

ANNUAL REPORT | 2009»2010
GROWTH REFLECTS INDUSTRY STRENGTH



CONTENTS

01	About the Commission	18	Financial Statements Index
02	Commissioner's report – Overview of 2009–10	19	Financial Report 2009–10
03	Accountable Officer's declaration	50	Appendix
04	Financial Performance Summary		1. Plumbing Industry Advisory Council members and attendance
04	Summary of Commission's Financial Performance over the past five years	51	Glossary
05	Board reports	52	Disclosure Index
	▫ Plumbing Industry Advisory Council – Chair's report	53	Five Year Statistical Summary
06	Corporate Governance		<i>About this report:</i>
06	Responsible Minister		<i>This report was produced under the guidelines of Financial Reporting Direction (FRD) 30 – Standard requirements for the design and print of annual reports as required by the Victorian State Government.</i>
06	Functions, Powers and Duties		
06	Executive Leadership Team		
09	Operational Management Team		
10	Organisational Structure at 30 June 2010		
11	Corporate and Business Planning		
11	Risk Management		
11	Risk Attestation		
12	Audit Committee and annual internal audit for 2009–10		
12	<i>Financial Management Act 1994</i>		
13	Details of Consultancies over \$100,000		
13	Details of Consultancies under \$100,000		
13	<i>Building Act 1993</i>		
13	National competition policy		
13	Major government contracts		
13	Freedom of Information		
13	Privacy		
14	Whistleblowers protection		
15	Environment policy and office based environmental impacts		
16	<i>Victorian Industry Participation Policy Act 2003</i>		
16	Employment and conduct principles		
16	Gifts, benefits and hospitality policy		
16	Occupational health and safety		
16	Workforce data		
17	Diversity		
17	Indigenous Apprenticeship Scheme		
17	Merit and equity		
17	<i>Multicultural Victoria Act 2004</i>		

ABOUT THE COMMISSION

The Plumbing Industry Commission (the Commission) is a Victorian Government statutory authority that promotes safe, healthy and sustainable outcomes for all Victorians through an efficient and effective plumbing regulatory system.

The Commission is established under Part 12A of the *Building Act 1993* (the Building Act). 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 Plumbing Industry Advisory Council, established under the Building Act, which 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, heating and cooling systems.

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

MISSION

Regulating for a safe, liveable and sustainable built environment.

VISION

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

ROLE

The Commission regulates the Victorian plumbing industry to enhance the amenity, safety, health and sustainability of the built environment.

VALUES

The Commission is proud 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.

STRATEGY

The Commission's 2009–10 Business Plan reflected the overarching goals outlined in the organisation's five-year Corporate Plan (2007–12). This plan focuses on economic, social and environmental outcomes while emphasising the Commission's regulatory responsibility. Over the five year period, the Commission aims to achieve:

- **Regulatory excellence** – by delivering effective and responsible industry governance
- **Industry responsibility** – by supporting government and stakeholders to transform the industry
- **Environmental best practice** – by ensuring a sustainable built environment
- **Community accountability** – by ensuring safe plumbing services for the community

The Commission's five-year Corporate Plan is available on the Plumbing Industry Commission website at www.pic.vic.gov.au

STAKEHOLDERS

The Commission acts on behalf of the Minister for Planning to regulate the plumbing industry for the Victorian community. The Commission services clients and stakeholders, including Registered and Licensed Plumbing Practitioners, industry professionals, peak industry bodies, manufacturers, all levels of government, industry educators and the wider Victorian community.

The Commission actively engaged with stakeholders throughout 2009–10 and will continue to build on these relationships in 2010–11. This included community consultation, advice, information seminars and established committee structures.

OUR PEOPLE

The Commission employs 45 people in its Melbourne head office and regional offices. The Commission aims to achieve a diverse, ethical and effective workforce and is committed to creating a safe, positive workplace that promotes life balance.

OVERVIEW OF 2009–10

Plumbing is integral to Victoria and practitioners are recognising the opportunities the industry can deliver for a more sustainable built environment.

Throughout 2009–10, the Plumbing Industry Commission has played a central role in helping practitioners develop and deliver energy and water efficiency measures, as they relate to Victoria's homes, businesses and public buildings.

Testimony to this was the 336,634 Compliance Certificates lodged for plumbing work during the year, which was only 0.05 per cent lower than the outstanding results of 2008–09.

These strong levels of plumbing activity are reassuring; particularly as some other sectors of the economy were heavily impacted by the flow on effects of the global financial crisis.

A career in plumbing, not surprisingly, is popular with many practitioners taking advantage of up skilling their green credentials. There was a 3.5 per cent annual increase in practitioner numbers, spread equally across registration and licence holders. These results were consistent with the past four years where the industry experienced unprecedented levels of building activity.

To promote the industry further and encourage post apprenticeship professional development, the inaugural Plumbing Industry Training Awards were held in June 2010. The awards recognised registered training organisations, employers and practitioners who encouraged or completed further training to enhance their own skills and knowledge and by doing so contributed to the sustainability of the plumbing industry itself.

Plumbers were also in the spotlight on 11 March 2010 when the inaugural World Plumbing Day took place. The day saw practitioners and the community celebrating the important role of plumbing in our lives and the contribution good plumbing systems make to ensuring community health around the world. The Commission took part in six events across the state with the metropolitan event taking place for practitioners at the Plumbing Industry Climate Action Centre (PICAC). Regional breakfasts hosted by the Commission were held for practitioners in Ballarat, Bendigo, Geelong, Shepparton, and Traralgon.

Victoria benefits from having one of the highest standards of plumbing in the world and the Commission is dedicated to ensuring plumbing practitioners and the community has the support they need to maintain this.

Throughout the year the Commission continued to fulfil its role of ensuring the health, safety, amenity and sustainability of the plumbing industry. In particular, this saw the Commission lead on projects, which will provide for the long-term sustainability of Victoria's built environment.

The Commission took part in *PlumbSmarter* projects to improve the efficiency of fire sprinkler systems, conducted training programs at PICAC, supported the Plumbing Industry Advisory Council's response to the government's Climate Change Green Paper, rolled out a regional solar hot water training program and completed 1,906 5 Star sustainability audits.

On the regulatory front, the Commission improved the effectiveness of the plumbing regulatory framework by enhancing a number of technical standards. This saw the Commission continue to work in collaboration with government, industry and plumbing practitioners. Staff across the Commission convened or contributed to a range of forums, workshops, roundtables and industry reference panels. Much of this work also provided consumer safeguards, such as establishing an insurance industry reference group to support the plumbing regulatory system by facilitating a strong and affordable insurance scheme. The availability of affordable insurance in the market means consumers can be confident they are protected should plumbing work issued with a Compliance Certificate be defective.

The Commission also provided advice to the Department of Planning and Community Development on the Building Act review and a number of sustainability and water saving policy initiatives. The results of this work helped ensure that the plumbing regulatory framework remained relevant and robust.

Business processes also improved due to the further alignment with the Building Commission under one roof at the Goods Shed North in Docklands on 7 December 2009. The co-location allows for aligned operations, including a more effective deployment of shared corporate services, workplace efficiency and productivity gains, and gains in health and amenity for employees, as documented by research into well designed office environments, achievable under a 5 Star Green Star outcome. Financial modelling has shown the co-location will deliver significant savings on a net present value basis over the 15 year lease.

On an operational level the Commission worked on a number of initiatives, such as replacing its current registration system with an efficient online application. Launched in July 2010, *eToolbox* allows practitioners to connect with the Commission in a whole new way through the ability to renew their licence and registration, purchase and lodge Compliance Certificates, and book below-ground sanitary drainage and recycled water inspections online, 24 hours a day. The Commission is committed to offering further online services to practitioners and consumers as the technology evolves.

I would also like to acknowledge the members of the Plumbing Industry Advisory Council (PIAC). PIAC was instrumental in examining plumbing industry developments and training requirements throughout the year that helped drive regulatory change and maintain the highest standards of plumbing.

While 2009–10 was a year that saw Victoria's plumbing industry emerge in a position of strength, the Commission will continue to improve its operations and respond to the needs of industry stakeholders and the greater Victorian community. Now more than ever, I encourage plumbing practitioners and the industry to embrace the elements of green change and provide for a long-term built environment for all Victorians.

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 2010.

Yours sincerely



TONY ARNEL LFRAIA
PLUMBING INDUSTRY COMMISSIONER

OUTLOOK FOR 2010–11

I am confident that Victoria's plumbing industry is strongly placed to meet the evolving requirements of the industry and community.

To ensure the plumbing industry prospers and Victoria's plumbing standards remain among the highest in the world, the Commission must also provide for an adequately trained and skilled workforce, particularly in relation to environmentally sustainable outcomes.

The year ahead will experience an increased demand for sustainability initiatives. This will see Victorian plumbing practitioners and the Commission having to respond to the challenge of climate change expediently and effectively. To fulfil this, the Commission must continue to drive regulatory development and training for green plumbing practices and water saving outcomes.

Saving water and energy through plumbing will promote longevity of the industry and sustain the long-term built environment for all Victorians.



TONY ARNEL LFRAIA
PLUMBING INDUSTRY COMMISSIONER

Full disclosure of the Commission's financial position is included in the financial statements and notes to the financial statements.

PERFORMANCE

In 2009–10, the Commission's total income increased by \$2.0M to \$14.4M; an increase of 16 per cent compared with 2008–09. This was primarily due to the effect of:

- increased Compliance Certificate sales revenue (+\$1.3M) reflecting the increase in Compliance Certificate sales volume as well as a change in the volume discount mix between resellers and direct sales
- increased registration and licence fees (+\$0.2M) reflecting an increase in plumbing practitioners in Victoria
- increased plumbing audit revenue (+\$0.5M) primarily due to an increased number of recycled water inspections conducted.

The Commission's surplus net result at \$0.3M is down \$0.2M from 2008–09, consistent with the net effect of the movements in total revenue and total operating expenses under the Commission's Reserves and Expenditure Policy. The net result was down on the \$0.5M forecast in the Commission's 2009–10 mid-year revised budget and reflected the net effects of record levels of Compliance Certificate sales and increased expenditure on sustainability and water saving projects and plumbing practitioner and consumer programs.

The Commission sold its Burke Road, Camberwell properties on 17 September 2009. This assisted with financing the fit-out of its new offices at the Goods Shed North. Despite the effects on the property market by the global financial crisis, the properties sold for \$4.05M, \$0.15M higher than the properties' valuation by the Victorian Government's Valuer-General. The sale of the Camberwell properties complied with the Government of Victoria's Policy and Instructions for the Purchase, Compulsory Acquisition and Sale of Land and the directions of the Valuer-General and the Victorian Land Monitor.

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

EXPENSES

Total expenses from transactions and other economic flows were up \$2.2M to \$14.1M, an increase of 18 per cent from the 2008–09 figure. Major contributors to the \$2.5M increase in total expenses from transactions and other economic flows included the effect of:

- increased employee benefit costs, reflecting increases under the Commission's EBA 2006 (+\$0.4M)
- increased office rent costs (+\$0.2M) primarily reflecting the move to the Goods Shed North from previously owned properties at Burke Road, Camberwell
- increased general administrative expenses related to special projects, primarily reflecting the level of expenditure on sustainable plumbing and water saving projects, eToolbox communications to the plumbing industry and media advertising in relation to consumer awareness associated with using a licensed plumber (+\$1.2M)
- increased general administrative expenses (other) (+\$0.6M) primarily due to increased expenditure in the areas of industry development, a review of the regulatory inspection and audit program and work with the National Plumbing Regulators Forum
- decreased plumbing inspection and audit costs (-\$0.3M) as a result of savings realised following the move to the new outsourced provider.

