loans and receivables***

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(I)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

##### ***Available-for-sale financial assets***

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other non-owner changes in equity' until the investments are disposed.

Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other non-owner changes in equity' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 17 Financial instruments.

Available-for-sale category includes certain equity investments and those debt securities that are designated as available-for-sale.

##### ***Held-to-maturity financial assets***

If the Commission has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Commission makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Commission would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

##### ***Financial liabilities at amortised cost***

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 1. Summary of significant accounting policies *continued*

Financial instrument liabilities measured at amortised cost include all of the Commissions contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

### (I) Financial assets

#### Cash and cash deposits

Cash and cash deposits, including cash equivalents comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

#### Receivables

Receivables consist of:

- contractual receivables, which include mainly debtors in relation to goods and services, loan to third parties, accrued investment income, and finance lease receivables (refer to Note 1(L) *Leases*); and
- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note (I) for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Commission retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Commission has transferred its right to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Commission's continuing involvement in the asset.

#### Impairment of financial assets

At the end of each reporting period, the Commission assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computation methods in accordance with AASB 136 Impairment of Assets.

### (J) Non-financial assets

#### Inventories

Stocks on hand represent publications for re-sale and are stated at the lower of cost or net realisable value.

#### Property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at their fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for-profit entity, the fair value may be derived from estimates of the present value of future cash flows. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(G) *Impairment of non-financial assets*.

### **Leasehold improvements**

The cost of a leasehold improvements is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

### **Revaluations of non-financial physical assets**

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from difference between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other movements in equity' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same asset class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in 'Other economic flows – other movements in equity' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

### **Intangible assets**

Purchased intangible assets are initially measured at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Commission.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Refer to Note 1(F) *Depreciation and amortisation* and Note 1(G) *Impairment of non-financial assets*.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

### **Other non-financial assets**

#### **Prepayments**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

### **(K) Liabilities**

#### **Payables**

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangement. Accounts payable represent liabilities for goods and services provided to the Commission prior to the end of the financial year that are unpaid, and arise when the Commission becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefit tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(H)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 1. Summary of significant accounting policies *continued*

### Provisions

Provisions are recognised when the Commission has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

When some of all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

### Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

#### (i) Wages and salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits annual leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities are expected to be settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

#### (ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Commission does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value-component that the Commission expects to settle within 12 months; and
- present value-component that the Commission does not expect to settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(G)).

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Commission recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### Employee benefits on-costs

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an other economic flow in the estimated consolidated comprehensive operating statement.

### (L) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lease. All other leases are classified as operating leases.

## **Operating leases**

### ***Commission as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

### ***Commission as lessee***

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised into the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **(M) Equity**

### **Contributions by owners**

Additions to net assets which has been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

## **(N) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 15) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

## **(O) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 16), and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

## **(P) Accounting for the goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

## **(Q) Events after reporting period**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Commission and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent years.

## **(R) Plumbing Industry Commission (PIC) Trust No 1**

The purpose of the Trust includes awarding of scholarships, awards and the promotion of better plumbing standards. An initiative has been created to increase the numbers of plumbing apprenticeships, retraining of existing plumbers, development of specific training resources and to provide funding for research for 5 star water and energy savings required in the domestic and commercial building arena. A separate reserve has been established for amounts that can be paid at the discretion of the Trust's independent trustees.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 1. Summary of significant accounting policies *continued*

### (S) AASs issued that not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2013 reporting period. DTF assesses the impact of all these new standards and advises the Commission of their applicability and early adoption where applicable.

As at 30 June 2013, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

STANDARD/INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON PUBLIC SECTOR ENTITY FINANCIAL STATEMENTS
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 Jan 2013	Detail of impact is still being assessed.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i> [AASB 127, AASB 128 & AASB 131]	The objective of this Standard is to make amendments to AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.

STANDARD/INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON PUBLIC SECTOR ENTITY FINANCIAL STATEMENTS
<p>AASB 2011-11</p> <p><i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i></p>	<p>This Standard makes amendments to AASB 119 <i>Employee Benefits</i> (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.</p>	<p>1-Jul-13</p>	<p>The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.</p>
<p>2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i></p> <p>[AASB 3, AASB 7, AASB 13, AASB 140 &amp; AASB 141]</p>	<p>This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i>.</p>	<p>1-Jul-13</p>	<p>As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.</p>

# Notes to the Financial Statements

For the year ended 30 June 2013

## 2. Income from transactions

	2013 \$	2012 \$
<b>Other income</b>		
Rental income	–	9,580
Recovery – court & hearing costs	29,635	49,699
Modification fees	35,082	36,096
Infringement notices	5,757	17,536
Freedom of information	3,547	4,073
Employee motor vehicle contributions	44,131	46,041
PITA Award Revenue	10,000	–
Miscellaneous revenue	6,627	43,489
<b>Total other income</b>	<b>134,779</b>	<b>206,514</b>

## 3. Expenses from transactions

	2013 \$	2012 \$
<b>General administration expenses</b>		
Special project expenditure	1,056,096	904,078
Corporate services charge	680,004	630,000
Industry development	64,308	74,200
Insurances	134,633	132,002
Other administration expenses	411,877	433,578
<b>Total general administration expenses</b>	<b>2,346,918</b>	<b>2,173,858</b>

## 4. Other economic flows included in net result

	2013 \$	2012 \$
<b>Net gain/(loss) on non-financial assets</b>		
Proceeds from sale of property, plant and equipment	580,325	300,858
Written down value of assets sold	(594,389)	(355,452)
<b>Total net gain/(loss) on non-financial assets</b>	<b>(14,064)</b>	<b>(54,594)</b>

## 5. Cash and cash equivalents

	2013 \$	2012 \$
Cash at bank and on hand	1,432,721	3,195,874
Cash at bank and on hand – PIC No 1 Trust Reserve	44,679	74,632
Short-term deposits and deposits at call	7,845,000	3,845,000
<b>Total cash and cash equivalents</b>	<b>9,322,400</b>	<b>7,115,506</b>
<b>(a) Reconciliation of short term deposits and deposits at call</b>		
Treasury Corporation of Victoria – PIC	5,500,000	3,500,000
Treasury Corporation of Victoria – PIC No 1 Trust	345,000	345,000
Short Term Deposit – NAB	2,000,000	–
<b>Balance end of the year</b>	<b>7,845,000</b>	<b>3,845,000</b>
Term deposits are held on account of:		
Development reserve	68,634	68,634
General investments	7,431,366	3,431,366
Plumbing Industry Commission (PIC) No 1 Trust Reserve	345,000	345,000
<b>Balance end of the year</b>	<b>7,845,000</b>	<b>3,845,000</b>

## 6. Receivables

	2013 \$	2012 \$
<b>Current receivables</b>		
<i>Contractual</i>		
Sale of goods and services – Other debtors	505,922	507,603
<i>Statutory</i>		
GST receivable	149,556	214,482
<b>Total current receivables</b>	<b>655,478</b>	<b>722,085</b>

### (a) Ageing analysis of current receivables

Please refer to Note 17 for the ageing analysis of contractual receivables.

