



2012-2013

Building Commission

ANNUAL REPORT



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About this report:

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

Building Commissioner's Report



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

The replacement of the Building Commission and the Plumbing Industry Commission with VBA is the first step in a series of reforms that will enable the new authority to become a one-stop shop for consumer protection and the single point of governance for building practitioners, plumbers and, from 2014, architects. The reforms will also see changes to the roles and powers of the Building Practitioners Board and the Building Appeals Board.

VBA will have an independent governing board who will lead the strategic direction and governance, while a Chief Executive Officer will lead at an operational level. This is a significant change from the previous structure.

The aim of our work at the Commission during the past 12 months has been to continue our regulatory role and to lay the groundwork for the transition to VBA. To this end, we continued the process of change started within the Commission in 2011-2012, and maintained our focus on programs to deliver regulatory excellence and to return the Commission's focus to its primary role as the industry regulator. Central to the shift in direction has been an organisational restructure that has seen significant change in senior management and a program of cultural change.

In 2012-2013, the Commission delivered new operational programs, with many responding directly to matters raised in the Victorian Auditor-General's Office's (VAGO) report. They included audit programs of building permits and building surveyor performance. We also greatly revised and enhanced our complaints handling and investigation processes and overhauled systems for handling customer enquiries.

Since my appointment as Commissioner in February 2013, I have expanded the programs already started to address governance, cost and operating efficiencies. The Program Design and Implementation Project, conducted in conjunction with the Plumbing Industry Commission, involved a complete review and redevelopment of all programs and procedures. The project was designed so the Commissions could demonstrate they were improving and to support the new entity, Victorian Building Authority, becoming a best-practice regulator. Significantly advanced at the end of the period, the project has a strong emphasis on embedding monitoring and evaluation in VBA policies and processes.

There was an extensive recruitment program to replace external services with in-house resources. This was particularly important with legal services, where the appointment of four new in-house legal counsels has reduced our reliance on outside providers. In 2012-2013, we have already recorded savings, which we expect to continue in the future and changes in other areas including audits, investigations and compliance have brought positive outcomes too.

Building permit activity reported to the Commission declined in both value and number in 2012-2013. The value of building permits issued fell 3.2 percent to \$22.5 billion, compared with \$23.2 billion

the previous year and the number of permits fell from 98 025 in 2011-2012 to 93 881 during the past year – a decline of 4.2 percent. With the building permit levy the Commission's primary source of income, this decline in building permits directly affects our bottom line.

The number of building practitioners registered at 30 June 2013 was 20,877, while the number of registrations in individual practitioner categories was 25,012 – this represents falls of 1.2 percent each compared with 2011-2012.

Against this backdrop, it is therefore pleasing that the Commission has reported a surplus of \$132,370, representing a significant turnaround from the previous year's result and the mid-year forecast.

I believe the work that has occurred within both the Building Commission and the Plumbing Industry Commission during the past year will ensure VBA is a strong organisation with a clear focus on its role as a best practice industry regulator and has solid, sustainable financial, operational and regulatory foundations.

Accountable Officer's Declaration

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

Yours sincerely

Greg Hyams
Commissioner

Financial Summary 2011-2012 and 2012-2013

ITEM	2012-2013	2011-2012	2012-2013
	\$ MILLION	\$ MILLION	% CHANGE
General building permit levy	\$14.7	\$15.0	(2.0)
BACV building permit levy	\$7.1	\$7.5	2.0
Building practitioner registrations	\$2.3	\$2.4	(4.2)
Owner-builder certification fees	\$0.7	\$0.7	0
Total income	\$27.8	\$28.3	(1.8)
Total expenses	(\$27.5)	(\$30.2)	(8.9)
Net result from normal operations	\$0.3	(\$1.9)	115.8
BACV provision expense	(\$0.2)	\$0.3	166.7
Net result	\$0.1	(\$1.6)	106.2
Total assets	\$18.1	\$18.6	(2.7)
Accumulated surplus	\$3.1	\$3.0	3.3
BACV provision	\$3.6	\$3.4	5.9
Net increase/(decrease) in cash and cash equivalents	\$2.6	\$0.5	520

Corporate Governance

About the Commission

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

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

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

Established under the *Building Act 1993* (the Act), the Commission administers the regulation of the Victorian building industry.

The Act and the *Building Regulations 2006* (the Regulations), which incorporate the National Construction Code, constitute Victoria's building control systems.

The building control system includes the registration and regulation of building practitioners, ensuring compliance with construction standards, building maintenance, building product standards and the protection of health and safety of building users, and maintaining oversight of the building and occupancy permit system. The Commission encourages compliance of builders with the Act and Regulations through practitioner and consumer education, monitoring of compliance by auditing and investigating registered and non-registered people operating within the building industry.

Vision

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

Mission

To ensure the safety, liveability and sustainability of our built environment.

Core Values

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

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

Functions and powers of the Commission

The functions and powers of the Building Commission are prescribed in Part 12 Building Administration Division 2 — The Building Commission, the Building Administration Fund and the building permit levy Division 2 s 196 of the *Building Act 1993*. These are:

- a) to monitor and enforce compliance with the provisions of this Act and the regulations relating to building and building practitioners
- b) to participate on behalf of Victoria in the development of national building standards
- c) to monitor developments relevant to the regulation of building standards in Victoria
- d) to monitor the system of collection of the building permit levy
- e) to administer the Building Administration Fund
- f) to disseminate information (including dissemination to consumers) on matters relating to building standards and the regulation of buildings and building practitioners
- g) to provide information and training to assist persons and bodies in carrying out functions under this Act or the regulations (except Part 12A and the regulations under that Part)
- h) to charge and collect fees (determined in accordance with this Act) for information and training services provided by it
- i) to promote the resolution of consumer complaints about work carried out by builders
- j) to conduct or promote research relating to the regulation of the building industry in Victoria and to report on the outcomes of this research in its report of operations under the Financial Management Act 1994
- k) to advise the Minister on the carrying out of the Commission's functions and powers under this Act and on any other matter referred to it by the Minister
- l) generally to carry out any other function or duty conferred on it by or under this or any other Act or under any agreement to which the State is a party.

196AA – Powers of the Commission

- (1) The Commission may do all things that are necessary or convenient to enable it to perform its functions.
- (2) The Commission may accept any gifts or donations of money or other property by deed, will or otherwise.

Responsible Minister

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

Stakeholders

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

Commission Offices

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

The Commission maintains a list of staff with bilingual skills to improve communication with the Victorian community. Professional interpreters and a portable hearing augmentation service are also available as required.

Statutory Bodies

The Commission supports the operations of four statutory bodies under the Act; and each body has a specific purpose in supporting the building regulatory system. These bodies are:

- Building Advisory Council
- Building Practitioners Board
- Building Appeals Board
- Building Regulations Advisory Committee.