The Plumbing Industry Commission's cost for the Goods Shed North fit-out (aimed at achieving a 5 Star Green Star Office Interiors as Built rating) totalled just under \$1.8M, which was fully funded by the Plumbing Industry Commission. Financial modelling has shown the co-location of the two Commissions at the Goods Shed North will deliver significant savings on a net present value basis over the 15 year lease.

OUTLOOK

In 2010–11 it is expected that the Commission will continue to see sustained Compliance Certificate lodgements reflecting the similar levels of activity in the plumbing industry.

PLUMBING INDUSTRY ADVISORY COUNCIL – CHAIR'S REPORT

The Plumbing Industry Advisory Council (the Council) is an industry advisory group established under Part 12A of the Building Act to provide advice to the Minister for Planning and the Plumbing Industry Commission.

The Council is comprised of 13 members representing industry employers and employees, vocational education, water, energy and gas regulators, the building industry, the plumbing union and consumers.

The focus of the Council in 2009–10 included monitoring regulatory effectiveness with the implementation of the *Plumbing Regulations 2008*, the continued development of plumbing skills and competencies, and the impacts of the national regulatory harmonisation.

In 2009–10 the Council:

- held strategic planning workshops to respond to national and green agendas that resulted in an action plan to address critical areas
- produced the greening and growing Victorian plumbing submission in response to the Victorian Climate Change Green Paper
- was involved with the Plumbing Industry Climate Action Centre and its expansion, a facility dedicated to education and training to cut greenhouse gas emissions, save water and address the key issues around climate change in our built environment
- provided strategic direction and input into the Commission's business and corporate planning
- monitored the financial management of the Plumbing Industry Commission.

DOUG MCCLUSKY CHAIR, PLUMBING INDUSTRY ADVISORY COUNCIL

FIVE YEAR SUMMARY OF FINANCIAL PERFORMANCE

Item	2009–10 \$M	2008–09 \$M	2007–08 \$M	2006–07 \$M	2005–06 \$M
Total Income	\$14.4	\$12.4	\$11.2	\$10.1	\$9.1
Total Expense	\$14.1	\$11.9	\$11.1	\$10.6	\$8.4
Net Result for the Period	\$0.3	\$0.5	\$0.1	(\$0.5)	\$0.7
Total Assets	\$13.3	\$11.7	\$11.8	\$10.7	\$10.1
Total Liabilities	\$5.9	\$4.6	\$4.6	\$4.6	\$3.5

The Plumbing Industry Commission uses a strong corporate governance framework to ensure that it meets its objectives, is efficient in its operations, is accountable for its decisions and complies with the relevant Acts and Regulations.

RESPONSIBLE MINISTER

The Commission is part of the portfolio of the Minister for Planning, the Hon Justin Madden, MLC.

POWERS, FUNCTIONS AND DUTIES

The Commission is a statutory authority established under Part 12A of the Building Act to regulate plumbing work with the aim of ensuring it is carried out safely and competently. This is achieved through the efficient and effective administration of the plumbing regulatory system for community health and safety and environmental benefits.

The Commission derives its operational functions, powers and duties from the Act and the *Plumbing Regulations 2008*. The Commission's operational revenue is derived from fees (registrations, licences, Compliance Certificates, special audits and inspections and examinations), sale of publications and government grants.

EXECUTIVE LEADERSHIP TEAM

The Executive Leadership Team is responsible for the Commission's strategic direction and its organisational effectiveness. It consists of both Plumbing Industry Commission and Building Commission Directors:



TONY ARNEL

Building Commissioner and Plumbing Industry Commissioner

B Arch, M Urban Planning, LFRAIA, FAICD, FIPAA, MPIA

Responsibilities include:

- ▣ Building Commissioner and Plumbing Industry Commissioner
- ▣ Reporting to the Minister for Planning
- ▣ Administration of the building and plumbing regulatory systems in Victoria

Industry representations and professional affiliations include:

- ▣ Founding Directorship and current Chair of the Green Building Council of Australia
- ▣ Chair of the World Green Building Council (since September 2008)
- ▣ Chair of the Building Regulations Advisory Committee
- ▣ Board member of the World Green Building Council (since 2007)
- ▣ Board member of the Australian Building Codes Board
- ▣ Board member of the Building Advisory Council
- ▣ Board member of the Plumbing Industry Advisory Council.

SARAH MCCANN-BARTLETT

Deputy Building Commissioner and Plumbing Industry Commissioner

BA, BCom, Grad Dip (Marketing), MBA, FAICD

Responsibilities include:

- ▣ Strategic projects
- ▣ Operational oversight
- ▣ Stakeholder relations
- ▣ Corporate legal services
- ▣ Executive office.

Sarah plays a critical role in the strategic direction of the Commissions. She recently led the Commissions' response to the 2009 Victorian bushfires and the alignment between the Building Commission and Plumbing Industry Commission, including the development of the shared services group. Sarah provided executive sponsorship to the development of the 2007–2012 Corporate Plan and the development and implementation of *eToolbox*. Prior to joining the Commissions, Sarah managed the Woolmark Company's North American operations.

SHAYNE LA COMBRE

Director, Plumbing Industry Commission

MPPM, BBus (Man), LLB, Grad Dip (Legal Practice), Adv Cert (Man), Cert of Proficiency (Plumbing)

Responsibilities include:

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

Industry representations and professional affiliations include:

- ▣ Chair of the National Plumbing Regulators Forum (NPRF) since March 2010
- ▣ Chair of the NPRF Licensing and Education Advisory Committee
- ▣ Member of the Plumbing and Gasfitting Occupations Interim Advisory Committee
- ▣ Member of the Refrigeration and Air Conditioning Mechanics Interim Advisory Committee.

Shayne was appointed in November 2005 to manage the Plumbing Industry Commission's core functions. A second-generation plumber, Shayne has extensive industry experience having worked for the Gas and Fuel Corporation for 19 years as well as several private energy corporations. His career experience includes roles with Standards Australia and Energy Safe Victoria. Shayne provided executive sponsorship to the development and implementation of *eToolbox*.

PAUL CRAPPER

Chief Financial Officer & Director Marketing and Business Services, Building Commission and Plumbing Industry Commission

BBus (Acc), FCPA, FAICD

Responsibilities include:

- ▣ Financial management
- ▣ Corporate and business planning
- ▣ Marketing and public relations
- ▣ Risk management and quality assurance
- ▣ Industry statistics and measurement
- ▣ Facilities, fleet management and purchasing.

Industry representations and professional affiliations include:

- ▣ Member of RMIT's School of Property, Construction and Project Management Advisory Committee
- ▣ Audit Committee member of both the Green Building Council of Australia and the World Green Building Council.

During his 13 years with the Building Commission and since his appointment as a Director in September 2001, Paul has ensured the Building Commission, and more recently the Plumbing Industry Commission, maintains high levels of corporate governance, financial accountability and transparency. Over the last two years, Paul jointly led the Goods Shed North design, fit-out and the relocation of the two Commissions to Docklands.

Paul is a Chief Financial Officer and corporate services specialist with experience across both the private and public sectors in finance and accounting, strategic management of resources, financial control and compliance, business planning, risk management and the delivery of a broad range of corporate services.

MURIEL MARCZYNSKI

Director, People and Culture & Information Management, Corporate Services, Building Commission and Plumbing Industry Commission

BA (Bus Management), Grad Dip (Industrial Training), MA (Education, Leadership & Man), Cert IV Assessment and Training.

Responsibilities include:

- ▣ Organisational development
- ▣ Workforce strategy
- ▣ Performance management
- ▣ Employee and industrial relations
- ▣ Learning and development
- ▣ Information and Records Management.

As Director, People and Culture & Information Management, Muriel plays a critical role in the strategic direction of the Commission's workforce management and information and technology platform. Providing high-level advice and support to the Commissions' Executive Leadership Team, she partners with core business managers to drive and deliver corporate objectives. Muriel has extensive experience in building organisational capability and cultural alignment with over 18 years experience in private and public sector organisations. Over the last two years, Muriel jointly led the Goods Shed North design, fit-out and the relocation of the two Commissions to Docklands.

JEFF CALDERBANK

Director – Industry & Regulatory Compliance, Building Commission

Dip (Fraud Control) Grad Cert (Management) Grad Cert (Fraud Inv) Cert IV Assessment & Training

Responsibilities include:

- ▣ Support to the Building Practitioners Board and the Building Appeals Board
- ▣ Practitioner assessment and registration
- ▣ Complaints and assessments
- ▣ Audits and investigations
- ▣ Levy and data collection
- ▣ Prosecutions and Inquiries.

During his four years with the Building Commission, Jeff has played a key role in the areas of practitioner compliance and enforcement. Jeff has taken the lead in building and maintaining key relationships within the industry to ensure more favourable outcomes for consumers and practitioners alike. He has also been responsible for a shift in the compliance processes within the Building Commission to promote an educative focus aimed at enhancing awareness for all stakeholders.

DENNIS HOGAN*

Director – Regulatory Development, Building Commission

Grad Dip Bld Surv, MAIBS, RBP reg. BS-1422 & BS-1420

Responsibilities include:

- ▣ Advice on building legislation and regulatory development
- ▣ Support to the Building Advisory Council and Building Regulations Advisory Committee
- ▣ Technical and research services
- ▣ Sustainability and developing industry initiatives
- ▣ Led the bushfires technical team.

During his nine years with the Building Commission Dennis has played a key role in managing the development of building regulations, providing advice to industry on interpretation and implementation, and managed the area of research into building matters. Prior to commencing with the Commission, Dennis had in excess of 20 years experience in municipal building surveying and 14 years in the construction industry.

**Dennis Hogan commenced as Acting Director – Regulatory Development on 16 March 2009 and was appointed Director on 8 October 2009.*

JEFF NORTON

Director – Strategic Projects, Building Commission

BTRP (Melb), Grad Cert Management, FAICD

Responsibilities include:

- ▣ Support projects demonstrating sustainable leadership in collaboration with key stakeholders
- ▣ Promote sustainable building
- ▣ Provide up to date building controls for the benefit of the community.

Industry representations and professional affiliations include:

- ▣ A Director on NATSPEC – Construction Information Systems Ltd.

During his 10 years with the Commission, Jeff has played a key role in insurance issues following the collapse of HIH and implementing energy efficiency reforms for building in Victoria. Jeff works closely with a wide spectrum of industry stakeholders in the field of sustainability including the Green Building Council of Australia. Jeff has 17 years experience in the Victorian and Australian building industry.

OPERATIONAL MANAGEMENT TEAM

The Executive Leadership Team is supported by the Operational Management Team, which is responsible for both the Plumbing Industry and Building Commission's operational management direction. Both Commissions are serviced by a Corporate Services division that consists of staff with expertise in information technology, people and culture, marketing and public relations, facilities management, finance and industry measurement.