### (b) Nature and extent of risk arising from contractual receivables

Please refer to Note 17 for the nature and extent of risks arising from contractual receivables.

## 7. Inventories

	2013 \$	2012 \$
Publications held for sale:		
At cost	44,176	45,378
<b>Total inventories</b>	<b>44,176</b>	<b>45,378</b>

# Notes to the Financial Statements

For the year ended 30 June 2013

## 8. Property, plant and equipment

Table 8.1: Gross carrying amount and accumulated depreciation

	GROSS CARRYING AMOUNT		ACCUMULATED DEPRECIATION		NET CARRYING AMOUNT	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Land at fair value	686,000	910,000	–	–	686,000	910,000
Buildings at fair value	682,868	442,000	(17,643)	–	665,225	442,000
Plant, equipment and vehicles at fair value	2,915,090	3,038,878	(761,754)	(587,657)	2,153,336	2,451,221
	<b>4,283,958</b>	<b>4,390,878</b>	<b>(779,397)</b>	<b>(587,657)</b>	<b>3,504,561</b>	<b>3,803,221</b>

Table 8.2: Classification by 'Public Administration' Purpose Group – Movements in carrying amounts

	LAND AT FAIR VALUE		BUILDINGS AT FAIR VALUE AND AT COST		PLANT, EQUIPMENT AND VEHICLES AT FAIR VALUE		TOTAL	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
<b>Opening balance</b>	<b>910,000</b>	<b>872,000</b>	<b>442,000</b>	<b>432,137</b>	<b>2,451,221</b>	<b>2,506,441</b>	<b>3,803,221</b>	<b>3,810,578</b>
Additions	51,000	–	270,868	–	353,357	667,044	675,225	667,044
Disposals	(275,000)	–	(27,945)	–	(291,444)	(355,453)	(594,389)	(355,453)
Revaluation of PPE	–	38,000	–	22,175	–	–	–	60,175
Depreciation	–	–	(19,698)	(12,312)	(359,798)	(366,811)	(379,496)	(379,123)
<b>Closing balance</b>	<b>686,000</b>	<b>910,000</b>	<b>665,225</b>	<b>442,000</b>	<b>2,153,336</b>	<b>2,451,221</b>	<b>3,504,561</b>	<b>3,803,221</b>

Table 8.3: Aggregate depreciation recognised as an expense during the year

	2013 \$	2012 \$
Buildings at fair value	19,698	12,322
Plant, equipment and vehicles at fair value	359,798	366,811
<b>Total depreciation</b>	<b>379,496</b>	<b>379,133</b>

### Freehold land buildings carried at fair value

An independent valuation of the Commission's land and buildings was performed by Department of Environment & Primary Industry (formerly the Department of Sustainability and Environment) Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arms' length transaction. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings of comparable size and location to the department. The valuation was based on independent assessment. The effective date of the valuation is 30 June 2012.

## 9. Intangible assets

	COMPUTER SOFTWARE		TOTAL	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Gross carrying amount</b>				
<b>Opening balance</b>	<b>2,320,634</b>	<b>2,076,766</b>	<b>2,320,634</b>	<b>2,076,766</b>
Additions				
Cost	180,383	106,230	180,383	106,230
Work in process	77,589	137,638	77,589	137,638
<b>Closing balance</b>	<b>2,578,606</b>	<b>2,320,634</b>	<b>2,578,606</b>	<b>2,320,634</b>
<b>Accumulated depreciation, amortisation and impairment</b>				
Opening balance	(937,781)	–		–
Depreciation and amortisation expense <sup>(i)</sup>	(978,081)	(937,781)	(978,081)	(937,781)
<b>Net book value at end of financial year</b>	<b>662,744</b>	<b>1,382,853</b>	<b>1,600,525</b>	<b>1,382,853</b>

### Significant intangible assets

The Commission has capitalised software development expenditure for the development of its practitioner management system, eToolbox.

The carrying amount of the capitalised software development expenditure of \$0.44 million (2012: \$0.63 million). Its useful life is three years and will be fully amortised in 2015.

## 10. Make good asset

	2013 \$	2012 \$
<b>Gross Carrying Amount</b>		
<b>Opening balance</b>	136,350	136,350
<b>Closing Balance</b>	<b>136,350</b>	<b>136,350</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>	<b>(27,270)</b>	<b>(18,180)</b>
Depreciation	(9,090)	(9,090)
<b>Total make good asset</b>	<b>99,990</b>	<b>109,080</b>

## 11. Payables

	2013 \$	2012 \$
<b>Current payables</b>		
<b>Contractual</b>		
Suppliers and services	445,537	465,706
Other payables	45,212	92,081
	490,749	557,787
<b>Statutory</b>		
FBT payable	–	36,088
Other taxes payable	106,414	173,085
	106,414	209,173
<b>Total current payables</b>	<b>597,163</b>	<b>766,960</b>

# Notes to the Financial Statements

For the year ended 30 June 2013

## 11. Payables *continued*

Terms and conditions of payables vary according to particular agreements with these parties. The average credit terms for payables are 14 days and the balance is non interest bearing.

### (a) Maturity analysis of contractual payables

Please refer to Note 17 for the ageing analysis of contractual payables.

### (b) Nature and extent of risk arising from contractual payables

Please refer to Note 17 for the nature and extent of risks arising from contractual payables.