Building Advisory Council Chair's report

The Building Advisory Council (BAC) is a senior industry-based group that advises the Minister for Planning on administration of the Act and Regulations. The BAC also advises the Minister on the impact of the building regulatory system and on issues relating to the building permit levy. As an expert group, which represents the Victorian building industry and acts as a forum for review of current building issues, the BAC has provided high quality ministerial advice across a range of policy and regulatory matters. In recent time this has included:

- Advice to the Minister and Building Commission regarding domestic building insurance reforms and Building Advice and Conciliation Victoria.
- The need to address the recommendations of the Victorian Auditor-General and the Ombudsman Reports with respect to compliance and enforcement of building legislation.
- The need to address the potential shortage of experienced trades people, building surveyors and building inspectors.
- The reform of owner builders and input into the Government's legislative program.
- Advice on the National Occupational Licensing System.
- Advice on housing affordability issues relevant to the building industry.
- Advice on emerging building activity and trends.
- Advice on the issue of slab heave in the western suburbs.
- Advice on the issue of local government imposing additional regulation on building matters over and above the minimum requirements of the National Construction Code.

During the past year, the BAC has received presentations from the Commission focusing on reforms to strengthen the functions, operation and compliance of the building permit system.

It was important to continue to monitor Consumer Affairs Victoria's ongoing development of a model major domestic buildings contract and, where appropriate, the BAC provided advice to the Minister in relation to this issue. The BAC received and reviewed a wide range of reports prepared by the Commission including:

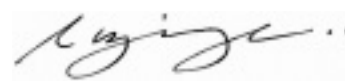
- works associated with research programs
- results of quarterly economic surveys on building activity
- reports on issues of affordability of the built environment
- issues related to the (Commission) financial management.

The BAC provided advice on the review of the National CodeMark Accreditation system and approved the use of systems and products that comply with the National Construction Code. The Building Commission also presented the new audit program it was setting up in response to the Victorian Auditor General's recommendations.

Presentations were also received on wide-ranging issues including research on practitioner and consumer satisfaction levels, practitioner continuous professional development, practitioner registration, assessment, owner-builder activity and improvement options, review of bushfire prone area mapping, Liveable Housing Australia Design Guidelines and the National Construction Code.

Of particular significance was the Commission's report and advice to the Minister on slab heave issues. This work has made recommendations for improvements in the design and construction of buildings on highly reactive soils.

Setting a clear reform agenda for the year, the Council identified programs of importance, advised the Minister on impacts to the building regulatory system, and looked at matters he referred to us for our view.



Bill Kuszniczuk BA (Urb Stud) FIT, Grad Dip (Urb Plg) FIT, MPIA, MAAPC, MVPELA, AFAIM, CPP, MBDV, MAPA, MEIANZ, CPP
Building Advisory Council Chair

See membership and attendance in Appendix 2 on page 74

Building Practitioners Board Chair's report

The Building Practitioners Board (BPB) administers the Victorian building practitioners' registration system. The BPB registers practitioners, supervises the conduct of registered building practitioners (RBP) and manages the issuing of Certificates of Consent to owner-builders. The BPB comprises representatives from the industry and community who aim to enhance competency and compliance within the building industry.

In 2012-2013, the BPB:

- oversaw a 1.2 percent decrease in RBP registrations (to end April 2013)
- issued 7337 Certificates of Consent for owner-builders (to end April 2013)
- continued to operate the practitioner disciplinary system, including:
 - making decisions on complaints about practitioners
 - holding inquiries and applying appropriate penalties
 - developing its practice of informal reviews in cases of less serious conduct, to provide practitioners with early guidance on professional conduct, which allowed them to respond more promptly to the concerns of building owners
- maintained its support for the voluntary Continuing Professional Development initiatives, by volunteering members as judges for the annual Awards.

Inquiries and informal reviews increased 39 percent compared with the previous year. In most cases, the Board has looked to recover costs of inquiries from guilty practitioners. In May 2013, the Commission embarked on a major exercise to recover fines and costs from practitioners who had these ordered against them.

The BPB provided full co-operation with the Victorian Ombudsman in relation to its report on the operations of the Commission – published in December 2012. The Board has implemented changes in response to the Ombudsman's recommendations concerning the management of the registration process including the further development of computer-based testing. This process is now operating for all domestic builder manager and domestic builder (unlimited) applications, and a staged introduction is happening for domestic builder (limited) applications.

I was pleased to welcome an additional, newly appointed consumer representative to the BPB during the year. In addition to expiry of my own term as Chair, the appointments of lawyer members and the nominee of the Australian Institute of Building Surveyors ended during 2012-2013. I am pleased to report that the Governor-in-Council extended the appointment of the Housing Industry Association's Mr Abbruzzese for a further three years, as he did consumer representative Ms Lloyd.

In May 2013, the Government introduced legislation to increase the powers of the BPB (expected to become law from Monday 1 July 2013). The Government also announced its intention, in due course, to abolish the Board and transfer its functions to the new Victorian Building Authority.

I would like to thank all Board members for their support, encouragement and commitment during the year and during my term of service with the Board.



Bill Russell

Former Building Practitioners Board Chair

(Mr Russell's Term as Chairperson expired on Tuesday 30 April 2013)

See membership and attendance in Appendix 3 on page 75

Building Appeals Board Chair's report

Under the *Building Act 1993*, the Building Appeals Board (BAB) is responsible for determining appeals, disputes and requests for modifications (a decision that a provision in the Regulations does not apply to a particular building) as well as compliance applications. The BAB also plays a role as the review body under Part 14 of the *Residential Tenancies Act 1997*.

The BAB has jurisdiction on building matters and has a membership of experienced industry people, supported by community representatives. Members were selected based on their experience and general knowledge of the building industry, which enables the Board to bring accumulated individual expertise to its decision-making role.

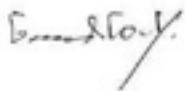
During the year, the BAB had 11 new members appointed, including a new chairperson, and three existing members were re-appointed. Also, the terms of a further 11 members were due to expire on 30 June 2013, and of these, 10 were reappointed and one member decided not to re-apply. The BAB will have 26 members from Monday 1 July 2013.

The BAB members received several development sessions including tribunal procedure, fire safety and briefings on the updated Building Code of Australia. The BAB is committed to a process of continuous improvement.

With the aim of providing an effective, efficient and consistent decision-making forum that industry stakeholders can rely on for cost-effective adjudication, working practices and administrative support were changed. The BAB is committed to maintaining high standards, reduced waiting times, case management and that parties receive prompt and fair hearings.

The BAB continues to receive and decide a number of unjustifiable hardship applications in relation to the introduction of the disability access provisions under the Act.

I would like to thank all present and past Board members for their service and commitment during the year.