PLUMBING INDUSTRY COMMISSION STAFF

Manager, Compliance and Monitoring – Peter Cairnes

Manager, Investigations & Prosecutions – Chris Enright*

**Chris Enright commenced as Manager, Investigations & Prosecutions 15 June 2010.*

Manager, Practitioner Licensing and Development – Gerard O'Farrell

Manager, Regulatory Development – Joanne Patterson

Manager, Accounting, Finance and Business Services – Naomi Widdowson

Corporate Planner, Finance & Business Services – Kathy Gray

Manager, Information Management – Mark Cilia

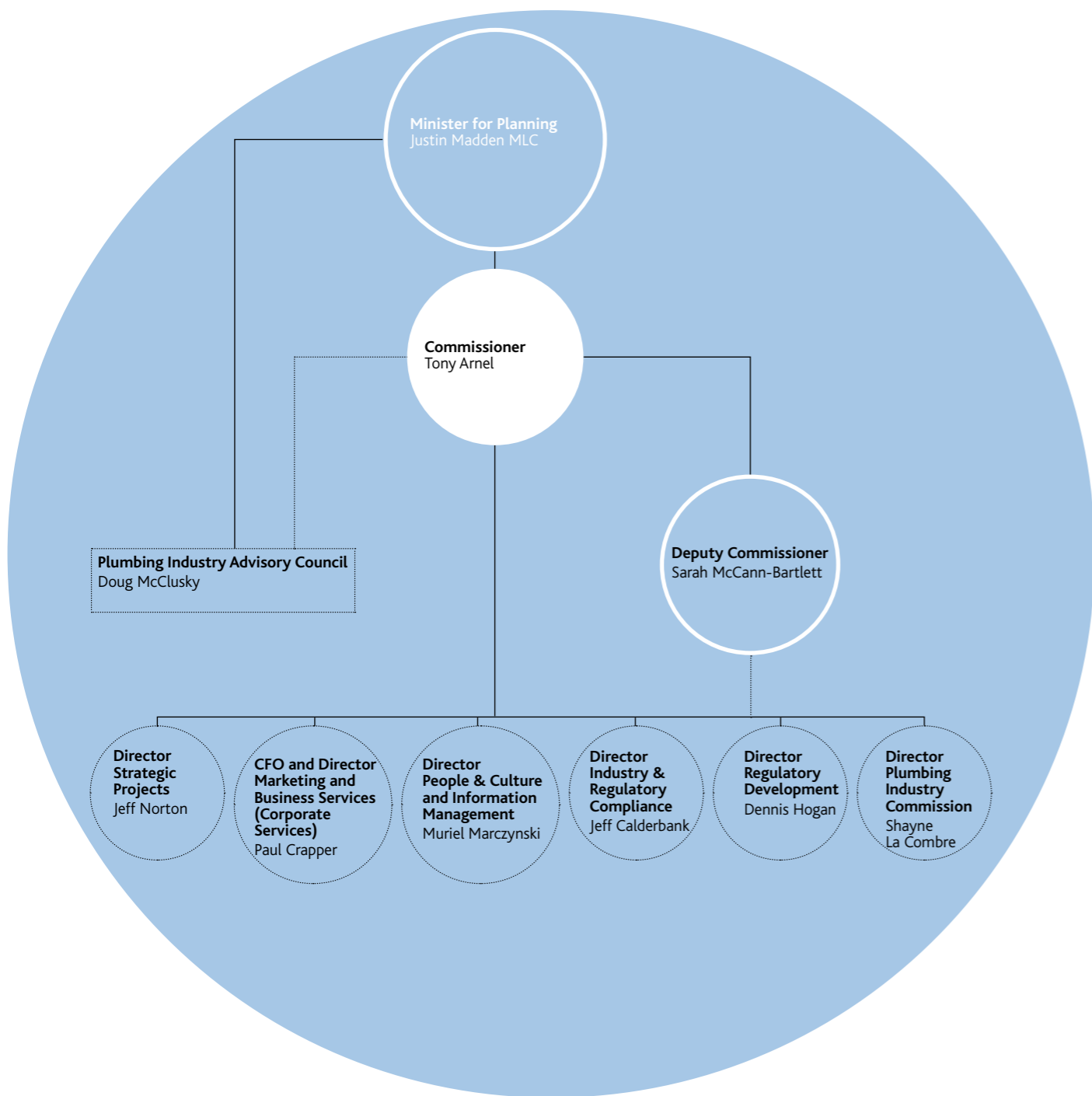
Manager, Marketing and Public Relations – Anne Pavey

Project Manager, Industry Measurement – Joanne Kalker

Manager, People and Culture – Robyn Horskins*

**Robyn Horskins commenced as Manager, People and Culture on 3 May 2010.*

ORGANISATIONAL STRUCTURE 30 JUNE 2010



CORPORATE AND BUSINESS PLANNING

The 2007–12, Corporate Plan continues to provide strategic direction for both the Building Commission and the Plumbing Industry Commission.

Environmental scanning exercises based on the Corporate Objectives formed part of the development of the 2010–11 business plans for both Commissions. A continued focus on measuring, monitoring and reporting of the critical operational activities and projects provides valuable information on the progress achieved by the Commissions in achieving their strategic direction.

Preparation for the development of the 2012–17 Corporate Plans has commenced with the development of a Strategic Planning Framework which will be implemented over the next two years. The Framework highlights the interrelationships between all areas of the Commissions' businesses and consists of organisation wide plans. The integrated plans include: the annual and three year financial management plans, risk management, human resources, stakeholder management and corporate support plans such as the IT Strategy. The framework will become a key resource for the development of the new Corporate Plans, which will formally commence in 2011.

RISK MANAGEMENT

In 2009–10, the Commission continued to enhance its Risk Management Framework.

The Commission's Risk Management Framework, which is consistent with the Victorian Government Risk Management Framework and includes a Business Risk Management Policy and Strategy, is tailored around a quarterly review of the business risks identified by the Executive Leadership Team. The Commission's risk evaluation/analysis criteria and definitions of risk likelihood and consequence are based on the *Australian Standard on Risk Management AS/NZS ISO 31000:2009*. The Commission's Business Risk Matrix has been developed from this and subsequently forms the basis for the Commission's Audit Committee, internal auditors and insurer to assess areas of risk exposure for the Plumbing Industry Commission and its ability to manage or mitigate business risks.

The Victorian Managed Insurance Authority 2010 Risk Framework Quality Review, which is a combination of self-assessment and independent review of the quality, comprehensiveness and maturity of the Commission's risk management framework, will occur in the first half of the 2010–11 financial year.

The Commission's internal audit conducted over May and June 2010 by internal auditors RSM Bird Cameron again focused on a business risk audit methodology and supported the Commission's 2009–10 risk attestation.

RISK ATTESTATION

I, Tony Arnel, certify that the Plumbing Industry Commission of Victoria has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal controls system is in place that enables the Executive Leadership Team to understand, manage and satisfactorily control risk exposures. The Audit Committee verifies that this assurance and that the risk profile of the Plumbing Industry Commission of Victoria has been critically reviewed within the last 12 months.

TONY ARNEL LFRAIA
PLUMBING INDUSTRY COMMISSIONER

AUDIT COMMITTEE AND ANNUAL INTERNAL AUDIT FOR 2009–10

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 2009–10 were:

- Mr Ian Sargent, Chairperson – Chief Financial Officer, Victorian WorkCover Authority
- Ms Carmel Coate – Executive Director, National Fire Industry Association and Audit Committee representative of the Plumbing Industry Advisory Council
- Mr Jeff Webb – Director, Deloitte Touche Tohmatsu.

The Audit Committee meets at least quarterly. During 2009–10, 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, five-year corporate plan, annual business plan and budget and risk management processes.

Internal auditors, RSM Bird Cameron (Chartered Accountants), completed the Commission's annual internal audit in May and June 2010. RSM Bird Cameron reported no significant weaknesses in the internal financial controls and business risk management practices of the Commission.

The 2009–10 internal audit examined the Commission's assessment of responses to previous internal and external audit reports, business risk, corporate governance, compliance and monitoring and registration and licensing of the plumbing industry, capital expenditure, and the development and implementation of the practitioner user management application *eToolbox*.

The level of non-audit services provided by the Commission's external auditor, the Victorian Auditor-General are compatible with maintaining auditor independence.

COMPLIANCE WITH FINANCIAL MANAGEMENT ACT 1994, DIRECTIONS OF THE MINISTER FOR FINANCE, AND FEDERAL AND STATE TAX LEGISLATION

Financial and tax compliance audits by the Commission's internal auditors, RSM Bird Cameron, during 2009–10 found no significant non-compliance issues in relation to the *Financial Management Act 1994*, the Directions of the Minister for Finance, or Federal and State Government tax legislation.

DETAILS OF CONSULTANCIES OVER \$100,000

Firm	Description	Total	Outstanding commitments
Prima Consulting	Plumbing audit & inspections performance advice	\$250,041	Nil

DETAILS OF CONSULTANCIES UNDER \$100,000

In 2009–10, the total for the 30 consultancies engaged during the year, where the total fees payable to the consultants was less than \$100,000, was \$461,863.

MAJOR GOVERNMENT CONTRACTS

The Commission adheres to the government's policy of disclosing contracts greater than \$10 million under the *Financial Management Act 1994*. In 2009–10, the Commission had no contracts above \$10 million.

BUILDING ACT 1993

The Commission complied with the building maintenance requirements of the *Building Act 1993* up until the sale of the Camberwell properties on 17 September 2009.

NATIONAL COMPETITION POLICY

The Commission complies with the principles of the National Competition Policy. Competitive neutrality seeks to enable fair competition between government 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 this principle in its business undertakings.

FREEDOM OF INFORMATION

The *Freedom of Information Act 1982* gives the public the right to access documents held by the Commission. In 2009–10, the Commission received and processed 76 requests for information in accordance with the requirements of the *Freedom of Information Act 1982*.

The requests were processed as follows:

Total requests received	76
Not finalised as at 30 June 2010	3
Access granted in full	1
Access granted in part	72
Access denied in full	0
No documents	0
Act does not apply	0
Not proceeded with	0

There were no freedom of information reviews or appeals to Victorian Civil and Administrative Tribunal. The Plumbing Industry Commissioner is the Principal Officer for freedom of information. All requests for information under the *Freedom of Information Act 1982* should be made in writing to: The Manager, Freedom of Information, Plumbing Industry Commission, PO Box 536, Melbourne Victoria 3001. The fee for a request during 2009–10 was \$23.40.

PRIVACY

The Commission is required to comply with the provisions of the *Information Privacy Act 2000*. This Act applies to the collection, storage, use and release of personal information, and provides individuals with right of access to personal information held by the Commission and the right to require the Commission to correct this information.

The Commission received one request for access to personal information and no requests to correct information for the 2009–10 year. The Privacy Statement and the Information Privacy Policy are available on the Commission's website at www.pic.vic.gov.au or a request for the policy may be made in writing to the Plumbing Industry Commission, PO Box 536, Melbourne Victoria 3001.

WHISTLEBLOWERS PROTECTION

The *Whistleblowers Protection Act 2001* facilitates the making of disclosures about improper conduct by public bodies and public officials and contains provisions for protection of those who come forward with a disclosure. It also provides for the investigation of disclosures that meet the definition, as contained in the Act, of a public interest disclosure.