## 12. Provisions

	2013 \$	2012 \$
<b>Current provisions</b>		
Employee benefits – annual leave:		
Unconditional and expected to settle within 12 months	381,726	443,758
Employee benefits – long service leave:		
Unconditional and expected to settle within 12 months	298,524	367,940
Provisions related to employee benefit on-costs		
Unconditional and expected to settle within 12 months	152,209	180,412
Unconditional and expected to settle after 12 months	33,577	33,587
<b>Total current provisions</b>	<b>866,036</b>	<b>1,025,697</b>
<b>Non-current provisions</b>		
Employee benefits	203,722	203,713
<b>Total non-current provisions</b>	<b>203,722</b>	<b>203,713</b>
<b>Total provisions</b>	<b>1,069,758</b>	<b>1,229,410</b>

### (a) Employee benefits and related on-costs

	2013 \$	2012 \$
<b>Current employee benefits</b>		
Annual leave entitlements	381,726	443,758
Long service leave entitlements	298,524	367,940
<b>Non-current employee benefits</b>		
Long service leave entitlements	203,721	203,713
<b>Total employee benefits</b>	<b>883,971</b>	<b>1,015,411</b>
Current on-costs	152,209	180,412
Non-current on-costs	33,578	33,587
<b>Total on-costs</b>	<b>185,787</b>	<b>213,999</b>
<b>Total employee benefits and related on-costs</b>	<b>1,069,758</b>	<b>1,229,410</b>

### 13. Deferred revenue

	2013 \$	2012 \$
<b>Current</b>		
Licence fees received in advance	1,543,112	1,510,301
Registrations received in advance	1,917,140	1,582,104
<b>Total deferred revenue</b>	<b>3,460,252</b>	<b>3,092,405</b>

### 14. Superannuation

Employees of the Commission are entitled to receive superannuation benefits and the Commission contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The Commission does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefit liabilities in its disclosure for administered items.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Commission.

The name, details and amounts expenses in relation to the major employees superannuation funds and contributions made by the Commission are as follows:

FUND	PAID CONTRIBUTION FOR THE YEAR		CONTRIBUTION OUTSTANDING AT YEAR END	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Defined benefit plans:</b>				
State Superannuation Fund – revised and new	39,676	37,968	4,605	4,801
<b>Defined contribution plans:</b>				
VicSuper	264,469	238,665	19,407	29,929
Other	83,115	76,946	2,931	2,740
<b>Total</b>	<b>387,260</b>	<b>353,579</b>	<b>26,943</b>	<b>37,470</b>

Notes:

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

### 15. Leases

#### Disclosure for lessees – operating leases

The Plumbing Industry Commission moved to the Goods Shed North in Melbourne's Docklands on 7 December 2009 under a 15-year lease.

Lease commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable are as follows:

	2013 \$	2012 \$
<b>Non-cancellable operating lease payables</b>		
Not longer than one year	355,696	341,194
Longer than one year and not longer than five years	1,583,048	1,517,604
Longer than five years	3,159,657	3,580,797
	<b>5,098,401</b>	<b>5,439,595</b>

### 16. Contingent assets and contingent liabilities

No contingent liabilities and contingent assets existed as at 30 June 2013

# Notes to the Financial Statements

For the year ended 30 June 2013

## 17. Financial Instruments

### (a) Financial risk management objectives and policies

The Commission's principal financial instruments comprise:

- cash assets;
- term deposits;
- deposits at call;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudently manage the Commission's financial risks within the government policy parameters.

The Commission's activities expose it primarily to financial risks of changes in interest rates. The Commission does not enter into derivative financial instruments to manage exposure to interest rate risk.

The policies for managing each of these risks are summarised below.

The carrying amount of the Commission's contractual financial assets and financial liabilities by category are disclosed in Table 17.1 below.

Table 17.1 Categorisation of financial instruments

	CONTRACTUAL FINANCIAL ASSETS – LOANS AND RECEIVABLES \$	CONTRACTUAL FINANCIAL ASSETS AVAILABLE- FOR-SALE \$	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST \$	TOTAL \$
<b>2013</b>				
<b>Contractual financial assets</b>				
Cash and deposits	–	9,322,400	–	9,322,400
Receivables: <sup>(i)</sup>				
Sale of goods and services	505,922	–	–	505,922
<b>Total contractual financial assets</b>	<b>505,922</b>	<b>9,322,400</b>	<b>–</b>	<b>9,828,322</b>
<b>Contractual financial liabilities</b>				
Payables: <sup>(i)</sup>				
Supplies and services	–	–	490,749	490,749
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>–</b>	<b>490,749</b>	<b>490,749</b>
<b>2012</b>				
<b>Contractual financial assets</b>				
Cash and deposits	–	7,115,506	–	7,115,506
Receivables: <sup>(i)</sup>				
Sale of goods and services	507,603	–	–	507,603
<b>Total contractual financial assets</b>	<b>507,603</b>	<b>7,115,506</b>	<b>–</b>	<b>7,623,109</b>
<b>Contractual financial liabilities</b>				
Payables: <sup>(i)</sup>				
Supplies and services	–	–	557,787	557,787
<b>Total contractual financial liabilities</b>	<b>–</b>	<b>–</b>	<b>557,787</b>	<b>557,787</b>

Note:

- (i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from the Victorian government and GST input tax credit recoverable, and taxes payable)..

## 17. Financial instruments *continued*

### (b) Credit risk

Credit risk arises from the contractual financial assets of the Commission, which comprise cash and cash equivalents, non-statutory receivables, available-for-sale contractual financial assets and derivative instruments. The Commission's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

The credit risk associated with the Commission's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Commission's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the Commission does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. As with the policy for debtors, the Commission's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial asset is recognised when there is objective evidence that the Commission will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**Table 17.2 Credit quality of contractual financial assets that are neither past due nor impaired**

	GOVERNMENT AGENCIES TRIPLE-A CREDIT RATING	OTHER MIN TRIPLE-B CREDIT RATING"	TOTAL
<b>2013</b>			
Cash and deposits	–	1,822,400	1,822,400
Investments and other financial assets	7,500,000	–	7,500,000
<b>Total contractual financial assets</b>	<b>7,500,000</b>	<b>1,822,400</b>	<b>9,322,400</b>
<b>2012</b>			
Cash and deposits	–	3,268,256	3,268,256
Investments and other financial assets	3,845,000	–	3,845,000
<b>Total contractual financial assets</b>	<b>3,845,000</b>	<b>3,268,256</b>	<b>7,113,256</b>

**Table 17.3 Ageing analysis of contractual financial assets**

	CARRYING AMOUNT \$	NOT PAST DUE AND NOT IMPAIRED \$	PAST DUE BUT NOT IMPAIRED			
			LESS THAN 1 MONTH \$	1-3 MONTHS \$	3 MONTHS – 1 YEAR \$	1 – 5 YEARS \$
<b>2013</b>						
Receivables <sup>(i)</sup>	505,922	302,384	71,924	50,322	81,292	–
Term deposits	7,500,000	–	5,500,000	2,000,000	–	–
<b>Total</b>	<b>8,005,922</b>	<b>302,384</b>	<b>5,571,924</b>	<b>2,050,322</b>	<b>81,292</b>	<b>–</b>
<b>2012</b>						
Receivables <sup>(i)</sup>	507,603	436,262	998	3,494	68,849	–
Term deposits	3,845,000	3,845,000	–	–	–	–
<b>Total</b>	<b>4,352,603</b>	<b>4,281,262</b>	<b>998</b>	<b>3,494</b>	<b>68,849</b>	<b>–</b>

Note:

(i) The total amounts disclosed here excludes statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

# Notes to the Financial Statements

For the year ended 30 June 2013

## 17. Financial instruments *continued*

### Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired.

Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

### (c) Liquidity risk

Liquidity risk is the risk that the Commission would be unable to meet its financial obligations as and when they fall due. The Commission operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The Commission's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in the face of the balance sheet. The Commission manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- a high credit rating for the State of Victoria (Moody's Investor Services & Standard & Poor's triple-A, which assist in accessing debt market at a lower interest rate).

The Commission's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements represents the Commission's maximum exposure to liquidity risk.

The following table discloses the contractual maturity analysis for the Commission's contractual financial liabilities:

Table 17.4 Maturity analysis of contractual financial liabilities<sup>(i)</sup>

	CARRYING AMOUNT \$	NOMINAL AMOUNT \$	MATURITY DATES				
			LESS THAN 1 MONTH \$	1-3 MONTHS \$	3 MONTHS - 1 YEAR \$	1-5 YEARS \$	5+ YEARS \$
<b>2013</b>							
<b>Payables<sup>(ii)</sup></b>							
Supplies and services	469,970	–	446,976	22,971	23	–	–
<b>Total</b>	<b>469,970</b>	<b>–</b>	<b>446,976</b>	<b>22,971</b>	<b>23</b>	<b>–</b>	<b>–</b>
<b>2012</b>							
<b>Payables<sup>(ii)</sup></b>							
Supplies and services	557,787	–	550,603	850	6,333	–	–
<b>Total</b>	<b>557,787</b>	<b>–</b>	<b>550,603</b>	<b>850</b>	<b>6,333</b>	<b>–</b>	<b>–</b>

Note:

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) The carrying amounts disclosed excludes statutory amounts (e.g. GST payables).

## 17. Financial instruments *continued*

### (d) Market risk

The Commission's exposure to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage interest risk is disclosed below.

#### Interest rate risk

Fair value interest rate risk is that risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Commission does not hold any interest-bearing financial instruments that are measured at fair value, therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Commission has minimal exposure to cash flow interest rate risks through its cash and deposits, and term deposits that are at floating rate, with only insignificant amount of financial instruments at floating rate.

The Commission manages this risk by mainly undertaking fixed-rate or non-interest-bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instrument at floating rate. Management has concluded for cash at bank and bank overdraft, as financial asset that can be left at floating rate without necessarily exposing the Commission to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 17.5. In addition, the Commission's sensitivity to interest rate risk is set out in Table 17.6

Table 17.5: Interest rate exposure of financial instruments

	WEIGHTED AVERAGE INTEREST RATE %	CARRYING AMOUNT \$	INTEREST RATE EXPOSURE		
			FIXED INTEREST RATE \$	VARIABLE INTEREST RATE \$	NON INTEREST BEARING \$
<b>2013</b>					
<b>Financial assets</b>					
Cash and deposits	2.81%	9,322,400	7,845,000	1,475,150	2,250
Receivables <sup>(i)</sup>		505,922	–	–	505,922
<b>Total impact</b>		<b>9,828,322</b>	<b>7,845,000</b>	<b>1,475,150</b>	<b>508,172</b>
<b>2012</b>					
<b>Cash and deposits</b>	4.61%	7,115,506	3,845,000	3,268,256	2,250
Receivables <sup>(i)</sup>		507,603	–	–	507,603
<b>Total impact</b>		<b>7,623,109</b>	<b>3,845,000</b>	<b>3,268,256</b>	<b>509,853</b>

Note:

(i) The carrying amount disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government, GST input tax credit recoverable, and GST payables).

#### Sensitivity disclosure analysis and assumptions

The Commission's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primarily risk variable held constant. The Commission's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months.

- a movement of 200 basis points up and down (2012: 100 basis points up and down) in market interest rates (AUD);
- proportional exchange rate movement of 15 per cent down (2012: 15 per cent, depreciation of AUD) and 15 per cent up (2012: 15 per cent, appreciation of AUD) against the USD, from the year-end rate of 0.90 (2012: 0.90); and
- a movement of 15 per cent up and down (2012: 15 per cent) for the top ASX 200 index.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 17. Financial instruments *continued*

Table 17.6: Interest rate risk sensitivity

	INTEREST RATE				
	CARRYING AMOUNT	-100 BASIS POINTS		+100 BASIS POINTS	
		NET RESULT	AVAILABLE- FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE- FOR-SALE REVALUATION SURPLUS
\$	\$	\$	\$	\$	
<b>2013</b>					
<b>Contractual financial assets</b>					
Cash and deposits	1,430,471	(14,305)	–	14,305	–
PIC No 1 Trust	44,679	(447)	–	447	–
Investments and other contractual financial assets	7,845,000	(78,450)	–	78,450	–
<b>Total impact</b>	<b>9,320,150</b>	<b>(93,202)</b>	<b>–</b>	<b>93,202</b>	<b>–</b>
<b>2012</b>					
<b>Contractual financial assets</b>					
Cash and deposits	3,270,506	(32,705)	–	32,705	–
PIC No 1 Trust					
Investments and other contractual financial assets	3,845,000	(38,450)	–	38,450	–
<b>Total impact</b>	<b>7,115,506</b>	<b>(71,155)</b>	<b>–</b>	<b>71,155</b>	<b>–</b>

### (e) Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

AASB 7.29(a) The Commission considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

AASB 7.25 The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

## 18. Cash flow information

### (a) Reconciliation of cash and cash equivalents

	2013 \$	2012 \$
Total cash and deposits disclosed in the balance sheet	9,322,400	7,115,506
<b>Balance as per cash flow statement</b>	<b>9,322,400</b>	<b>7,115,506</b>

### (b) Reconciliation of net results for the period

	2013 \$	2012 \$
<b>Net result for the period</b>	931,968	397,273
<b>Non-cash movements:</b>		
(Gain)/loss on sale or disposal of non-current assets	14,064	54,594
Depreciation and amortisation of non-current assets	1,366,667	1,325,994
Make good asset interest expense	6,298	6,040
<b>Movements in assets and liabilities:</b>		
Increase/decrease in receivables	116,929	93,106
Increase/decrease in interest accrued	(50,322)	(4,628)
Increase/decrease in prepayments	134,562	(114,448)
Increase/decrease in inventories	1,202	27,025
Increase/decrease in deferred revenue	367,847	14,200
Increase/decrease in payables	(169,797)	(345,172)
Increase/decrease in provision for employee entitlements	(159,652)	258,309
<b>Net cash inflow from (used in) operating activities</b>	<b>2,559,766</b>	<b>1,712,293</b>