Gerard Coutts,
Building Appeals Board Chair

See membership and attendance in Appendix 4 on page 76

Building Regulations Advisory Committee Chair's report

Under the Act, the Building Regulations Advisory Committee (BRAC) is responsible for advising the Minister for Planning on draft building regulations and accrediting new building products, construction methods and components or systems connected with building work. The BRAC membership is building industry representatives as prescribed in the Act.

In 2012-2013, the BRAC recommended the adoption and implementation of the National Construction Code (NCC) 2013, Volume One and Two of the Building Code of Australia (BCA), including amendments to the Victorian variations, for start on Wednesday 1 May 2013 with the exception of the protection to windows provisions.

The BRAC also considered reports and made recommendations to the Department of Planning and Community Development (DPCD) that facilitated improvements to Parts 1, 4, 8, 9, 12, and 16 of the Regulations and commented on a number of proposed amendments and the new Australian Standards.

The Committee considered and approved the following applications for the accreditation of building products, construction methods or designs, components or systems connected with building work for use in Victoria.

APPLICANT	PRODUCT
Australian Lightweight Products	ALWP External Insulated Finishing System
Tensor Building Technologies	Tensopanel Multi Purpose Insulating Panel System
Nutex Coatings	Nuclad Exterior Insulation and Finishing System
Multitex Corporation Pty Ltd	Polyclad Reinforced Polystyrene Cladding System

In the past year, the BRAC has considered matters including:

- accessibility proposals relating to new dwellings
- flood standards for buildings in flood hazard areas
- maintenance of essential safety measures
- class 2 and 3 buildings
- national standard for community fire refuges
- amendments to Australian Standards proposals
- development of NCC provisions for external cladding systems
- project management brief to the ABCB on temporary structures
- external noise project in conjunction with the ABCB
- slips, trips and falls implementation into the NCC
- swimming pool safety requirements.

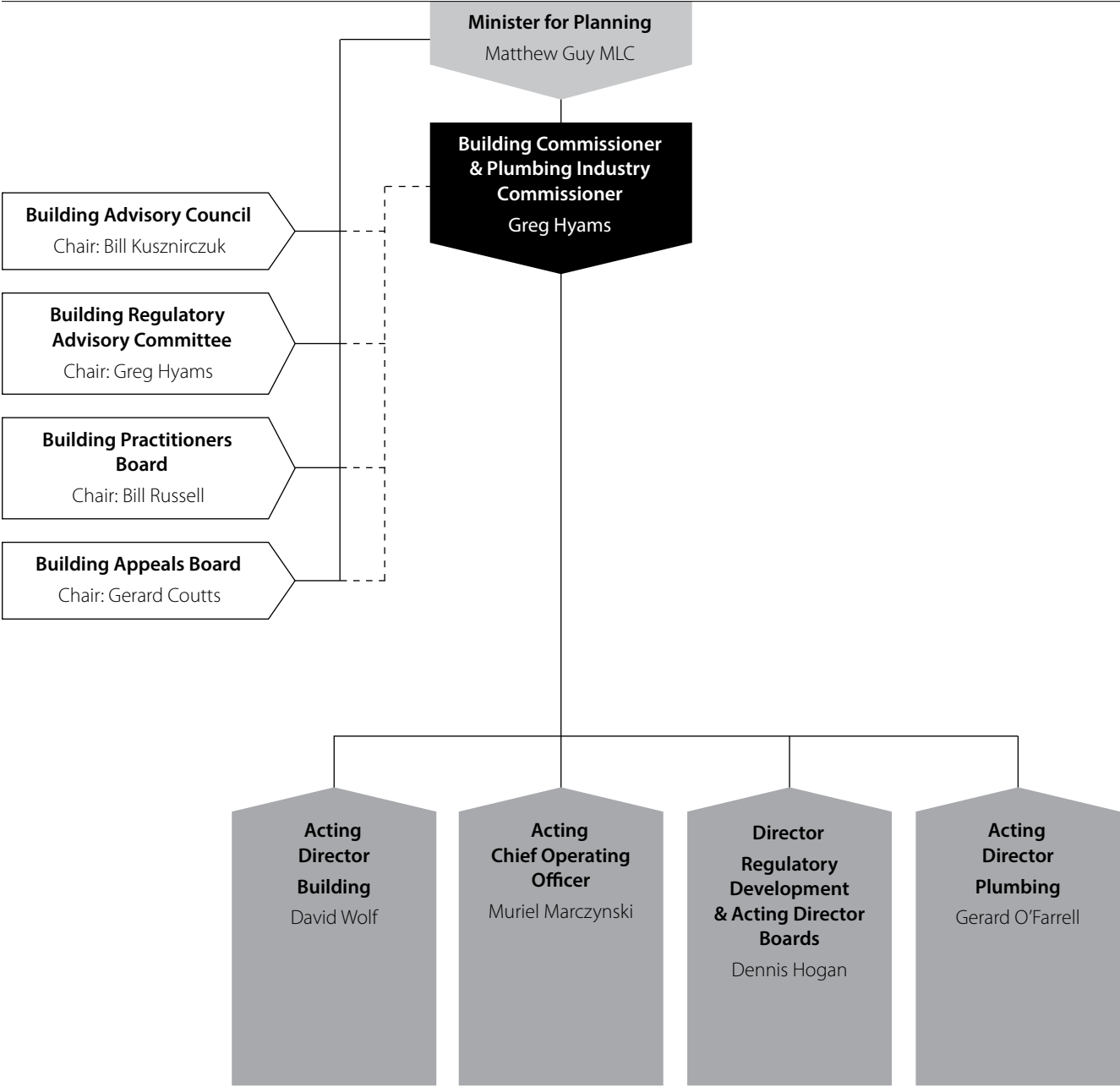


Greg Hyams

Building Regulations Advisory Committee Chair

See membership and attendance in Appendix 5 on page 78

Organisational structure as at Sunday, 30 June 2013



Executive leadership team

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

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

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

Greg Hyams

Building Commissioner and Plumbing Industry Commissioner

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

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

Affiliations

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

Dennis Hogan

Director, Regulatory Development and Acting Director Boards, Building

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

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

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

David Wolf

Acting Director Building

David Wolf is responsible for strategic and operational management of regulatory functions including:

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

Affiliations

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

Gerard O'Farrell

Acting Director, Plumbing Industry Commission

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

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

Muriel Marczyński

Acting Chief Operating Officer

Muriel Marczyński is responsible for strategic and operational management of business enterprise services. This includes:

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

Affiliations

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

Corporate and Business Planning

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

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

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

Corporate strategy

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

Through the Corporate Plan, the Commission aimed to achieve:

1. **Regulatory Excellence** – delivering effective and responsible industry governance.
 - 1.1 Continuously monitor the effectiveness of the Victorian building system to enhance the amenity, safety, health and sustainability of buildings.
 - 1.2 Build a more innovative, transparent and responsible organisation.
2. **Industry Responsibility** – supporting government and industry to transform the industry.
 - 2.1 Partner with government and industry stakeholders to encourage investment, innovation and development to aid an efficient and competitive building industry.
 - 2.2 Promote and encourage the attraction and retention of practitioners in the Victorian building industry.
 - 2.3 Strengthen building practitioner skills, capabilities and standards.
3. **Environmental best practice** – ensuring an environmentally sustainable built environment.
 - 3.1 Promote sustainable building practices to further the Government's sustainability objectives.
 - 3.2 Strengthen compliance with energy and water efficiency requirements.
4. **Community accountability** – ensuring safe and sustainable building services for the community.
 - 4.1 Maintain consumer confidence in building services.
 - 4.2 Inform consumers about building services.
 - 4.3 Optimise the investigation and building resolution process.
 - 4.4 Promote accessibility initiatives that support both the Victorian and Federal government initiatives.