The Ombudsman’s Office is responsible for providing guidance on whistleblower issues. The Office determines which disclosures warrant investigation. The Commission is committed to the aims and objectives of the *Whistleblowers Protection Act 2001*. It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

The Commission supports the making of disclosures that reveal:

- ❑ corrupt conduct
- ❑ conduct involving a substantial mismanagement of public resources
- ❑ conduct involving a substantial risk to public health and safety, and safety of 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 disclosures. The Commission conducts its investigations in accordance with the Ombudsman’s Guidelines produced under the *Whistleblowers Protection Act 2001*. For an online copy of the Guidelines, visit the Ombudsman Victoria website at www.ombudsman.vic.gov.au and follow the links to Whistleblowers Guidelines.

During the year the following occurred under the *Whistleblowers Protection Act 2001*:

	2009-10	2008-09
Protected disclosures made	0	0
Disclosures referred to the Ombudsman for determination as to whether the matter was a public interest disclosure	0	0
Disclosure matter referred to the Commission by the Ombudsman	0	0
Disclosed matters referred by the Commission to the Ombudsman for investigation	0	0
Investigations of disclosed matter taken over by the Ombudsman	0	0
Requests made under section 74 of the <i>Whistleblowers Protection Act 2001</i> to the Ombudsman to investigate a disclosed matter	0	0
Disclosed matters the Commission declined to investigate	0	0
Disclosed matters that were substantiated on investigation	0	0
Recommendations made by the Ombudsman under the <i>Whistleblowers Protection Act 2001</i> that related to the Commission.	0	0

ENVIRONMENTAL POLICY AND ENVIRONMENTAL IMPACTS

Through the Victorian Government’s *Our Environment Our Future - Sustainability Action Statement*, the Plumbing Industry Commission continues to make a commitment to reduce environmental impacts through adopting an environmental policy, setting key objectives and developing an action plan.

As part of its commitment to sustainability, the Commission continues to support and participate in the Victorian Government’s *ResourceSmart* program, which aims to help government departments and statutory authorities achieve more sustainable practices.

In January 2009, the Commission completed an environmental policy that addressed operational aspects including all metropolitan locations, agency activities, building practitioners, consumers, staff and the delivery of services.

Goods Shed North

The Goods Shed North is the first Victorian heritage-listed building to achieve a 5 Star Green Star (for office design) rating. The move to the Goods Shed North saw the Plumbing Industry Commission, the Building Commission and VicUrban operate from the one building.

The project used a selection of environmentally sustainable materials and central elements to maintain existing symmetry and structure and be an achievable example of adaptive re-use and sustainable design with the aim of gaining a 5 Star “Office Interiors as Built” Green Star rating.

The *ResourceSmart* program combines key facets of the Plumbing Industry Commission’s core business including the role building practitioners, consumers and regulations play and the impact internal staff have on the environment. Since 2006 the Plumbing Industry Commission is proud to have achieved the following:

INTERNAL ENVIRONMENT (Office and Staff) –

- ❑ Incorporated environment and sustainability issues into the corporate plan and business plan where appropriate.
- ❑ Formed an internal *ResourceSmart* team in December 2008 to promote green issues and develop the team’s scope of activities and responsibilities and hold monthly meetings.
- ❑ Incorporated *ResourceSmart* into the online induction program for new starters.
- ❑ Carried out collection and recycling of printer cartridges by Planet Ark since September 2008.
- ❑ Launched online forum/blog “Going Green” via intranet to raise awareness of green issues in December 2008.
- ❑ Sent all non-working equipment to auction for reuse or recycling as part of the procurement policy.
- ❑ Introduced 100 per cent recycled paper for office use in 2008.
- ❑ Reused or recycled 100 per cent of mobile phones. Provided information and education to staff on appropriate usage and recycling of mobile phones.
- ❑ Introduced public transport incentives for staff in the form of an annual ticket option (i.e. bulk purchase of Met cards in Melbourne).

- ❑ Introduced waste minimisation and recycling programs to the Plumbing Industry Commission in early 2009 at the Camberwell office and then continued implementation at the Goods Shed North.
- ❑ Awarded 5 Star Green Star for office design for Goods Shed North building.
- ❑ Included water capture, recycling and reuse opportunities in the design and development of the Goods Shed North including an 85,000 litre water harvesting tank for toilet flushing.
- ❑ Installed energy star rated dishwashers, toilets and fittings used in Goods Shed North to obtain 5 Star Green Star rating.
- ❑ Ensured materials in the Goods Shed North were environmentally sustainable with eco-preferred content, recycled content and minimised volatile compound and PVC content where possible.
- ❑ Victorian Building Commissioner and Plumbing Industry Commissioner, Tony Arnel, awarded 2010 Australian Institute of Architects’ inaugural national Leadership in Sustainability Prize.

EXTERNAL ENVIRONMENT

Plumbing Practitioners

- ❑ Announced, communicated and promoted the 5 Star building standard from June 2003 and 5 Star Alterations and Additions from May 2008.
- ❑ Provided ongoing support to the World Green Building Council (WGBC) and the Green Building Council of Australia (GBCA). Commissioner, Tony Arnel is chairman of the WGBC and the GBCA, and the CFO of the Commission, Paul Crapper, sits on the Audit Committee’s of the GBCA and the WGBC.
- ❑ Introduced the *PlumbSmarter* project which aims to identify strategies for tackling environmental sustainability through changing the framework and operation of the Victorian plumbing industry and to begin pursuit of these strategies. Includes initiatives such as the fire sprinkler water efficiencies project.
- ❑ The Commission provides ongoing support to the Plumbing Industry Climate Action Centre in Brunswick, Victoria.
- ❑ Held the inaugural Plumbing Industry Training Awards in 2010. The awards feature two environmental award categories; one for energy and one for water.
- ❑ 5 Star audits are conducted by compliance and technical services division of the Plumbing Industry Commission to ensure environmental water efficiencies and energy compliance targets are being achieved.

Consumers and Community

- ❑ Launch of *Make Your Home Green* online resource (average of 2,000 unique visits per month).
- ❑ Creation of dedicated sustainability section on the Plumbing Industry Commission website.
- ❑ Regular media releases promoting sustainability in the built environment.
- ❑ Participation and promotion of sustainability via consumer seminars and expos.
- ❑ Production and distribution of literature on sustainability, including water saving options.

VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

The Commission was not required to implement the *Victorian Industry Participation Policy Act 2003* in 2009–10. Government agencies are only required to apply the Victorian Industry Participation Policy for tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. The Commission had no tenders over these amounts.

EMPLOYMENT AND CONDUCT PRINCIPLES

The Commission is part of the Victorian Public Sector; all employees are required to abide by the Code of Conduct for the Victorian Public Sector. The Code of Conduct is designed to help employees understand the responsibilities and obligations associated with working in the public sector. This includes the responsibility of ensuring the Commission and the public sector are perceived positively by stakeholders and the community.

The Code of Conduct 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. When employees are appointed, they are advised of the requirement to declare any potential conflicts of interest to ensure these are managed appropriately. All members and executives of the statutory bodies administered by the Commission sign a Declaration of Pecuniary Interest.

GIFTS, BENEFITS AND HOSPITALITY POLICY

The Commission has a gifts and favours policy that ensures the Commission has an open and transparent framework for managing the receipt of gifts, favours and hospitality. This policy is consistent with Victorian Public Sector guidelines with the Commission complying with the Victorian Public Sector’s annual attestation process.

OCCUPATIONAL HEALTH AND SAFETY

The Commission is committed to providing all employees with a safe and healthy working environment that complies with legislative requirements in respect to Occupational Health and Safety (OH&S). The Commission’s OH&S Policy 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.

The Commission’s workplace wellbeing initiatives address the *Occupational Health and Safety Act 2004*. In 2009–10 the Commission achieved its goals in this area through regular communication, consultation and education via the Wellness / OHS Committee, regular communication on Commlink, an induction and orientation program for new employees and a Goods Shed North safety induction for all existing staff. A safe and healthy workplace is a priority with regular hazard hunts, ergonomic checks, annual flu injections and an employee health program focusing on general health, diagnostic blood testing and a lung function test.

WORKFORCE DATA

As at 30 June 2010 the Commission employed 45 employees (or 42 full-time equivalent employees).

A Corporate Services division also provides services to both the Building Commission and Plumbing Industry Commission in areas including finance, business services, corporate and business planning, information management, records management, risk management, marketing and public relations and human resources.

The Commission is committed to equal employment access and the increased representation of women in plumbing related professions. The percentage of female employees at the Commission (36 per cent) can be attributed to flexible work options including part-time employment, working from alternative locations and flexible hours.

	2009–10	2008–09	2007–08	2006–07
Occupational and base salary standards				
Level				
Executives and managerial (\$95,000 – \$137,000)	6 (13%)	5 (11%)	5 (12%)	5 (10%)
Professional (\$69,000 – \$95,000)	9 (20%)	8 (18%)	7 (12%)	7 (14%)
Associate professional (including technical) (\$49,000 – \$74,000)	20 (44%)	19 (42%)	24 (48%)	22 (44%)
Administrative/secretarial/customer service (\$36,000 – \$55,000)	10 (22%)	13 (29%)	14 (28%)	16 (32%)
Total head count	45	45	50	50
Equivalent full-time (EFT)	42.3	42.9	48	47.2

Source: Plumbing Industry Commission

	2009–10	2008–09	2007–08	2006–07
Gender profile				
Female	16 (36%)	16 (36%)	19 (38%)	17 (34%)
Male	29 (64%)	29 (64%)	31 (62%)	33 (66%)
Total head count	45 (100%)	45 (100%)	50 (100%)	50 (100%)

Source: Plumbing Industry Commission

DIVERSITY

The Commission values diversity in the workforce and the community. All new employees participate in a comprehensive induction program, which includes education in the Managing Equity Diversity Policy. This policy is also accessible to all employees via the Commission’s intranet.

The Commission continues to build its language register which was first established in 2002–03. This provides a bank of staff with bilingual skills and is regularly accessed to improve communication with the Victorian community. Professional interpreters and a portable hearing augmentation service are also available on a case-by-case basis.

During 2009–10 the Commission commenced developing a Disability Action Plan.

INDIGENOUS APPRENTICESHIP SCHEME

Graduations continued for the Indigenous plumbing practitioners through the Australian Government’s Structured Training Employment program, which is supported by the Commission.

MERIT AND EQUITY

The Commission follows the *Public Administration Act 2004* to ensure that its conduct is based on merit, fairness, equality and avenues for redress against unreasonable treatment. Similarly, all staff are expected to act with impartiality, integrity, accountability and provide responsive services.

MULTICULTURAL VICTORIA ACT 2004

The Plumbing Industry Commission is not required to report on the *Multicultural Victoria Act 2004* in 2009–10. Only government departments are required to report to the Minister.