## 19. Reserves

	2013 \$	2012 \$
<b>Asset revaluation reserve</b>		
<b>Physical asset revaluation surplus:</b>		
Balance at beginning of financial year	882,268	822,093
Valuation gain/(loss) recognised	–	60,175
<b>Balance at end of financial year</b>	<b>882,268</b>	<b>882,268</b>
<b>Development Reserve</b>		
Balance at beginning of financial year	68,634	68,634
<b>Balance at end of financial year</b>	<b>68,634</b>	<b>68,634</b>
<b>Plumbing Industry Commission No 1 Trust</b>		
Balance at beginning of financial year	422,433	404,263
Transfer to/from accumulated surplus	(32,754)	18,170
<b>Balance at end of financial year</b>	<b>389,679</b>	<b>422,433</b>
<b>Net changes in reserves</b>	<b>1,340,581</b>	<b>1,373,335</b>

# Notes to the Financial Statements

For the year ended 30 June 2013

## 20. Ministers and accountable officers

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### Names

The persons who held the positions of Minister and Accountable Officers in the Commission are as follows:

Minister for Planning	The Hon. Matthew Guy MLC	1 July 2012 to 30 June 2013
Plumbing Industry Commissioner	Greg Hyams	11 February 2013 to 30 June 2013
Plumbing Industry Commissioner	Michael Kefford	1 July 2012 to 10 February 2013

### Remuneration

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

Remuneration received or receivable by the Accountable Officers in connection with the management of the Commission during the reporting period are reported in the financial statements of the Building Commission.

### Other transactions

Other related transactions and loans requiring under the Directions of the Minister for Finance have been considered and there are no matters to report.

## 21. Remuneration of executives

The number of executive officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

INCOME BAND	TOTAL REMUNERATION		BASE REMUNERATION	
	2013 NO.	2012 NO.	2013 NO.	2012 NO.
\$160,000-\$169,999	1	-	-	-
\$170,000-\$179,999	-	-	-	1
\$180,000-\$189,999	-	1	-	-
<b>Total number of executives</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total annualised employee equivalent (AEE)</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total amount</b>	<b>\$123,579</b>	<b>\$186,170</b>	<b>\$65,581</b>	<b>\$174,489</b>

## 22. Remuneration of auditors

	2013 \$	2012 \$
<b>Victorian Auditor-General's Office</b>		
Audit or review of the financial statements	21,105	10,700
	<b>21,105</b>	<b>10,700</b>

### **23. Related Party**

As a result of Australian Accounting Standard AASB 124, the Building Commission is considered a related party to the Plumbing Industry Commission and \$2,664,284 (2012 \$2,216,663) was paid on normal business terms to the Building Commission during 2012-13.

There were no other related party transactions.

### **24. Subsequent events**

Pursuant to the passing of the Building and Plumbing Legislation Amendment (Governance and Other Matters) Act 2013 (The Act), from the 01 July 2013, both the Building Commission and the Plumbing Industry Commission were abolished and the Victorian Building Authority was established. From the 01 July 2013, the Victorian Building Authority became the successor in law to both the Building Commission and the Plumbing Industry Commission (Parts 2 and 3 of The Act). As a result of passing this legislation, this will be the last Annual Financial Report produced by the Plumbing Industry Commission.

### **25. Glossary of terms and style conventions**

#### **Glossary**

##### **Actuarial gains or losses on superannuation defined benefit plans**

Actuarial gains or losses reflect movements in the superannuation liability resulting from differences between the assumptions used to calculate the superannuation expense from transactions and actual experience.

##### **Amortisation**

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

##### **Associates**

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

##### **Biological assets**

Biological assets may comprise of commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

##### **Borrowings**

Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that is acquired for policy purposes.

### **Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

### **Capital asset charge**

The capital asset charge represents the opportunity cost of capital invested in the non-financial physical assets used in the provision of outputs.

### **Commitments**

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### **Current grants**

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

### **Depreciation**

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

### **Effective interest method**

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

### **Employee benefits expenses**

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### **Ex gratia payments**

Ex gratia payment is the gratuitous payment of money where no legal obligation exists.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 25. Glossary of terms and style conventions *continued*

### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity or;"
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments."

### Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### Financial liability

A financial liability is any liability that is:

- (a) A contractual obligation:
  - (i) To deliver cash or another financial asset to another entity; or
  - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

### Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

### General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

### Grants for on passing

All grants paid to one institutional sector (e.g. a State general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

### Intangible produced assets

Refer to produced assets in this glossary.

### Intangible non-produced assets

Refer to non-produced asset in this glossary.

## 25. Glossary of terms and style conventions *continued*

### **Interest expense**

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

### **Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

### **Investment properties**

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

### **Joint ventures**

Joint ventures are contractual arrangements between the Commission and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

### **Net acquisition of non-financial assets (from transactions)**

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

### **Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

### **Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### **Net worth**

Assets less liabilities, which is an economic measure of wealth.

### **Non-financial assets**

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

### **Non-produced assets**

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

### **Non-profit institution**

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

### **Other economic flows**

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

In simple terms, other economic flows are changes arising from market re-measurements.

### **Payables**

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

### **Produced assets**

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the start up costs associated with capital projects).

### **Public financial corporation sector**

Public financial corporations (PFCs) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). Estimates are not published for the public financial corporation sector.

# Notes to the Financial Statements

For the year ended 30 June 2013

## 25. Glossary of terms and style conventions *continued*

### Public non-financial corporation sector

The public non-financial corporation (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

### Quasi corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

### Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

### Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

### Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Commission.

### Taxation income

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax; land tax; duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, licence and concession fees.

### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x-0x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2010-11 *Model Report for Victorian Government departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Commission's annual reports.