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

Risk Management

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

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

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

Risk Attestation

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



Greg Hyams
Building Commissioner

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



Greg Hyams
Building Commissioner

Audit Committee and Annual Internal Audit Report for 2012-2013

The Audit Committee is an independent advisory committee to the Commissioner. The primary purpose of the Committee was to ensure the Commission had strong corporate governance and was open and accountable in its decision-making, the management of its operation and the stewardship of its funds.

Major duties and responsibilities of the Audit Committee, as outlined in its charter, 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 of the audit and the planning of the audit
- critically analyse and follow up any internal or external audit reports that raise significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues
- examine the risk exposure of the Commission by determining if management has appropriate risk management processes and adequate management information systems
- monitor governance, transparency, accountability and related party transactions by overseeing the Commission's performance
- review and recommend for adoption the Commission's draft annual financial report.

Audit Committee members

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

- Mr Mark Anderson (Chairperson) – Dousta Galla Aged Services Limited Chief Executive Officer
- Ms Jennifer Cunich – Property Council of Australia (Victoria) Executive Director and representative of the Building Advisory Council
- Mr Mark Sabbadini – Boyd Legg & Co Chartered Accountant.

The Audit Committee met at least quarterly. During 2012-2013, all members attended on a regular basis and remained independent of the Commission, consistent with Direction 2.2(f), financial governance of the *Standing Directions of the Minister for Finance*, issued under the *Financial Management Act 1994*.

Meetings have included presentations by both the internal and external auditors and reviews of the Commission's operations, Corporate Plan, annual business plan and budget, risk management and quality assurance processes. Internal auditors Grant Thornton (Chartered Accountants) completed the Commission's annual internal audit in June 2013. Grant Thornton reported no significant weaknesses in the internal financial controls and business risks management practices of the Commission.

The 2012-2013 internal audit examined permit levy income generation, payroll systems, operational expenditure, capital expenditure, corporate governance compliance, risk management framework compliance, financial management compliance framework and credit card usage and controls.

The Committee confirmed that the level of non-audit services of the Commission's external auditor, the Victorian Auditor-General, is compatible with maintaining auditor independence.

The Audit Committee agrees that this attestation is consistent with the Committee's understanding of the Building Commission's risk management policies and processes, based on the evidence, reports and communications provided to the Committee throughout the year.



Mr Mark Anderson
Audit Committee Chair

Compliance with *Financial Management Act 1994*

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

National Competition Policy

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

Major government contracts

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

Details of consultancies less than \$10,000

In 2012-2013, the Commission engaged three consultancies at a cost of \$14,735.00, where the total payable to the consultancies was less than \$10,000. See page 35 for more information.

Details of consultancies more than \$10,000

In 2012-2013, the Commission engaged six consultancies at a cost of \$306,729.50, where the total payable to the consultancies was more than \$10,000. See page 35 for more information.

Building Act 1993

In 2012-2013, the Commission complied with the building maintenance requirements of the *Building Act 1993*. The head office of the Commission is at Goods Shed North in Docklands and is a shared facility with the Plumbing Industry Commission. Compliance with the building and maintenance provisions of the *Building Act 1993* for this facility is the responsibility of the property owner Equiset.

Quality assurance

Following the Commissions scheduled AS/NZS ISO 9001:2008 Quality Standard internal procedures audit on 19, and 20 September 2012 conducted by NCS International, the management team decided not to continue with ISO accreditation for the Building Commission. However, it was determined that the Commission would continue to maintain its own quality assurance program as a part of the Commission's Monitoring and Evaluation requirements.

Freedom of Information

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

The following requests were processed.

	2012-2013	2011-2012
Requests received including requests transferred to the Commission from another agency	27	17
Not finalised	4	2
Access granted in full	0	0
Access granted in part	22	7
Access denied in full	0	3
No documents	0	1
Act does not apply	0	0
Not proceeded with/withdrawn	1	4

Three applications for internal review of a decision were received between 1 July 2012 and 1 December 2012. The Principal Officer affirmed the Freedom of Information (FOI) Officer's decision.

Making a request

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

The FOI Commissioner informed the Building Commission that it had received two applications for review. At the time of reporting, one review had been completed with the FOI Commissioner varying the Building Commission's decision; the other review was not yet finalised.

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

Making a request from 1 July 2013

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

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

Additional information available on request

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

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

Whistleblowers Protection Act 2001

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

The Commission does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

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

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

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

Further information

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

Disclosures under the Whistleblowers Protection Act 2001

The current procedures established by the public body under Part 6 are available upon request

The number and types of disclosures made to the Commission during 2012-2013.

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

Environmental impacts

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

Energy

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

Targets for 2013-2014

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

Waste

INDICATOR	2012-2013			2011-2012		
	LANDFILL	CO-MINGLED RECYCLING	COMPOST	LANDFILL	CO-MINGLED RECYCLING	COMPOST
Total units of waste disposed of by destination (m ³)	128	71.67	2.40	119	108	6
Units of waste disposed of per FTE by destinations (m ³ /FTE)	0.76	0.42	0.1	0.72	0.65	0.4
Recycling rate (percentage of total waste)		58			55.23	
Greenhouse gas emissions associated with waste disposal (t CO ² -e)		11.5			10.7	

Paper

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

Water

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

Performance against targets and key achievements

2012-2013 Strategic Operational Plan outcomes

In November 2012, the Commission developed an interim 2012-2013 Strategic Operational Plan to guide it until the start of the Victorian Building Authority on 1 July 2013. This plan contained strategic change activities and provided the Commission with a focus for the remainder of this financial year. It included recommendations from the December 2011 Victorian Auditor-General's Office's report. Projects arising from these recommendations aimed to improve efficiency and effectiveness, with a particular emphasis on:

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

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES			
		MEASURE	TARGET	OUTCOME	
Practitioner Compliance					
Develop the Building Permit Lifecycle system	Develop the Building Permit Lifecycle system	Design technical specification	28 February 2013	Achieved	
		Procure vendor	30 June 2013	Achieved in part A review of the building permit system is underway.	
Improve monitoring of the Building Permit System and Building Surveyor performance	Improve the quality of regulatory outcomes by implementing the monitoring, evaluation and reporting principles across the organisation	Consultation completed	1 April 2013	Achieved	
		In conjunction with the Local Government sector, implement the Building Permit System and Building Surveyor performance monitoring strategy	Strategy implemented	1 April 2013	Achieved in part A monitoring and evaluation framework has been developed and is being progressively implemented
		In conjunction with the Local Government sector evaluate and make improvements to the Building Permit System and Building Surveyor performance monitoring strategy	Evaluation completed	30 June 2013	Achieved in part A monitoring and evaluation framework has been developed and is being progressively implemented
Develop the Building Surveyor Performance Audit Program	Deliver phase 1 – develop a Performance Audit Program, audit tools and guidelines	Phase 1 to be delivered	6 June 2012	Achieved	
		Pilot the permit audit tool using building permit files	Pilot completed	31 October 2012	Achieved
		Deliver phase 2 – report (incorporating audit component of Building Commission compliance policy). Includes building surveyor audit program	Phase 2 completed	30 June 2013	Achieved
		Phase 3 – establish an interim in-house audit team and appoint an Audit Panel	Phase 3 commenced	31 December 2012	Achieved
		Audits to commence	30 June 2013	Achieved	

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES		
		MEASURE	TARGET	OUTCOME
Consumers				
Enhance the Commission's response to customer enquiries (customer service hub)	Undertake an initial scoping exercise for the centralisation of all customer enquiries	Undertake scoping	Scoping completed	Achieved
	Develop the customer service hub phase 3 – inclusion of the Plumbing Industry Commission's complaints and enquiries into the current call centre plan	Phase 3 – started	28 February 2013	Achieved
	Begin scoping options for a customer service hub phase 4 – appointment of a business analyst to undertake a comprehensive scoping of the implementation of a customer service hub	Phase 4 – started	2 April 2013	Achieved
	Do a baseline customer satisfaction survey using the SERVQUAL framework and then annually thereafter	Survey report received	30 June 2013	Not achieved On hold pending system upgrade
Strengthen complaints handling and investigations processes	Recruit appropriately qualified technical and compliance staff and provide ongoing training programs	Recruitment completed	31 December 2012	Achieved Target date not met but completed within reporting period
	Review existing complaints handling and investigations systems, processes and procedures	Review completed	28 February 2013	Achieved Target date not met but completed in May 2013
Corporate Governance				
Start the implementation of the Corporate Policy Framework	Engage key staff in implementation of Corporate Policy Framework	Start program delivery	31 January 2013	Achieved
	Develop a Compliance and Enforcement Policy	Policy to be endorsed by the Commissioner	30 April 2013	Achieved
	Identify and prioritise areas where corporate policies and operational procedures are required and commence development	Priority list to be developed	30 June 2013	Achieved
Start the implementation of monitoring, evaluation and reporting principles	Improve the quality of governance and business management through the introduction of monitoring, evaluation, and reporting principles into business planning and governance processes	Implementation started	31 November 2012	Achieved
Commence the implementation of the cultural change project	Commence the implementation of cultural change program – achieving cultural change through changes to organisational structure, systems, programs, practices, procedures, and training	Implementation completed	28 February 2013	Achieved

Performance against targets and key achievements

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES		
		MEASURE	TARGET	OUTCOME
Corporate Governance <i>continued</i>				
Develop the 2013–2016 Corporate Plan	Drive organisational strategic direction and change through the implementation of the 2013–2016 Corporate Objectives and Strategies	Plan delivered	31 March 2013	Not applicable Completion of the 2013–2016 Corporate Plan will be the responsibility of the new Victorian Building Authority (VBA)
Improve risk management practice	Evaluate the existing risk management register to assess its efficacy as the tool for identifying, mitigating and reporting corporate and operational risk	Evaluation completed	31 December 2012	Achieved Target date not met but completed in June 2013
	Implement the recommendations identified from the risk management register review	Recommendations implemented	31 March 2013	Achieved in part Recommendations will be the responsibility of the new Victorian Building Authority (VBA)
Review legal services	Complete a legal services review and implement recommendations	Recommendations implemented	31 December 2012	Achieved
Undertake a review of organisational delegations	Assure organisational probity and transparency through undertaking a review of delegations	Review to be completed	31 December 2012	Achieved
Review current contract management services	Assure organisational probity and transparency through undertaking a review of the organisation contract management procedures and processes	Review completed	1 August 2012	Achieved
	Implement the recommendations identified from the contract management review	Partial implemented recommendations	31 October 2012	Achieved
Evaluate the quality management system	Evaluate the existing quality management practices to assess their capability to adapt to service changes	Evaluation completed	31 October 2012	Achieved

OBJECTIVE	STRATEGIES	PERFORMANCE MEASURES		
		MEASURE	TARGET	OUTCOME
Corporate Governance <i>continued</i>				
Advancing relationships with Local Government	Review and update the Building Commission's local government guide	Publication updated	28 February 2013	Achieved in part A draft strategic plan and local government guide has been developed and is being reviewed to enable effective coordination with Councils
	Review and update the Building Commission's Local Government Strategy including an in-depth analysis of the various relationships with Local Government stakeholders	Revised strategy completed	28 February 2013	Achieved in part A draft strategic plan and local government guide has been developed and is being reviewed to enable effective coordination with Councils
Systems Improvement				
Review the Information Management Architecture Strategy	Review the Information Management Architecture Strategy to provide a road map for Information Management integration, prioritisation and investment	Review completed	30 June 2013	Achieved
Review the records management systems	Commence a review of Records Management processes, practices and procedures to ensure effective compliance with legislative requirements and keeping of critical records for operational needs	Review completed	30 June 2013	Achieved
Develop an on-line assessment framework and software system for the building industry	Develop a new on-line assessment framework and software system for the testing and examination of practitioners	Framework completed	28 February 2013	Achieved in part Scoping and framework under development
	Assess locations and the resources required to manage and undertake online practitioner assessments	Assessment completed	28 February 2013	Achieved in part Scoping and framework under development
Stakeholder Relationships				
Maintain relationships with industry stakeholders	Participate in industry forums designed to identify and resolve problems, and build mutual understandings of roles and responsibilities	Industry climate survey reported	30 June annually	Achieved
	Engage the representatives of industry through the statutory Boards and Committees administered by the Commission	Industry workshops held	30 June annually	Achieved

Performance against targets and key achievements

Building Commission operations

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

- Levy information
- Building information
- Customer service and case administration
- Investigations and inspections
- Building permit audit program
- Building Practitioners Board and Building Appeals Board
- Technical and research services
- Investing in careers and supporting building practitioners.