FINANCIAL STATEMENTS INDEX

19	Summary of significant changes to financial position
21	Auditor-General's Report
23	Accountable Officer's and Chief Finance and Accounting Officer's Declaration
24	Comprehensive operating statement
26	Balance Sheet
27	Statement of changes in equity
27	Cash flow statement
28	Notes to the financial statements
28	1. Summary of significant accounting policies
37	2.1. Income from transactions
37	2.2. Expenses from transactions
38	3. Cash and cash equivalents
39	4. Receivables
39	5. Inventories
40	6. Property, plant and equipment
41	7. Intangible assets
41	8. Make good asset
42	9. Payables
42	10. Provision for employee entitlements
42	11. Deferred revenue
43	12. Equity and movements in equity
44	13. Leasing commitments
44	14. Contingent liabilities and contingent assets
44	15. Financial instruments
48	16. Cash flow information
49	17. Responsible persons
49	18. Remuneration of executives
49	19. Remuneration of auditors
49	20. Related party
49	21. Subsequent events

SUMMARY OF SIGNIFICANT CHANGES TO FINANCIAL POSITION

- The 2009–10 financial year saw a significant increase in Compliance Certificate sales in Victoria despite the effects of the global financial crisis. Compliance Certificate sales in 2009–10 achieved 375,823, up 3 per cent from the record 363,713 achieved in 2008–09.
- The Plumbing Industry Commission relocated to the Goods Shed North at 733 Bourke Street in Docklands along with the Building Commission on Monday 7 December 2009 under a 15 year lease. The Plumbing Industry Commission's cost for the Goods Shed North fit-out (aimed at achieving a 5 Star Green Star Office Interiors as Built rating) totalled just under \$1.8M, which was fully funded by the Plumbing Industry Commission. Financial modelling has shown the co-location of the two Commissions at the Goods Shed North will deliver significant savings on a net present value basis over the 15 year lease.
- The Plumbing Industry Commission sold its Burke Road Camberwell properties on 17 September 2009 to assist with financing the fit-out of its new offices at the Goods Shed North. Despite the effects on the property market by the global financial crisis, the properties sold for \$4.05M, \$0.15M higher than the properties were valued by the Victorian Government's Valuer-General. The sale of the Burke Road properties complied with the Government of Victoria's Policy and Instructions for the Purchase, Compulsory Acquisition and Sale of Land and the directions of the Valuer-General and the Victorian Land Monitor.
- In addition to the investment in its relocation to the Goods Shed North, the Commission also made a major investment of \$1.05M in 2009–10 in the *eToolbox* licensing and registration system jointly developed with the Building Commission.
- The Plumbing Industry Commission's total income increased in 2009–10 by \$2.0M to \$14.4M (2008–09 \$12.4M). This was primarily reflected by the effect of:
 1. Increased Compliance Certificate sales revenue (+\$1.3M) reflecting the increase in Compliance Certificate sales volume as well as a change in the volume discount mix between resellers and direct sales.
 2. Increased registration and licence fees (+\$0.2M) reflecting an increase in plumbing practitioners in Victoria.
 3. Increased plumbing audit revenue (+\$0.5M) primarily due to an increased number of recycled water inspections conducted.
- Total expenses from transactions and other economic flows were up \$2.2M to \$14.1M from the 2008–09 figure. Operating costs during 2009–10 included regulatory development activities, practitioner registration, compliance activities, plumbing industry research, informing consumers and industry, sustainable plumbing and water saving projects, plumbing audit and inspection activity and internal systems improvements.
- Major contributors to the \$2.2M increase in total expenses from transactions and other economic flows included the effect of:
 1. Increased employee benefit costs, reflecting increases under the Commission's EBA 2006 (+\$0.4M)
 2. Increased office rent costs (+0.2M) primarily reflecting the move to the Goods Shed North from previously owned properties at Burke Road Camberwell.
 3. Increased general administrative expenses related to special projects, primarily reflecting the level of expenditure on sustainable plumbing and water saving projects, *eToolbox* communications to the plumbing industry and media advertising in relation to consumer awareness associated with using a licensed plumber (+\$1.2M).
 4. Increased general administrative expenses (other) (+\$0.6M) primarily due to increased expenditure in the areas of industry development, a review of the regulatory inspection and audit program and work with the National Plumbing Regulators Forum.
 5. Decreased plumbing inspection and audit costs (-\$0.4M) as a result of savings realised following the move to the new outsourced provider.
 6. Profit on sale on disposal of fixed assets (+\$0.2M) primarily reflecting the sale of the Camberwell properties.
- The Commission's surplus net result at \$0.3M is down \$0.2M from 2008–09, consistent with the net effect of the movements in total revenue and total operating expenses under the Commission's Reserves and Expenditure Policy. The net result was down on the \$0.5M forecast in the Commission's 2009–10 mid-year revised budget and reflected the net effects of record levels of Compliance Certificate sales and increased expenditure on sustainability and water saving projects and plumbing practitioner and consumer programs.
- Total asset holdings rose by \$1.5M. The major reasons for this were the net effect of a decrease in plant, equipment and intangible assets (-\$1.2M) relating to the addition of the Goods Shed North fit-out and the development of *eToolbox* combined with sale of the Camberwell properties, offset by an increase in cash and cash equivalents (+\$2.2M) as a result of the net proceeds from the sale of the Camberwell properties and an increase in receivables (+\$0.3M) associated with recycled water inspections.
- The Commission continued to focus on a strong financial governance framework, supported by a proactive independent Internal Audit Committee. The Commission's Financial Code of Practice and Audit Committee Charter are published on the Commission's website.
- The Commission launched the *eToolbox* portal on Monday 19 July 2010. The launch of *eToolbox* will see a cessation of the payment of the 14.5 per cent discount to resellers for the sale of Compliance Certificates as all Compliance Certificates will now be sold through *eToolbox*. When netted off with the bulk purchase discount this is forecast to increase Compliance Certificate revenue by \$0.6M in 2010–11.
- Full disclosure of the Commission's financial position is included in the Financial Statements and Notes to the Financial Statements.

SUMMARY OF SIGNIFICANT CHANGES TO FINANCIAL POSITION (CONTINUED)

SUMMARY OF COMMISSION'S FINANCIAL PERFORMANCE OVER THE PAST FIVE YEARS

Item	2009-10 \$M	2008-09 \$M	2007-08 \$M	2006-07 \$M	2005-06 \$M
Total Income	\$14.4	\$12.4	\$11.2	\$10.1	\$9.1
Total Expense	\$14.1	\$11.9	\$11.1	\$10.6	\$8.4
Net Result for the Period	\$0.3	\$0.5	\$0.1	(\$0.5)	\$0.7
Total Assets	\$13.3	\$11.7	\$11.8	\$10.7	\$10.1
Total Liabilities	\$5.9	\$4.6	\$4.6	\$4.6	\$3.5

CONSULTANCIES

The total value of business related consultancies undertaken by the Commission was \$711,904.

They were directed towards such matters as:

- Design of the Goods Shed North, the Commission's new premises
- Development and implementation of strategies for water saving in the plumbing industry.
- Economic analysis/business impact assessments.
- Research and development.
- Legal advice – plumbing industry related and general.

Consultancies over \$100,000	Description	Total	Outstanding commitments
Firm			
Prima Consulting	Plumbing audit & inspections performance advice	\$250,041	Nil

Consultancies under \$100,000	No.	Total Value
	30	\$461,863

AUDITOR-GENERAL'S REPORT

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Commissioner, Plumbing Industry Commission

The Financial Report

The accompanying financial report for the year ended 30 June 2010 of the Plumbing Industry Commission which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the Accounting Officer's and Chief Finance and Accounting Officer's Declaration has been audited.

The Commissioners Responsibility for the Financial Report

The Plumbing Industry Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the Financial Management Act 1994. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

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. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Plumbing Industry Commission for the year ended 30 June 2010. The Commissioner of the Plumbing Industry Commission is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Plumbing Industry Commission web site.

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

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.

Auditor's 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 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
27 August 2010


D D R Pearson
Auditor-General

We certify that the attached financial statements for the Plumbing Industry Commission have been prepared in accordance with Part 4.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the operating statement, balance sheet, statement of recognised income and expense, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2010 and financial position of the Plumbing Industry Commission as at 30 June 2010.

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 24 August 2010.



TONY ARNEL
PLUMBING INDUSTRY COMMISSIONER/
ACCOUNTABLE OFFICER
MELBOURNE
24 AUGUST 2010



PAUL CRAPPER
CHIEF FINANCE OFFICER AND DIRECTOR
MARKETING AND BUSINESS SERVICES/CHIEF
FINANCE & ACCOUNTING OFFICER
MELBOURNE
24 AUGUST 2010

COMPREHENSIVE OPERATING STATEMENT
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Income from transactions			
Fee Income			
Registrations		964,430	875,332
Licences		2,704,733	2,621,683
Certificates of compliance		9,292,497	7,950,183
Special audits and inspections		737,500	240,854
Examinations		128,735	89,027
Other fee income		79,434	84,224
Total fee income		13,907,329	11,861,303
Other Revenue			
Sale of publications		84,351	90,376
Interest income		218,380	173,205
Other income	2.1(a)	196,655	237,998
Total other revenue		499,386	501,579
Total income from transactions		14,406,715	12,362,882
Expenses from transactions			
Employee benefits		5,051,888	4,604,542
Advertising and promotion		38,911	86,927
Audit, legal & consultants fees		724,051	532,030
Cost of publication sales		50,009	66,185
Depreciation and amortisation	6(a), 7(a) & 8	369,735	336,938
IT expenses		871,908	633,209
Examination expenses		27,211	20,870
General administration expenses	2.2(a)	3,959,993	2,172,708
Office occupancy expenses		100,607	114,629
Office rent		279,106	31,361
Postages		64,358	69,429
Plumbing inspections and audits		1,831,821	2,187,065
Printing and stationery		234,539	309,919
Telephone		235,689	189,286
Travelling & motor vehicle expenses		396,760	383,865
Total expenses from transactions		14,236,586	11,738,963

COMPREHENSIVE OPERATING STATEMENT
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	2.2(b)	132,950	(111,913)
Asset write-off		(38,715)	(42,274)
Total other economic flows included in net result		94,235	(154,187)
Comprehensive income		–	–
Total comprehensive income		–	–
Net result		264,364	469,732
Other economic flows – other non-owner changes in equity			
Changes in physical asset revaluation surplus		–	(626,200)
Transfer from physical asset revaluation surplus to accumulated profits		(1,701,846)	–
Total other economic flows – other non-owner changes in equity		(1,701,846)	(626,200)
Comprehensive result		(1,437,482)	(156,468)

The accompanying notes form an integral part of the financial statements

BALANCE SHEET AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
Assets			
Financial assets			
Cash and cash equivalents	3	6,011,622	3,801,041
Receivables	4	1,548,093	1,230,004
Total financial assets		7,559,715	5,031,045
Non financial assets			
Inventories	5	71,161	32,898
Prepayments		145,620	–
Plant and equipment	6	3,810,334	6,144,413
Intangible assets	7	1,560,683	537,710
Make good asset	8	127,260	–
Total non financial assets		5,715,058	6,715,021
Total assets		13,274,773	11,746,066
Liabilities			
Payables	9	1,880,670	1,354,815
Provisions for employee entitlements	10	833,345	751,617
Make good provision		136,350	–
Deferred revenue	11	3,049,369	2,528,959
Total liabilities		5,899,734	4,635,391
Net Assets		7,375,039	7,110,675
Equity			
Contributed capital	12(a)	2,790,128	2,790,128
Reserves	12(b)	1,277,950	2,959,930
Accumulated surplus	12(c)	3,306,961	1,360,616
Net worth		7,375,039	7,110,674
Commitments for expenditure	13		
Contingent liabilities and contingent assets	14		