# Appendix 1 – Disclosure Index

The 2012-2013 annual report of the Commission is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

CHARTER AND PURPOSE	REQUIREMENT	PAGE
FRD 22B	Manner of establishment and the relevant Ministers	2
FRD 22B	Objectives, functions, powers and duties	2
FRD 22B	Nature and range of services provided	2
<b>Management and structure</b>		
FRD 22B	Organisational structure	4
<b>Financial and other information</b>		
FRD 10	Disclosure index	60
FRD 12A	Disclosure of major contracts	7
FRD 15B	Executive officer disclosures	1, 27
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	11
FRD 22D	Employment and conduct principles	20, 21
FRD 22D	Occupational health and safety policy	20, 21
FRD 22D	Summary of the financial results for the year	1
FRD 22D	Significant changes in financial position during the year	23
FRD 22D	Major changes or factors affecting performance	23
FRD 22D	Subsequent events	55
FRD 22D	Application and operation of <i>Freedom of Information Act 1982</i>	8
FRD 22D	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	7
FRD 22D	Statement on National Competition Policy	7
FRD 22D	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	9
FRD 22D	Details of consultancies less than \$10,000	24
FRD 22D	Details of consultancies more than \$10,000	24
FRD 22D	Statement of availability of other information	8
FRD 24C	Reporting of office based environmental impacts	10
FRD 25A	Victorian Industry Participation Policy disclosures	20
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SD 4.5.5	Risk management compliance attestation	6
SD 4.2(g)	General information requirements	11
SD 4.2(j)	Sign off requirements	27
<b>Financial statements required under Part 7 of the FMA</b>		
SD4.2(a)	Statement of changes in equity	30
SD4.2(b)	Operating statement	28
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SD4.2(b)	Cash flow statement	30

# Appendix 1 – Disclosure Index

CHARTER AND PURPOSE	REQUIREMENT	PAGE
<b>Other requirements under Standing Directions 4.2</b>		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	32
SD4.2(c)	Compliance with Ministerial Directions	32
SD4.2(d)	Rounding of amounts	58
SD4.2(c)	Accountable officer's declaration	1, 27
SD4.2(f)	Compliance with Model Financial Report	32
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 21A	Responsible person and executive officer disclosures	54
FRD 102	Inventories	43
FRD 106	Impairment of assets	45
FRD 109	Intangible assets	45
FRD 110	Cash flow statements	30
FRD 112C	Defined benefit superannuation obligations	47
FRD 114A	Financial Instruments – general government entities and public non financial corporations	48
FRD 119	Contributions by owners	29

LEGISLATION
<i>Building Act 1993</i>
<i>Financial Management Act 1994</i>
<i>Freedom of Information Act 1982</i>
<i>Information Privacy Act 2000</i>
<i>Multicultural Victoria Act 2004</i>
<i>Occupational Health and Safety Act 2004.</i>
<i>Public Administration Act 2004</i>
<i>Victorian Industry Participation Policy Act 2003</i>
<i>Whistleblowers Protection Act 2001</i>

## Appendix 2 – Plumbing Industry Advisory Council members and attendance

COUNCIL MEMBERS	MEETINGS ATTENDED (% OF TOTAL ROSTERED)
<b>Ken Gardner (Chair)</b> CEO, Master Plumbers' and Mechanical Services Association of Australia	100
<b>Carmel Coate (Deputy Chair)</b> Executive Director, National Fire Industry Association (Appointed 1 November 2012)	85
<b>Michael Kefford</b> Plumbing Industry Commissioner (Resigned 10 February 2013)	100
<b>Greg Hyams</b> Plumbing Industry Commissioner Commenced 19 February 2013)	100
<b>Anne Barker</b> Managing Director, City West Water (Appointment expired 4 April 2013)	80
<b>Paul Bonsak</b> Executive Manager, Energy Safe Victoria	86
<b>Nick Chiam</b> Director, Apprenticeships, Traineeships and Youth, Skills Victoria	0
<b>David Eynon</b> Air Conditioning and Mechanical Contractors' Association of Victoria Ltd (Resigned 31 March 2013)	43
<b>Glenn Menzies</b> Plumbing Trades Employees Union	43
<b>Paddy McCrudden</b> Victorian Coordinator, Cbus Superannuation	43
<b>Alan Pears</b> Minister's representative	86
<b>Earl Setches</b> Victorian Branch Secretary, Plumbing Trades Employees Union	71
<b>Brenden Day</b> Warringal Plumbing (Appointed 1 November 2012)	100
<b>Stephen Atherton</b> Chairman, A E Atherton & Son (Appointed 1 November 2012)	80
<b>Doug McClusky (Chair)</b> Manager, Plumbing Trades Employees Union (PTEU) (Retired 6 July 2012)	N/A

# Appendix 3 – Glossary

## Five star standard

All new homes and major renovations and relocations of existing homes must be built to a minimum five star standard in energy efficiency. New homes were also required to install either a rainwater tank or a solar hot water service. The five star standard was replaced with a six star standard for energy efficiency on 1 May 2011.

## Six star standard

As of 1 May 2011, all new homes and major renovations and relocations of existing homes must be built to a minimum six star standard in energy efficiency with new standards for lighting efficiency. New homes are also required to install either a rainwater tank or a solar hot water service.

## Accessibility

The ease of public access, specifically for people with a disability or mobility impairment, to a building.

## Audit

A systematic, independent and documented verification process of objectively obtaining and evaluating evidence to determine whether specified criteria are met.

## *Building Act 1993 (Building Act)*

*The Building Act 1993* provides for the regulation of plumbing and plumbing standards in Victoria. The *Building Act* also establishes the Plumbing Industry Commission.

## Compliance Certificate

Licensed practitioners in Victoria are required to self-certify their work. This certification is made on a Compliance Certificate, which shows the details of the particular job and is unique to that job.

## Investigations

The Commission investigates complaints from consumers and industry in relation to breaches of the *Building Act* and *Plumbing Regulations*.

## National Occupational Licensing System (NOLS)

An initiative of the Council of Australian Governments (COAG), the National Occupational Licensing System (NOLS) aims to remove overlapping and inconsistent regulation between jurisdictions in the way that they licence occupational areas.

## National Plumbing Regulators Forum (NPRF)

The peak committee of technical and occupational plumbing regulators in Australia and New Zealand, the National Plumbing Regulators Forum (NPRF) exists through the cooperative action of members from all individual jurisdictions representing statutory responsibility for regulation of on-site plumbing and/or occupational registration.

## Plumbing Industry Advisory Council (PIAC)

Established under the *Building Act*, the Plumbing Industry Advisory Council (PIAC) provides advice to the Minister for Planning and the Plumbing Industry Commissioner.

## Plumbing Industry Climate Action Centre (PICAC)

PICAC provides post-apprentice plumbing practitioners with training focused on sustainability, energy saving, waste reduction and water conservation and will complement existing TAFE plumbing courses. The facility is 5 Star Green Star rated.