Levy information

The levy and building information area manages the Building Commission's building permit, levy revenue, and data collection service. It also monitors building surveyors' compliance to the reporting and levy payment requirements of the *Building Act 1993* (Act) and *Building Regulations 2006* (Regulations). Another function of the area is to provide financial and statistical data for decision-making and industry measurement purposes.

The functions of the levy and building information unit are:

- Collect and process building permit levy and building information
- Monitor building compliance with the Act and Regulations and identify areas of compliance risk
- Code data and develop building statistics
- Audit building permit levy and building information records maintained by building surveyors.

Performance against targets – levy

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Total building permits processed	number	93,881	N/A	98,025	N/A
Levy field audits	number	40	40	34	48
Note: No quantity targets were set for total building permits processed as the data was practitioner driven and was not within the Commission's control.					
Quality					
Building surveyor reconciliations are finalised by the last working day of the month	% completed	100	95	100	95
Levy compliance report is prepared by the third working day of the following month	% completed	100	100	100	100
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Timeliness					
Process monthly building permit levy/building permit data returns within 10 working days	% completed	100	95	100	95
Issue reminder letters for outstanding building permit levy/data returns by the first working day after the 7th day of the month	% completed	100	100	100	100
Process building levy payments received by the 14th working day of the month	% completed	100	100	100	100
Cost					
Total output costs	\$M	\$0.731	\$0.706	\$0.961	\$0.689

Note: For further information, see Appendix 8 – five-year statistics – operational trends (Table one – building permit activity). See Appendix 9 for five-year statistical summary for building permit numbers and value.

Through levy audit activities, the Commission identified 717 building permits not reported, resulting in \$275,670 payable in building permit levy.

Building information

The Building Commission uses building information to guide strategic regulation reviews, communications, to monitor and evaluate industry outcomes, keep ahead of any new or emerging issues and for financial planning. This information also supported planning and policy development. Some of the data provided, through the Commission's pulse website, included the number and value of building permits issued and the number of Registered Building Practitioners (RBP). The website also included the results of the annual building practitioner and consumer surveys and the quarterly Building Industry Economic Survey.

Annual Practitioner and Consumer Survey

Each year the Commission pays for an independent survey for both consumers and practitioners. The highlighted results of the 2013 surveys are below, with detailed results available on the Commission's website www.vba.vic.gov.au.

Key results from the consumer survey were:

- Consumers had high levels of satisfaction and low rates of disputes on their building projects.
- Consumers continued to 'highly value' Registered Building Practitioners (RBPs).
- Consumers undertook a large amount of research before they began their building project/s.
- Consumers felt that more information about the role of the building surveyor and the Building Advice and Conciliation Victoria service should be available.
- Domestic building consumers registered as owner-builders were not always engaging RBPs when they should be.

Key results from the practitioner survey were:

- Practitioners were 'highly satisfied' working in the industry and valued their registration.
- The past two years were less profitable for their businesses, but they had optimistic outlooks for the next two years.
- Continuing Professional Development continued to be an important part of practising; but there was low interest in online opportunities.
- Lower levels of satisfaction among building surveyors reported across most parts of the survey, particularly about the Building Commission's performance and reputation.
- Practitioners were 'moderately satisfied' with the way the Building Commission regulated the industry.

How the Commission uses Building Information

The Building Commission can assess industry performance and provide accurate forecasts of the building permit levy through analysis of a range of data including building permits numbers and types and the Building Industry Economic Survey.

Identifying trends by assessing consumer satisfaction and frequency of problems that consumers experience during a building project, the Commission can develop solutions and improve awareness.

Understanding where consumers get information before and during building projects, helps the Commission use the right channels to reach target audiences.

The consumer survey can help identify cost overruns. This provides the Commission's levy audit team with information of high-risk areas where the building levy was under paid.

Practitioner surveys help the Commission evaluate how it communicates with practitioners and makes changes as needed.

Customer service and case administration

During 2012-2013, an internal reorganisation saw the case administration unit restructured to become the customer service unit with the aim of improving consumer confidence in the building industry.

Customer service provides consumer advice on building complaint matters, case administration and support to the Commission's audit and investigations unit. It also provides administrative support to the Building Practitioners Board for the processing of owner-builder certificates. The functions of the customer service area include:

- Receiving, assessing and responding to building complaints of a minor nature. (More serious complaints were referred to technical business units).
- Assessing and administering requests for consent to terminate private building surveyors.
- Receiving and acknowledging building order referrals from private building surveyors.

Performance against targets and key achievements

Consumer Complaints Management Review

In 2012-2013, the Commission's commitment to efficient complaints management continued with an internal strategic review completed. Because of the review, the Commission introduced risk-based complaint assessment and a revised complaint management policy and associated procedures.

Performance against targets – written complaints management

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Written complaints received and processed	number	528	N/A	773	N/A
<p>Note: No quantity targets were set for written complaints received and processed as the data was consumer driven and was not within the Commission's control.</p> <p>(1) The 2011-2012 figure was not correctly reported in the previous Annual Report.</p>					
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Timeliness					
Written complaints acknowledged within three days of receipt	%	93	90	89	90
Percentage of consumer complaints addressed within 14 days of receipt of a complaint	%	98	90	89	80
Cost					
Total output costs	\$M	\$1.083	\$1.039	\$0.970	\$1.038

In 2012-2013, the customer service unit received 22,390 telephone calls, with the main topics being:

- potential owner-builder requests and enquiries
- requests for termination of a private building surveyor
- building order referrals (from private building surveyors)
- security of payments enquiries
- referrals relating to Building Advice and Conciliation Victoria (BACV).

The launch of the customer service unit was part of the Commission's response to the Victorian Auditor-General's Office report and means all enquiries will come through a single point. This will enable the collection of data and deliver effective and consistent outcomes for consumers and practitioners while also enhancing monitoring and evaluation of industry issues.

Performance against targets – owner-builder requests for certificates of consent

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Requests for applications for certificates of consent	number	8,346	N/A	9,690	N/A
Certificates of consent issued	number	7,337	N/A	8,041	N/A
Note: Quantity targets were not set due to data being consumer drive, for example, number of requests for owner-builder certificates of consent.					
Quality					
Participation in the Commission's quality assurance program	%	100	100	100	100
Timeliness					
Incomplete owner-builder applications returned within three days of receipt	%	75	80	79	90
Certificates of consent issued within 21 days of receipt	%	75	95	97	90
Determination in relation to an owner-builder exemption referred to the Board within 31 days of receipt of a completed application	%	70	90	90	90
Determination in relation to an owner-builder refusal referred to the Building Appeals Board within 31 days of a complete application ⁽¹⁾	%	91	90	90	90

(1) Referral to the BAB is at the discretion of the applicant.