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Notes	Equity at 1 July 2009 \$	Transfer to/from reserves \$	Total comprehensive result \$	Equity at 30 June 2010 \$
2010					
Accumulated surplus	12(c)	1,360,616	1,681,980	264,364	3,306,961
Contributed capital	12(a)	2,790,128	–	–	2,790,128
Asset revaluation reserve	12(b)i	2,523,939	–	(1,701,846)	822,093
Development reserve	12(b)ii	68,634	–	–	68,634
Plumbing Industry Commission (PIC) Trust No 1 reserve	12(b)iii	367,357	19,866	–	387,223
Total equity at the end of the financials year	12(d)	7,110,674	1,701,846	(1,437,482)	7,375,039

The accompanying notes form an integral part of the financial statements

	Notes	Equity at 1 July 2008 \$	Transfer to/from reserves \$	Total comprehensive result \$	Equity at 30 June 2009 \$
2009					
Accumulated surplus	12(c)	936,684	(45,799)	469,732	1,360,616
Contributed capital	12(a)	2,790,128	–	–	2,790,128
Asset revaluation reserve	12(b)i	3,082,231	67,908	(626,200)	2,523,939
Development reserve	12(b)ii	68,634	–	–	68,634
Plumbing Industry Commission (PIC) Trust No 1 reserve	12(b)iii	338,096	29,261	–	367,357
Total equity at the end of the financials year	12(d)	7,215,773	51,370	(156,468)	7,110,674

The accompanying notes form an integral part of the financial statements

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		15,243,513	11,930,836
Interest received		210,655	204,964
Payments to suppliers and employees		(14,288,283)	(11,301,301)
Net cash flows from / (used in) operating activities	16(b)	1,165,885	834,499
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(3,272,542)	(1,164,291)
Proceeds from sale of property, plant and equipment		4,317,238	291,610
Net cash flows from / (used in) investing activities		1,044,696	(872,681)
Net increase/(decrease) in cash and cash equivalents		2,210,581	(38,182)
Beginning cash and cash equivalents		3,801,041	3,839,223
Closing cash and cash equivalents	16(a)	6,011,622	3,801,041

The accompanying notes form an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards and Interpretations (AASs). AASs includes Australian equivalents to International Financial Reporting Standards.

In complying AASs, the entity has, where relevant, applied those paragraphs applicable to not-for-profit entities.

1.2 BASIS OF PREPARATION

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.

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets.

In the application of AAS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

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

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 (See note 12(b)).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information in these financial statements for the year ended 30 June 2009.

1.3 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 of finance statistics: concepts, sources and methods 2005 Cat. No.5514.0 published by the Australian Bureau of Statistics.

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 re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; and fair value changes of financial instruments.

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 (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity 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 comprehensive income related to other non-owner changes in equity.

Cash flow statement

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 REPORTING ENTITY

The financial statement covers the Plumbing Industry 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

1.5 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.

(a) 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.

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

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

(d) Other fees and services

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

(e) Interest income

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

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported 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.

1.6 EXPENSES FROM TRANSACTIONS

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

(a) Depreciation and amortisation

Depreciation is calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Estimates of the remaining useful lives for all assets are reviewed annually.

The expected useful lives for the financial years ended 30 June 2010 and 30 June 2009 are as follows:

	Rate	Useful Life
Motor vehicles	20%	5 years
Furniture and fittings	10%	10 years
IT	33.33%	3 years
Office machines, equipment and intangibles	33.33%	3 years*
Buildings	2.50%	40 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets with finite useful lives are amortised 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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

(b) Superannuation

The Commission contributes to the Government Superannuation Schemes-revised and new, Vic Super Pty Ltd, and others. All contributions up to the 30 June 2010 were paid prior to the reporting date.

Total contributions of \$306,435 (2009 – \$303,160) were made by the Commission to these Funds during the reporting period.

The name, details and amounts expensed 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 \$	
	2010	2009	2010	2009
Defined benefit plans:				
State Superannuation Fund – revised and new	40,465	48,626	1,472	–
Defined contribution plans:				
VicSuper	217,877	220,173	8,270	–
Other	36,915	34,362	1,436	–
Total	295,257	303,160	11,178	–

Notes:
(i): The bases for determining the level of contributions is determined by the various actuaries of the superannuation plans.
(ii): The above amounts were measured as at 30 June of each year, or in the case of employer contribution plans they relate to the years ended 30 June.

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

State superannation defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

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

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the accrual of benefits during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.7 BAD AND DOUBTFUL DEBTS

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Those written off unilaterally and the allowance for doubtful receivables, are classified as other economic flows.

1.8 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.

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

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

(b) Disposal of non-financial assets

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

(c) Impairment of non-financial assets

All assets are assessed annually for indications of impairment except for:

- inventories
- financial assets.

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

It is deemed that, in the event of the loss 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.

1.9 FINANCIAL ASSETS

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks, and term deposits which are readily convertible to cash.

(b) Investments

Investments, generally comprised as amounts on deposit, are brought to account at cost. Interest revenue is recognised when the interest is earned.

Other financial Assets

The Commission classifies its investments as held to maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. The Commission assesses at each balance date whether the financial assets or group of financial assets are impaired.

Investments and other financial assets

Investments are classified in the following category: loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

The Commission assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired.

Loans and receivables

Term deposits with maturity greater than three months, trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. The effective interest method is a method of calculating 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 asset, or, where appropriate, a shorter period.

(c) Receivables

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax credits recoverable.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

The collectability of debts is assessed on an ongoing basis and specific provision is made for any doubtful accounts, where there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 NON FINANCIAL ASSETS

(a) Inventories

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

(b) Property plant and equipment*(i) Revaluations of non-current assets*

Non-current physical assets measured at fair value are revalued in accordance with FRD 103D issued by the Minister for Finance. A full revaluation normally occurs every three 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 used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Revaluation increases are credited directly to equity in the revaluation reserve, except to the extent that an increase reverses a revaluation decrease in respect of that class of property, plant and equipment, previously recognised as an expense (other economic flows) in the net result, the increase is recognised as income (other economic flows) in determining the net result.

Revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except to the extent that a credit balance exists in the revaluation reserve in respect of the same class of property, plant and equipment, they are debited to the revaluation reserve.

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.

Revaluation reserves are not normally transferred to accumulated funds on de-recognition of the relevant asset.

Valuations of freehold land and buildings are based on independent valuations carried out by Valuer-General Victoria based on current market valuations. All freehold land and buildings were revalued as at 30 June 2009.

Revaluations by independent assessments are conducted at least every three years.

(ii) Acquisition of assets

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

It is the policy of the Commission to write off as current expenditure all items of a unit value less than \$200.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated 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.

(c) Leasehold improvements

The cost of improvements is captured as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvement to the Commission, whichever is the shorter.

1.11 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 LIABILITIES

(a) Payables

Payables consist predominantly accounts payable and other sundry liabilities.

Payables represent liabilities for goods and services provided to the Commission that are unpaid at the end of the financial year. Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

(b) 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, annual leave and sick leave

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

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, 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.

Current liability – 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.

Non-current liability – 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 due to changes in bond interest rates is recognised as an other economic flow (refer to Note 1.8).

(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 balance sheet date are discounted to present value.

1.13 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.

1.14 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 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 leasee. All other leases are classified as operating leases.

Operating leases

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.

1.15 EQUITY

Contributions by owners

Additions to net assets, which have 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.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1.16 COMMITMENTS

Commitments are disclosed 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.

1.17 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 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

1.18 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 reporting periods.

1.19 ROUNDING OF AMOUNTS

Amounts in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

1.20 ACCOUNTING FOR THE GOODS AND SERVICES TAX

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it 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.

1.21 TAX STATUS

The activities of the Commission are exempt from Federal income tax and the State's Tax Equivalent system. The Commission is registered for GST and payroll tax.

1.22 AASS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new AASs have been published that are not mandatory for the 30 June 2010 reporting period. DTF assesses the impact of these new standards and advises the Commission of their applicability and early adoption where applicable.

As at 30 June 2010, the following standards and interpretations (applicable to the Commission) had been issued but were not mandatory for financial years ending 30 June 2010. The Commission has not adopted these standards early.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2009–5 Further amendments to Australian Accounting Standards arising from the annual improvements project [AASB 5, 8, 101, 107, 117, 118, 136 and 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009–8 Amendments to Australian Accounting Standards – group cash settled share-based payment transactions [AASB 2]	The amendments clarify the scope of AASB 2.	Beginning 1 Jan 2010	No impact. AASB 2 does not apply to government departments or entities; consequently this standard does not apply.
AASB 2009–9 Amendments to Australian Accounting Standards – additional exemptions for first-time adopters [AASB 1]	Applies to entities adopting Australian Accounting Standards for the first time, to ensure entities will not face undue cost or effort in the transition process in particular situations.	Beginning 1 Jan 2010	No impact. Relates only to first time adopters of Australian Accounting Standards.
Erratum General <i>Terminology changes</i>	Editorial amendments to a range of Australian Accounting Standards and Interpretations.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 2009–10 Amendments to Australian Accounting Standards – classification of rights issues [AASB 132]	The Standard makes amendments to AASB 132, stating that rights issues must now be classed as equity rather than derivative liabilities.	Beginning 1 Feb 2010	No impact. Commission does not issue rights, warrants and options, consequently the amendment does not impact on the statements.
AASB 2009–13 Amendments to Australian Accounting Standards arising from interpretation 19 [AASB 1]	Consequential amendment to AASB 1 arising from publication of Interpretation 19	Beginning 1 Jul 2010	Commission does not extinguish financial liabilities with equity instruments, therefore requirements of Interpretation 19 and related amendments have no impact.
AASB 124 Related party disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests that impact is insignificant. However, the Commission is still assessing the detailed impact and whether to early adopt.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2009–12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASBs.	Beginning 1 Jan 2011	AASB 8 does not apply to the Commission therefore no impact expected. Otherwise, only editorial changes arising from amendments to other standards, no major impact. Impacts of editorial amendments are not expected to be significant.
AASB 2009–14 Amendments to Australian Interpretation – Prepayments of a minimum funding requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of <i>Prepayments of a minimum funding requirement</i> .	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 9 Financial instruments	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>).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009–11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

2.1 INCOME FROM TRANSACTIONS
(a) Other income

Other income is comprised of:

	2010 \$	2009 \$
Rent	30,600	–
Recovery – court & hearing costs	37,866	64,698
Modification fees	24,350	24,804
Infringement notices	7,629	20,380
Freedom of information	(23)	–
Government grants – PIC projects	–	110,000
Employee motor vehicle contributions	38,526	40,733
Miscellaneous revenue	57,707	(22,617)
	196,655	237,998

2.2 EXPENSES FROM TRANSACTIONS
(a) General administration expenses

	2010 \$	2009 \$
Special project expenditure	2,281,771	1,089,367
Corporate services charge	548,460	470,000
Industry development	260,107	–
Insurances	138,239	120,200
Other administration expenses	731,416	493,141
	3,959,993	2,172,708

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

	2010 \$	2009 \$
Proceeds from sale of property, plant and equipment	4,317,238	291,610
Written down value of assets sold	(4,184,288)	(403,523)
	132,950	(111,913)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

3. CASH AND CASH EQUIVALENTS

	2010 \$	2009 \$
Cash at bank and on hand	1,134,976	1,339,195
Cash at bank and on hand-PIC Trust No 1 reserve	31,646	116,846
Short-term deposits	4,845,000	2,345,000
	6,011,622	3,801,041

(a) Reconciliation of short term deposits

	2010 \$	2009 \$
Treasury Corporation of Victoria	4,500,000	2,100,000
Treasury Corporation of Victoria-PIC Trust No 1 reserve	345,000	245,000
	4,845,000	2,345,000
Term deposits are held on account of:		
Development reserve	68,634	68,634
General investments	4,431,366	2,031,366
Plumbing Industry Commission (PIC) Trust No 1 reserve	345,000	245,000
	4,845,000	2,345,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

4. RECEIVABLES

	2010 \$	2009 \$
Current		
Contractual		
Debtors	680,475	674,071
Less: Provision for doubtful debts	(10,000)	(10,000)
	670,475	664,071
Other debtors	433,558	119,275
GST receivable	444,060	446,658
	1,548,093	1,230,004

Debtors relates to the revenue from the sale of certificate of compliance that are unpaid at that date.