## Appendix 4 – Five-year operational trends

Table One – Investigations

INVESTIGATING PRACTITIONERS		2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
Investigations completed	number	1,066	(31)	1,552	1,695	712	655
Disciplinary hearings	number	48	(17)	58	42	32	42
Prosecutions	number	31	14	27	40	20	32
Notices and orders issued	number	38	(60)	96	144	59	114

**Note:** The decline in completed investigations, disciplinary hearings, notices and orders issued was due to a temporary shortage of staff when the complaints process was brought in-house.

Table Two – Audits and Inspections

AUDITS AND INSPECTIONS		2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
Audits completed	number	16,069	(21)	20,463	20,016	17,605	16,698
Audits failed	number	1,522	28	1,193	2,059	1,938	1,749
Sanitary drains booked for inspection	number	41,368	(6)	43,810	48,451	51,572	42,999
Sanitary drains inspected	number	2,179	(12)	2,474	2,693	2,757	2,171
Sanitary drains failed inspection	number	14	83	77	193	193	107
Recycled water installations inspected	number	16,230	9	14,855	13,441	10,327	3,087
Recycled water installations failed inspection	number	968	49 <sup>(1)</sup>	649	865	1,122	220

(1) This increase is driven by the number of recycled water installations inspected overall and is in line with previous years.

Between 2011-2012 and 2012-2013, there has been a decline in the number of audits completed and drains offered for inspection. This was the result of a 13 percent decrease in compliance certificates lodged.

## Appendix 4 – Five-year operational trends

Table Three – interstate and overseas practitioners

TOTAL NUMBER OF REGISTRATIONS AND LICENCES		2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
Overseas applications	Lic	0	0	0	0	0	0
	Reg	162	(43.1)	285	140	62	37
	<b>Total</b>	<b>162</b>	<b>(43.1)</b>	<b>285</b>	<b>140</b>	<b>62</b>	<b>37</b>
Mutual recognition – from other States and Territories	Lic	39	2.6	37	37	27	27
	Reg	51	6.25	41	43	24	24
	<b>Total</b>	<b>90</b>	<b>15</b>	<b>78</b>	<b>80</b>	<b>86</b>	<b>51</b>
NSW-VIC cross-border recognition	Lic	148	4.2	142	133	139	139
	Reg	127	89.5	67	118	137	137
	<b>Total</b>	<b>275</b>	<b>31.5</b>	<b>209</b>	<b>251</b>	<b>293</b>	<b>276</b>

The number of overseas applicants fell 44 percent in 2012-2013 when compared with the previous year when the number increased 104 percent. Applicants originated from a wide range of countries: 49 from the United Kingdom, 30 from Ireland, 20 from New Zealand and 12 from Greece.

Table Four – examining practitioners

PRACTITIONER ASSESSMENTS	2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
Apprentice assessments	2,340	6.17	2,204	2,138	1,935	1,575
Registration assessments	361	(8.3)	394	397	305	226
Licence assessments	2,546	(11.9)	2,274	1,877	797	552
<b>Total Assessments</b>	<b>5,247</b>	<b>(7.6)</b>	<b>4,872</b>	<b>4,412</b>	<b>3,037</b>	<b>2,253</b>

The five year review period has seen a significant percentage increase in overall Plumbing Industry Commission examination/assessment numbers. The largest increase has been in licence assessments, which have increased by 361 percent over the five years (from 497 to 2,274).

The number of apprenticeship assessments continued to rise, with a 6.2 percent increase over the previous year and a 48.5 percent increase over the past five years. The increase reflects continued growth in plumbing apprenticeships training delivered in Victoria.

Single stream registration assessments, where candidates attempt to be registered with the Commission on the basis previous local, interstate or overseas experience increased 59.7 percent over the five year period since 2008-2009.

Table Five – registration and licensing of practitioners

TOTAL REGISTRATION AND LICENSING		2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
Individuals holding a plumbing licence and/or registration	number	25,294	1.6	24,886	23,965	23,158	22,368
Individuals holding a registration in at least one class	number	20,281	0.56	20,167	19,277	18,607	17,981
Individuals holding a licence in at least one class	number	12,056	0.06	12,048	11,962	11,622	11,240
Compliance Certificates lodged	number	318,469	(13.3)	367,401	359,639	336,634	336,814
Qualifications Experience Review Committee (QERC) applications	number	1,154	6.6	1,082	1,165	1,086	924

Table Six – main classes of registered and licensed plumbing

REGISTRATIONS AND LICENCES BY CLASS		2012-2013	2012-2013 % CHANGE 2011-2012	2011-2012	2010-2011	2009-2010	2008-2009
<b>Drainage</b>	Lic	8,655	(0.73)	8,719	8,766	8,613	8,446
	Reg	10,522	3.03	10,213	9,554	9,327	9,082
<b>Fire protection</b>	Lic	105	5.00	100	98	75	14
	Reg	508	(1.55)	516	472	440	49
<b>Gasfitting</b>	Lic	8,017	0.89	7,946	7,847	7,611	7,374
	Reg	11,071	3.03	10,745	10,167	9,927	9,699
<b>Irrigation (non-agricultural)</b>	Lic	9,153	(0.05)	9,158	9,151	8,989	8,745
	Reg	10,431	3.92	10,038	9,365	9,070	8,823
<b>Mechanical services</b>	Lic	2,811	(2.90)	2,895	2,936	2,905	2,836
	Reg	13,02	(1.72)	14,145	14,111	14,178	14,118
<b>Roofing (storm water)</b>	Lic	8,010	(0.36)	8,039	8,026	7,848	7,698
	Reg	11,524	2.76	11,215	10,607	10,438	10,157
<b>Sanitary</b>	Lic	8,387	(0.43)	8,423	8,423	8,249	8,057
	Reg	10,842	3.94	10,431	9,756	9,484	9,230
<b>Water Supply</b>	Lic	9,122	0.03	9,119	9,100	8,941	8,726
	Reg	10,393	3.93	10,000	9,341	9,034	8,802
<b>Total licenses in all classes</b>		<b>54,260</b>	<b>(0.26)</b>	<b>54,399</b>	<b>54,347</b>	<b>53,231</b>	<b>51,896</b>
<b>Total registrations in all classes</b>		<b>79,193</b>	<b>2.44</b>	<b>77,303</b>	<b>73,373</b>	<b>71,898</b>	<b>69,960</b>
<b>Total registrations and licences in all classes</b>		<b>133,453</b>	<b>1.33</b>	<b>131,702</b>	<b>127,720</b>	<b>125,129</b>	<b>121,856</b>

In 2012-2013 the major categories of registration for Registered Plumbing Practitioners were mechanical services, roofing (storm water) and gasfitting, while the major ones for Licensed Plumbing Practitioners were irrigation (non-agricultural), water supply and drainage.