Note: For further information see Appendix 8 for five-year statistics – operational trends – (Table five – owner-builder work) Total output costs captured under the written complaints management budget.

In 2012-2013, the Building Practitioners Board received 8346 applications for certificates of consent under Division 3A — Certificates of Consent for owner-builders, section 25G of the *Building Act 1993*. Of these, the Building Practitioners Board refused 229 applications with the main reasons being non-compliance with legislative requirements or the applicant did not provide additional information within a reasonable timeframe.

Performance against targets and key achievements

Performance against targets – terminations of a private building surveyor

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Applications to terminate a private building surveyor	number	296	N/A	315	N/A
Note: No quantity targets are set due to data being consumer driven, for example, number of requests for termination of a building surveyor					
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Timeliness					
Termination assessed and request for consent determined within 15 days of receipt	%	83	85	86	85

Total output costs captured under the written complaints management budget.

In 2012-2013, the Commission received 296 applications to terminate a private building surveyor under Part 6 — Private Building Surveyors, Section 80 of the *Building Act 1993*. The Commission granted 145 of these applications.

Investigations and inspections

To enhance consumer protection, the audit and investigations area does independent proactive audits, complaint investigations, prosecutions of building practitioners and unregistered people doing building activities and conciliation in conjunction with the Building Advice and Conciliation Victoria (BACV).

Performance against targets – investigations and inspections – domestic (including BACV)

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Investigations conducted into practitioner compliance	number	527	N/A	619	N/A
BACV inspections where report required	number	185	N/A	293	N/A
BACV inspections undertaken by the Building Commission where a report is requested	number	181	N/A	279	N/A
Note: Quantity targets were not set due to data being CAV referral driven, for example, BACV inspections and reports requested.					
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Timeliness					
Files completed by investigators submitted within four months	%	85	85	85	85
Domestic building reports prepared within 20 days of the inspection	%	88	92	92	80
Cost					
Total output cost	\$M	\$4.661	\$4.615	\$5.308	\$5.744

Note: For further information, see Appendix 8 for five-year statistics – operational trends (Tables two, three and four for targeted audit program, audits conducted and prosecutions and inquiries held).

In 2012-2013, the Commission completed 527 investigations with 36 cases prosecuted through the Magistrates Court and 23 cases referred to the Building Practitioners Board because of possible practitioner professional misconduct.

Performance against targets and key achievements

Reducing building disputes through Building Advice and Conciliation Victoria¹

The Commission resolves technical building disputes through BACV, a one-stop-shop for consumers and builders that provides advice and assistance.

In 2012–2013, the BACV requested 185 written reports on inspections from the Commission. At the end of the financial year, the Commission had completed 181 reports. There were 43 inspection reports issued, which related to section 44 of the *Domestic Building Contracts Act 1995*, where parties can apply to the Commission for a report to determine technical status of the disputed items.

On-site conciliations provide early intervention without recourse for written inspection reports or Victorian Civil Administrative Tribunal action. In 2012–2013, BACV received 728 requests for on-site conciliations, a decrease of 13.23 percent from the previous financial year. In 2012–2013, on-site conciliations were successful 93 percent of the time, slightly more than the previous year, when they were successful 91 percent of the time.

Building permit audit program

Building permit audit research project

In response to the December 2011 Victorian Auditor-General's Office (VAGO) performance audit of the building permit system, the Commission did a comprehensive review of its audit program. This included a research project of 1094 building permit audits in three areas being:

- Incomplete swimming pools, spas and associated safety barrier permits (294 properties)
- Domestic work permit files at building surveyors' offices (500 files)
- Domestic frame construction on-site (300 sites).

The research helped quantify and qualify the extent of problems within the building system that VAGO identified and to inform the Commission's development of a sustainable, appropriately targeted and ongoing performance audit program.

The findings of the audits led to two outcomes:

- The Commission developing an audit program for building permits, which aimed to educate, monitor and enforce the legislative framework and building work in Victoria.
- The Commission referring non-compliant pool or spa barriers to the relevant building surveyor for them to complete their functions and issue certificates of final inspection and taking enforcement and/or other actions as required.

Building permit audit program

The Commission established a group to develop a performance audit program to provide assurance that the building permit system was working effectively. The group has begun looking at a framework to evaluate the system and assess the effectiveness of building surveyors enforcing the *Building Act 1993* and the *Building Regulations 2006*.

The Commission completed a state-wide pilot audit program, seeking advice from a building surveyor reference group. The program consisted of 1000 audits of building permits, yielding substantial amounts of data that involved extensive research and analysis. The Commission is still analysing the data, which will help target compliance activities using a risk-based approach. These activities will include education, support initiatives and enforcement. The data will also help refine the audit program in line with the VAGO recommendations.

A targeted compliance audit program started in 2013 and will be extended to include performance audits of builders and other registered certifying professionals and draftspersons. The Commission will audit five percent of private building surveyors each year.

The new audit program includes a clear rationale and annual targets, so that it will:

- reliably assess the obligations of building practitioners
- be clearly documented
- risk-based to enable targeted performance audits
- provide information for monitoring and evaluation
- inform compliance activities as part of an integrated suite of programs governed by a new Compliance and Enforcement Policy.

All building practitioners are responsible for upholding building standards. The audit program will look at every practitioner category, from fire engineers and building inspectors to draftspersons and builders – both domestic and commercial. It will ensure that plans, permits and certificates comply with the Act and the Regulations.

(1) BACV is a service managed and delivered jointly by Consumer Affairs Victoria and the Building Commission; possible services include advice, conciliation, and technical inspections of building work.

Building Practitioners Board and Building Appeals Board

The Building Practitioners Board (BPB) and the Building Appeals Board (BAB) receive administrative assistance through the Commission's board support area.

Building Practitioners Board operations

In 2012-2013, the BPB received 2418 applications and registered 1386 new building practitioners this was a 1.2 percent decrease in total registrations.

The BPB heard and completed 99 inquiries and 42 conduct review meetings about 366 investigated sites. The BPB also cleared another

56 complaints, where investigations did not result in an inquiry or conduct review meeting.

A conduct review meeting is reserved for minor matters where the BPB does not consider a formal penalty is required to improve future conduct. Several inquiries involved multiple allegations and resulted in cancellation of practitioners' registrations.

There has been a trend towards legal representation in contested and complex matters, which affects the time taken to complete inquiries.