(a) Movement in the Allowance for doubtful debts

	2010 \$	2009 \$
Balance at beginning of the year	(10,000)	(10,000)
Balance at the end of the year	(10,000)	(10,000)

(b) Ageing analysis of receivables

Refer note 16 for the ageing of receivables.

(c) Nature and extent of risk arising from receivables

Refer note 16 for the nature and extent of risks arising from receivables.

5. INVENTORIES

	2009 \$	2008 \$
Publications at cost	71,161	32,898
	71,161	32,898

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

6. PROPERTY, PLANT AND EQUIPMENT

**Classification by Public Administration Purpose
Group – Carrying Amounts**

	2010 \$	2009 \$
Sub-classification by nature		
Freehold land at fair value	872,000	4,210,800
Net carrying value of freehold land	872,000	4,210,800
Buildings at fair value		
Fair value – independent valuation 30 June 2009	465,225	970,000
At cost	27,305	130,079
Work in process	–	225,676
less Accumulated Depreciation	(48,079)	(117,011)
Net carrying value of buildings at fair value	444,451	1,208,744
Plant, equipment and vehicles		
Cost	3,034,964	1,173,817
less Accumulated Depreciation	(541,081)	(448,948)
Net carrying value of plant, equipment & vehicles	2,493,883	724,869
Net carrying value of property, plant and equipment	3,810,334	6,144,413

(a) Property, plant and equipment – movement by class of assets

	Freehold Land at fair value \$		Buildings at Fair value \$		Plant, equipment & vehicles \$		Total \$	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance	4,210,800	4,837,000	1,208,744	1,003,265	724,869	929,036	6,144,413	6,769,301
Additions	–	–	–	232,936	2,199,933	518,486	2,199,933	751,422
Net revaluation increments / (decrements)	–	(626,200)	–	–	–	–	–	(626,200)
Write-offs	–	–	–	–	(12,187)	–	(12,187)	–
Transfers	–	–	(225,676)	–	225,676	(16,900)	–	(16,900)
Disposals	(3,338,800)	–	(523,228)	–	(322,261)	(432,163)	(4,184,288)	(432,163)
Depreciation	–	–	(15,390)	(27,457)	(322,147)	(273,590)	(337,537)	(301,047)
Closing balance	872,000	4,210,800	444,451	1,208,744	2,493,883	724,869	3,810,334	6,144,413

At 30 June 2010, indices issued by the Valuer General's Office have been used to assess that the carrying amount of the freehold land is at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

7. INTANGIBLE ASSETS

	2010 \$	2009 \$
Computer software		
Cost	89,748	63,300
less Accumulated Amortisation	(59,000)	(35,892)
Written-down Value	30,748	27,408
Work in process	1,529,935	510,302
Total computer software	1,560,683	537,710

(a) Intangible assets – movement by class of assets

	2010	2009
Opening balance	27,408	113,600
Additions	26,448	–
Transfers	–	(50,300)
less Amortisation	(23,108)	(35,892)
Closing balance	30,748	27,408

	2010	2009
Opening balance	510,302	30,232
Additions	1,046,161	412,870
Transfer	(26,528)	67,200
Closing balance	1,529,935	510,302

8. MAKE GOOD ASSET

	2010 \$	2009 \$
Make good asset		
Cost	136,350	–
less Depreciation	(9,090)	–
Total make good asset	127,260	–

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

9. PAYABLES

	2010 \$	2009 \$
Current payables		
Contractual		
Suppliers and services	921,758	695,289
Other payables	958,912	659,526
	1,880,670	1,354,815

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 payables

Refer note 15 for the ageing analysis of payables

(b) Nature and extent of risk arising from payables

Refer note 15 for the nature and extent of risks arising from payables

10. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2010 \$	2009 \$
Current employee benefits		
Employee benefits	21,485	–
Annual leave entitlements	336,355	316,155
Long service leave entitlements	289,696	293,228
Non-current employee benefits		
Long service leave entitlements	37,826	16,532
Total employee benefits	685,362	625,915
Current on-costs	77,517	65,748
Non-current employee on-costs	70,466	59,954
Total on-costs	147,983	125,702
Total employee benefits and related on-costs	833,345	751,617

11. DEFERRED REVENUE

Deferred revenue comprises:

	2010 \$	2009 \$
Current		
Licence fees received in advance	1,406,471	1,371,653
Registrations received in advance	1,642,898	1,157,306
	3,049,369	2,528,959

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

12. EQUITY AND MOVEMENTS IN EQUITY

	2010 \$	2009 \$
(a) Contributed Capital		
Balance 1 July	2,790,128	2,790,128
Balance 30 June	2,790,128	2,790,128
(b) Reserves		
Asset revaluation reserve	822,093	2,523,939
Development reserve	68,634	68,634
Plumbing Industry Commission (PIC) Trust No 1 reserve	387,223	367,357
	1,277,950	2,959,930
Movements		
(i) Asset revaluation reserve		
Balance 1 July	2,523,939	3,082,231
Revaluation increments / (decrements)	(1,701,846)	(626,200)
Prior year adjustments	–	67,908
Balance 30 June	822,093	2,523,939
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.3(a).		
(ii) Development reserve		
Balance 1 July	68,634	68,634
Balance 30 June	68,634	68,634
The development reserve represents funds set aside to research and develop new plumbing practices and standards.		
(iii) Plumbing Industry Commission (PIC) Trust No 1 reserve		
Balance 1 July	367,357	338,096
Transfer from accumulated surplus	19,866	29,261
Balance 30 June	387,223	367,357
The Plumbing Industry Commission (PIC) Trust No 1 reserve are restricted funds to be used for purposes as set out in the Trust Deed and as determined by the independent trustees.		
(c) Accumulated surplus		
Accumulated surplus at the beginning of the financial year	1,360,616	936,684
Net result for the reporting year	264,364	469,732
Transfer from asset revaluation reserve	1,701,846	(16,538)
Transfer to PIC Trust No 1 reserve	(19,866)	(29,261)
Accumulated surplus at the end of the financial year	3,306,961	1,360,616
(d) Total equity at the beginning of the financial year	7,110,674	7,215,773
Net result for year	264,364	469,732
Transfer from asset revaluation reserve	–	(626,200)
Prior year adjustments	–	51,370
Total equity at the end of the financial year	7,375,039	7,110,674

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

13. LEASING COMMITMENTS

	2010 \$	2009 \$
Not later than one year	306,346	197,016
Later than one year but not later than 5 years	1,225,384	1,182,096
Later than 5 years	2,884,758	1,477,620
	4,416,488	2,856,732

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

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities and contingent assets existed as at 30 June 2010.

15. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

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.

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, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

15. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Categorisation of financial instruments

	Note	Category	2010 \$	2009 \$
Contractual financial assets				
Cash and equivalents	16(a)	N/A	6,011,622	3,801,041
Receivables	4	Loans and receivables (at amortised cost)	1,104,398	777,833
Total contractual financial assets			7,116,020	4,578,874
Contractual financial liabilities				
Payables & other liabilities	8	Financial liabilities measured at amortised cost.	1,880,670	1,354,815
Total contractual financial assets			1,880,670	1,354,815

Note:

(i) The amount of receivables disclosed here excludes statutory receivables (i.e. Amounts owing from Victorian Government and GST input tax credit recoverable and tax payable).

(c) Interest rate risk

Fair value interest rate risk is the 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 nil exposure to fair value interest rate risk.

(d) Credit risk

Credit risk arises from the contractual financial assets of the Commission, which comprise cash and cash equivalents, trade and other receivables and other financial assets. Exposure to credit risk arises from the potential default of 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 on financial assets of the Commission which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The Commission minimises concentrations of credit risk by undertaking transactions with unrelated debtors. The Commission is not materially exposed to any individual debtor.

The carrying amount of 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.

Currently the Commission does not hold any collateral as security nor credit enhancements relating to any of its financial assets. As at the reporting date, there is no event to indicate that any of the financial assets were impaired. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

15. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate exposure and ageing analysis of financial assets

	Weighted average interest rate %	Carrying amount	Interest rate exposure \$			Not past due and not impaired \$	Past due but not impaired \$			
			Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 Month	1 – 3 months	3 months – 1 year	1 – 5 years
2010										
Cash & cash equivalents	4.14%	6,011,622	4,845,000	1,164,272	2,350	–	–	–	–	–
Receivables		1,104,398	–	–	1,104,398	1,094,875	25,719	(451)	(15,745)	–
Total		7,116,020	4,845,000	1,164,272	1,106,748	1,094,875	25,719	(451)	(15,745)	–
2009										
Cash & cash equivalents	2.87%	3,801,041	2,345,000	1,453,091	2,950	–	–	–	–	–
Receivables		777,833	–	–	777,833	744,863	(731)	10,831	22,870	–
Total		4,578,874	2,345,000	1,453,091	780,783	744,863	(731)	10,831	22,870	–

Note:
(i) Ageing analysis of financial assets excludes the types of statutory financial assets (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

(e) Liquidity risk

Liquidity risk arises when the Commission is unable to meet its financial obligations as 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. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

15. FINANCIAL INSTRUMENTS (CONTINUED)

The following table discloses the maturity analysis and interest rate exposure for the Commission's contractual financial liabilities:

	Weighted average %	Carrying amount	Interest rate exposure			Nominal amount(i)	Maturity dates(ii) \$			
			Fixed interest rate	Variable interest rate	Non-interest bearing		Less than 1 Month	1 – 3 months	3 months – 1 year	1 – 5 years
2010										
Payables & other liabilities		1,880,670	–	–	1,880,670	–	1,702,706	177,964	0	–
Total		1,880,670	–	–	1,880,670	–	1,702,706	177,964	0	–
2009										
Payables & other liabilities		1,354,815	–	–	1,354,815	–	1,351,606	879	2,330	–
Total		1,354,815	–	–	1,354,815	–	1,351,606	879	2,330	–

Note:
(i) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

(f) Market risk

The Commission's exposure to market risk are primarily through interest rate risk. Exposure to interest rate risk is insignificant and might arise primarily through the Commission's cash and cash equivalents and other financial assets. Minimisation or risk is achieved by mainly undertaking fixed rate of non-interest bearing financial instruments.