The largest class increases were in the areas of fire protection with a five per cent increase and sanitary, with a 3.9 per cent increase.

## Appendix 4 – Five-year operational trends

Table Seven – compliance certificate lodged by work class

CLASS OF PLUMBING	ACTUAL 2012-2013	% OF TOTAL 2012-2013	% CHANGE 2011-2012 2012-2013	ACTUAL 2011-2012	% OF TOTAL 2011-2012	ACTUAL 2010-2011	% OF TOTAL 2010-2011
Roof Plumbing	85,603	11.12	(18.89)	105,533	11.36	104,363	11.93
Sanitary Plumbing	63,362	8.23	(24.11)	83,498	8.99	74,268	8.49
Septic Tank Installs	3,675	0.48	(28.38)	5,130	0.55	4,502	0.51
Drainage (Below Ground Sewer)	43,763	5.69	(33.64)	65,952	7.10	54,517	6.23
Drainage (Below Ground Storm Water)	43,756	5.69	(30.32)	62,796	6.76	54,217	6.20
Cold Water Plumbing	117,811	15.31	(17.54)	142,870	15.38	133,992	15.31
Hot Water Plumbing	103,390	13.44	(17.58)	125,447	13.51	113,124	12.93
Mechanical Services	53,159	6.91	(2.74)	54,656	5.88	60,535	6.92
Backflow Prevention	520	0.07	(11.56)	588	0.06	501	0.06
Residential and Domestic Fire Sprinkler Systems	173	0.02	(14.78)	203	0.02	267	0.03
Grey or Reclaimed Water	6,796	0.88	8.96	6,237	0.67	5,971	0.68
Gasfitting (Natural Gas Type A)	130,022	16.90	(12.94)	149,344	16.08	143,615	16.41
Gasfitting (LPG Type A)	30,057	3.91	(5.48)	31,798	3.42	30,757	3.51
Gasfitting (Other Gases)	506	0.07	11.70	453	0.05	335	0.04
Fire protection	4,224	0.55	(2.76)	4,344	0.47	3,171	0.36
Irrigation	361	0.05	(9.75)	400	0.04	420	0.05
Refrigerated Air-Conditioning	36,718	4.77	10.60	33,198	3.57	33,385	3.82
Solar Installation	29,844	3.88	(19.16)	36,914	3.97	38,601	4.41
Rainwater tank Installation	15,737	2.05	(19.33)	19,509	2.10	18,491	2.11
<b>Total</b>	<b>769,477</b>	<b>100</b>	<b>(17.16)</b>	<b>928,837</b>	<b>100</b>	<b>875,032<sup>(1)</sup></b>	<b>100</b>

(1) More than one class of plumbing can be lodged per Compliance Certificate

The total number of lodgements for 2012-2013 was 17.16 percent lower than the 2011-2012 total. There were three categories that were trending upwards being grey or reclaimed water (8.96 percent increase), refrigerated air-conditioning (10.6 percent increase) and gasfitting (other gases) with a 11.7 percent increase.

## Appendix 5 – Five Year Statistical summary

		2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
<b>Regulatory excellence</b>						
Modification applications	number	351	378	348	238	277
<b>Industry responsibility</b>						
Individuals holding a plumbing licence and/or registration	number	25,294	24,886	23,965	23,158	22,368
Individuals holding a registration in at least one class	number	20,281	19,877	18,959	18,607	17,981
Individuals holding a licence in at least one class	number	12,056	12,048	11,962	11,622	11,240
Compliance Certificates lodged	number	318,469	367,401	359,639	336,634	336,814
Qualifications Experience Review Committee (QERC) applications	number	1,154	1,082	1,165	1,086	924
Practitioners receiving reciprocal recognition	number	524	572	471	441	415
Apprentice practical registration exams held	number	2,340	2,204	2,138	1,935	1,575
Non-apprentice registration exams held	number	361	394	397	305	226
Licence exams held	number	2,546	2,274	1,877	797	552
In-person enquiries regarding registration, licensing and general plumbing	number	4,920	5,025	5,128 <sup>(1)</sup>	7,737	8,619
<i>(1) Number has decreased due to improved practitioners' functionality through eToolbox</i>						
<b>Environmental best practice</b>						
Recycled water installation inspections	number	16,230	14,855	13,441	3,960	1,642
Recycled water installation inspections – passed	number	15,262	14,206	12,576	801	232
Solar installations – inspections	number	877	1,517 <sup>(2)</sup>	N/A	N/A	N/A
Solar installations inspections – passed	number	814	1,291	1,546	238	725
2000 litre water tanks supplying all cisterns – passed	number	276	602	569	3,281	616
Total five star audits performed	number	1,429	2,653	3,107	1,906	1,640
<i>(2) New measure</i>						

## Appendix 5 – Five Year Statistical summary

		2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
<b>Community accountability</b>						
Audits completed (% of total Compliance Certificates lodged)	%	5	5.6	6	5	5
Audits failed (% of total audits)	%	9.5	5.8	10	11	10
Sanitary drains booked for inspection	number	41,368	43,810 <sup>(3)</sup>	N/A	N/A	N/A
Sanitary drain inspections completed (% of total inspections booked)	%	5.3	5.6	5	5.3	5
Sanitary drain – failed (% of total inspected)	%	6.5	3.1	7	7	5
Complaints received	number	2,120	2,195	2,399	2,812 <sup>(4)</sup>	599
<i>(3) New measure.</i>						
<i>(4) Due to a process change the 2009-2010 figure is for all complaints whereas previous figures have been for formal written complaints only.</i>						
Site visits – Field duty inspections	number	1,873	3,050	1,327 <sup>(5)</sup>	3,318	3,006
<i>(5) Site visits decreased due to an increased focus on complaint files during this period.</i>						
Investigations conducted into plumbing practitioners	number	1,098	1,552	1,659	712	655
Prosecutions completed	number	42	27	40	20	32
Disciplinary hearings held	number	38	58	42	32	42
Notices and orders issued	number	38	96	144	59	114
<b>Our people</b>						
Total head count	number	47	55	50	45	45
Female employees	%	24	34	34	36	36
Male employees	%	76	66	66	64	64
<b>Financial position</b>						
Total income	\$M	15.8	15.4	15.5	14.4	12.4
Total expenses	\$M	14.9	15.0	15.2	14.1	11.9
Net result for the period	\$M	0.9	0.4	0.3	0.3	0.5
Total assets	\$M	9.0	12.9	12.9	13.3	11.7
Total liabilities	\$M	5.3	5.2	5.3	5.9	4.6



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