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Commission believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +2 per cent and -2 per cent in market interest rates (AUD) from year-end rates of 6.75 per cent for cash and cash equivalents, and 6.77 per cent for other financial assets.

The following table discloses the impact on net operating result and equity for each category for financial instrument held by the Commission at year-end, if the above movements were to occur.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

15. FINANCIAL INSTRUMENTS (CONTINUED)
(f) Market risk (continued)

	Carrying amount \$	Interest rate risk \$			
		-2% (200 basis points)		+2% (200 basis points)	
		Net Result	Equity	Net Result	Equity
2010					
Contractual financial assets:					
Cash and cash equivalents	1,166,622	(23,332)	(23,332)	23,332	23,332
Other financial assets	4,845,000	(96,900)	(96,900)	96,900	96,900
Total impact	6,011,622	(120,232)	(120,232)	120,232	120,232
2009					
Contractual financial assets:					
Cash and cash equivalents	1,456,041	(29,121)	(29,121)	29,121	29,121
Other financial assets	2,345,000	(46,900)	(46,900)	46,900	46,900
Total impact	3,801,041	(76,021)	(76,021)	76,021	76,021

The net fair value of on-balance sheet assets is not materially different to the carrying amount of the financial assets.

16. CASH FLOW INFORMATION
(a) Reconciliation of cash and cash equivalents

	2010 \$	2009 \$
Total cash and deposits disclosed in the balance sheet	6,011,622	3,801,041
Balance as per cash flow statements	6,011,622	3,801,041

(b) Reconciliation of net results for the period to net cash flows from ordinary activities

	2010 \$	2009 \$
Net result for the period	264,364	469,732
Non-cash movements:		
Depreciation and amortisation of non-current assets	369,735	336,938
Asset write-off	38,715	28,640
(Gain)/loss on sale or disposal of non-current assets	(132,950)	111,913
Movements in assets and liabilities:		
Increase/decrease in receivables	(310,364)	(259,718)
Increase/decrease in interest accrued	(7,725)	31,759
Increase/decrease in prepayments	(145,620)	2,820
Increase/decrease in inventories	(38,263)	(4,646)
Increase/decrease in deferred revenue	520,410	878
Increase/decrease in payables	525,855	176,552
Increase/decrease in provision for employee entitlements	81,728	(60,369)
Net cash inflow from (used in) operating activities	1,165,885	834,499

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

17. RESPONSIBLE PERSONS

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 Officer in the Commission are as follows:

Minister for Planning
The Hon. Justin Madden MLC
1 July 2009 to 30 June 2010

Plumbing Industry Commissioner/Accountable Officer
Tony Arnel
1 July 2009 to 30 June 2010

Remuneration

Amounts relating to Mr Tony Arnel are reported in the financial statements of the Building Commission.

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

18. REMUNERATION OF EXECUTIVES

The number of executive officers, other than ministers and accountable 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.

Income Band	Total remuneration		Base remuneration	
	2010 No.	2009 No.	2010 No.	2009 No.
\$130,000–\$139,999	–	1	–	1
\$140,000–\$149,999	–	–	–	–
\$150,000–\$159,999	–	–	1	–
\$160,000–\$169,999	1	–	–	–
Total numbers	1	1	1	1
Total amount	\$160,502	\$138,915	\$158,566	\$131,700

19. REMUNERATION OF AUDITORS

	2010 \$	2009 \$
Victorian Auditor-General's Office		
Audit or review of the financial statements	9,702	8,800
	9,702	8,800

20. 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 \$3,261,566 (2009 \$1,370,780) was paid on normal business terms to the Building Commission during 2009–10 including an amount of \$98,460 (2009 \$70,000) as reimbursement for the time the accountable officer spent on Plumbing Industry Commission business activities.

There were no other related party transactions.

21. SUBSEQUENT EVENTS

No events have occurred since balance date.

APPENDIX 1

PLUMBING INDUSTRY ADVISORY COUNCIL MEMBERS AND ATTENDANCE

Council members as at 30 June 2010	Meetings attended (% of total registered)
Doug McClusky (Chair) Manager, Plumbing Trades Employees Union	86%
Carmel Coate (Deputy Chair) Executive Director, National Fire Industry Association	71%
Tony Arnel Plumbing Industry Commissioner	71%
Anne Barker Managing Director, City West Water	86%
Luke Behncke Senior Curriculum Officer, Skills Victoria	71%
Paul Bonsak Executive Manager, Energy Safe Victoria	86%
David Eynon Executive Director, Air Conditioning and Mechanical Contractors' Association of Victoria Ltd	71%
Ken Gardner CEO, Master Plumbers' and Mechanical Services Association of Australia	71%
Warren Jensen Consumer Affairs Victoria	86%
Paddy McCrudden Victorian Co-ordinator, Cbus Superannuation	86%
Glenn Menzies Plumbing Trades Employees Union	71%
Alan Pears Minister's representative	71%
Earl Setches Victorian Branch Secretary Plumbing Trades Employees Union	43%

GLOSSARY

5 Star standard

A regulatory requirement for new homes and apartments, and renovations and relocations of existing homes, in Victoria to be built to a 5 Star standard in energy efficiency, plus either a rainwater tank or solar hot water system.

6 Star standard

Announced as the new regulatory requirement for new houses and apartments in Victoria to be built to a 6 Star energy efficiency standard. This is to come into effect on 1 May 2011.

Audits and inspections

The Commission is required to audit certified plumbing works, carried out through random inspections.

Best practice

A process, technique or innovative use of equipment, technology or resources that has a proven record of success in providing significant improvement in cost, schedule, quality, performance, safety, environment or other measurable factors that impact an organisation.

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.

Green Building Council of Australia (GBCA)

A national initiative with a broad membership base of industry, government and education providers that aims to define and develop an environmentally sustainable property industry in Australia and to promote green building practices, technologies and operations.

Investigations

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

Plumbing Industry Advisory Council (PIAC)

Established under the *Building Act 1993*, this Council 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.

World Green Building Council (WGBC)

The World Green Building Council is a peak global not-for-profit organisation working to transform the property industry towards sustainability through its members – National Green Building Councils.

DISCLOSURE INDEX

The 2009–10 Annual Report of the Plumbing Industry Commission is prepared in accordance with all relevant Victorian Legislation. This index has been prepared to facilitate clarification of the Commission's statutory disclosure requirements.

Report of operations

Charter and purpose

		Page numbers
FRD 22B	Manner of establishment and the relevant Ministers	1, 5, 6, 49
FRD 22B	Objectives, functions, powers and duties	1–3, 6
FRD 22B	Nature and range of services provided	1–3

Management and structure

FRD 22B	Organisational structure	10
---------	--------------------------	----

Financial and other information

FRD 10	Disclosure index	52
FRD 12A	Disclosure of major contracts	13
FRD 15B	Executive officer disclosures	49
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	4, 19–20
FRD 22B	Employment and conduct principles	16
FRD 22B	Occupational health and safety policy	16
FRD 22B	Summary of the financial results for the year	4, 19–20
FRD 22B	Significant changes in financial position during the year	4, 19–20
FRD 22B	Major changes or factors affecting performance	4, 19–20
FRD 22B	Subsequent events	49
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	13
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	13
FRD 22B	Statement on National Competition Policy	13
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	14
FRD 22B	Details of consultancies over \$100 000	13
FRD 22B	Details of consultancies under \$100 000	13
FRD 22B	Statement of availability of other information	13
FRD 24C	Reporting of office based environmental impacts	15
FRD 25	Victorian Industry Participation Policy disclosures	16
FRD 29	Workforce Data disclosures	16–17
SD 4.5.5	Risk management compliance attestation	11
SD 4.2(g)	General information requirements	4, 19–20
SD 4.2(j)	Sign-off requirements	3

FIVE YEAR STATISTICAL SUMMARY

	2009–10	2008–09	2007–08	2006–07	2005–06
Regulatory Excellence					
Modifications applications	238	277	328	322	284
Industry Responsibility					
Number of individuals holding a plumbing licence and/or registration	23,158	22,368	21,378	20,519	20,486
Number of individuals holding a plumbing licence and/or registration	23,158	22,368	21,378	20,519	20,486
Number of individuals holding a registration in at least one class	18,607	17,981	17,095	16,394	16,523
Number of individuals holding a licence in at least one class	11,622	11,240	10,866	10,430	10,046
Compliance Certificates lodged	336,634	336,814	340,293	315,760	289,275
Qualifications Experience Review Committee (QERC) applications	1,086	924	709	879	849
Practitioners receiving reciprocal recognition	441	415	432	447	451
Apprentice practical registration exams held	1,935	1,575	1,356	1,406	1,180
Non-apprentice practical registration exams held	305	226	278	266	254
Theory-based licence exams held	797	552	497	508	474
Telephone enquiries regarding registration, licensing and general plumbing	n/a	n/a	n/a	39,139	38,812
In-person enquiries regarding registration, licensing and general plumbing	7,737	8,619	8,463	8,995	8,526
Environmental Best Practice					
Recycled water installation inspections	3,960	1,642	1,312	n/a	n/a
Number of recycled water installations – passed	801	232	83	n/a	n/a
Number of solar installations passed	238	725	594	n/a	n/a
Number of 2,000 litre water tanks supplying all cisterns passed	3,281	616	618	n/a	n/a
Total 5 Star audits performed	1,906	1,640	1,312	n/a	n/a
Community Accountability					
Audits completed (% of total Compliance Certificates lodged)	5	5	5.1	5.1	5.3
Audits failed (% of total audits)	11	10	11.2	7.1	9.7
Sanitary drain inspections completed (% of total inspections booked)	5.3	5	5.5	6.4	5.4
Sanitary drains failed (% of total inspections)	7	5	3.5	4.6	5.7
Complaints received <i>*Due to a process change the 2009–10 figure is for all complaints whereas previous figures have been formal written complaints only.</i>	2,812	599	683	535	472
Site visits	3,318	3,006	3,046	3,062	2,055
Investigations conducted into plumbing practitioners	712	655	609	617	388
Prosecutions completed	20	32	30	62	26
Disciplinary hearings held	32	42	53	53	12
Notices and orders issued	59	114	100	118	184
Our People					
Total head count	45	45	50	50	49
Percentage of female employees	36	36	38	34	39
Percentage of male employees	64	64	62	66	61
Financial Performance					
Total income	\$14.4M	\$12.4M	\$11.2M	\$10.1M	\$9.1M
Total expenses	\$14.1M	\$11.9M	\$11.1M	\$10.6M	\$8.4M
Net result for the period	\$0.3M	\$0.5M	\$0.1M	(\$0.5M)	\$0.7M
Total assets	\$13.3M	\$11.7M	\$11.8M	\$10.7M	\$10.1M
Total liabilities	\$5.9M	\$4.6M	\$4.6M	\$4.6M	\$3.5M



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Facsimile (03) 5442 7845

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Sale, Victoria 3850

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Facsimile (03) 5143 3027

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Annual Reports are available on the
Plumbing Industry Commission website
www.pic.vic.gov.au

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