Performance against targets – Building Practitioners Board operations

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Registered Building Practitioners	number	20,877	N/A	21,122	N/A
Registrations processed (new and renewals)	number	25,012	N/A	25,328	N/A
Note: Quantity targets were not set due to data being practitioner driven, for example, number of persons registering as a building practitioner.					
BPB inquiries and conduct reviews	number	141	130	141	120
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Issue BPB papers within agreed service standards with the BPB Chair	%	100	100	100	100
Timeliness					
BPB decision on properly completed application for registration within 28 days (excluding domestic builder)	%	51 ⁽¹⁾	95	97	90
BPB decision on properly completed application for registration within 56 days (domestic builder)	%	60 ⁽¹⁾	95	96	90
Cost					
Total output cost	\$M	\$3.460	\$2.962	\$3.853	\$3.763

Note: For further information see Appendix 9 for five-year statistical summary

(1) The definition of completed in this measure changed during 2012-2013 from administrative process to include final board decision.

Performance against targets and key achievements

Building Appeals Board operations

The BAB provides low-cost and prompt adjudication in a relatively informal environment.

The BAB heard 331 appeals/disputes/other proceedings and 1311 modification applications during the year. It also heard 15 fast-track matters, starting these within two business days of their lodgement. Applicants withdrew a number of cases without reaching a final hearing. The BAB has noted a trend towards professional representation at hearings, reflecting the increasing financial value of building projects.

The BAB wants the hearing process to remain relatively informal. The BAB tries to ensure that parties who do not have legal representation can present their case. In general, parties to appeals are required to pay their own costs.

The BAB has jurisdiction over a variety of matters under the *Building Act 1993* including building surveyors' decisions on individual projects, applications on protection work costs and requests for modifications to the Regulations applying to buildings.

Performance against targets – Building Appeals Board operations

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
BAB appeals held	number	331	N/A	337	N/A
BAB modifications held	number	1,311	N/A	1,319	N/A
Note: Quantity targets were not set due to data being practitioner and consumer driven, for example, number of appeals and modifications held.					
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Issue BAB papers within service standards agreed with the BAB Chair	%	100	100	100	100
Timeliness					
BAB waiting time for first hearing where attendance at hearing is required	weeks	12	12	12	12
BAB waiting time for first hearing where attendance at hearing is not required	weeks	6	6	6	6
Cost					
Total output cost ⁽¹⁾	\$M	\$0.986	\$1.041	\$0.968	\$1.318

Note: For further information, see Appendix 9 for five-year statistical summary.

(1) Lower than budgeted expenditure was because of lower than expected number of modifications.

Technical and research services

The technical and research services area works with stakeholders to develop and implement a regulatory framework. This helps to carry out the Commission's mission – regulating for a safe, liveable and sustainable built environment in Victoria.

To achieve this purpose, technical and research services consult multiple stakeholders, manage the research program, prepare draft regulations, provide technical and advisory information to practitioners and consumers, and undertake building surveying functions for prescribed places of public entertainment, temporary structures and Crown Casino projects.

Performance against targets – technical and research services

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Bushfire research projects	number	3	4	7	7
Seminars held	number	9	10	19	10
Note: Quantity targets were not set for measures below due to data being consumer and/or practitioner driven, for example, building permits issued.					
Building permits issued	number	32	N/A	42	N/A
Practice notes developed	number	6	N/A	3	N/A
Legislation amendments contributed to	number	1	N/A	3	N/A
Occupancy permits for temporary structures issued	number	38	N/A	30	N/A
Building order referrals received from private building surveyors	number	83	N/A	163	N/A
Telephone calls received requesting technical advice and information	number	21,787	N/A	40,950 ⁽¹⁾	N/A
Quality					
Participation in the Building Commission's quality assurance program	%	100	100	100	100
Timeliness					
Building products and systems accredited via BRAC within two weeks of the product or system approval	%	100	100	100	100
All phone calls responded to within 24 hours ⁽²⁾	%	90	95	70	95
Responded to written requests for information within 15 working days	%	95	95	95	95
Building Order referral acknowledged within five days of receipt	%	99	85	83	90
Cost					
Total output cost	\$M	\$1.739 ⁽²⁾	\$1.979	\$2.061	\$3.926

(1) Due to changes in telephone system configuration, this number was incorrect in 2011-2012.

(2) The decline in the total from 2011-2012 to 2012-2013 was because there was a decrease in bushfire-related research projects.

In 2012-2013, the technical and research services area received 21,787 telephone calls, which included requests for information from building practitioners, industry stakeholders, government departments and consumers on the interpretation of the *Regulations*, the National Construction Code (NCC) and Australian Standards. The Commission also issued 28 building permits to Crown Casino.

Performance against targets and key achievements

Strengthening the regulatory framework

In 2012-2013, the Commission worked closely with the Department of Planning and Community Development (DPCD) to improve the operation of the Regulations to help deliver regulatory excellence.

The Commission continued supporting the State Government's ongoing response to the 2009 bushfires. This work included:

- The Commission participating in the Rapid Verification Taskforce work on the Bushfire Prone Area maps for all Victorian municipalities, including a second review of the growth areas municipalities.
- In co-operation with the Fire Services Commissioner, the Commission took part in a pilot program for the development of four Community Fire Refuges in Victoria.
- Commission staff were involved in the Community Fire Refuge Advisory Board, Bushfire Construction Advisory Panel and Joint Agency Working Group.

The Commission continued to help the Australian Building Codes Board and Standards Australia to implement the Victorian Bushfires Royal Commission recommendations directed to those organisations.

The Commission delivered nine seminars across Victoria on the introduction of the National Construction Code (NCC)/Building Code of Australia (BCA) 2013.

The Australian Building Codes Board

Established through a joint initiative of all levels of Australian government and the building industry, the Australian Building Codes Board (ABCB) has a mission to oversee issues relating to health, safety, amenity and sustainability in building.

The ABCB promotes efficiency in the design, construction and performance of buildings through the NCC and the development of effective regulatory and non-regulatory approaches. The Board aims to establish effective and proportional codes, standards and regulatory systems that are consistent between states and territories.

The Building Commissioner, Greg Hyams, was a board member of the ABCB.

Building and Construction Industry Security of Payment Act 2002

The Commission is responsible for administering the *Building and Construction Industry Security of Payment Act 2002*. The Act creates a speedy, non-legalistic and low-cost adjudication scheme to support fair and timely payments and improve cash flow in the building and construction industry.

This financial year, the Commission received 159 adjudication determinations and 218 adjudication notifications.

Regulatory development research projects

Minimisation of damage to residential structures due to ground movement – ARC linkage project

Swinburne University of Technology is leading this project, which is a collaboration of organisations including Building Commission, Office of Housing, Foundation and Footings Society – Victoria, Association of Consulting Structural Engineers Victoria and Housing Engineering Design and Research Association.

Based on review of current construction practices and associated standards, a number of contradictions and poor practices identified, including issues of drainage provisions during construction, service trenches and connections between elements in a house. The project is due for completion in late 2014.

The Commission will evaluate any recommendations for improvement when the research is completed.

Six-star alterations: characterising the market

This study will provide the Commission with detailed information on the characteristics of the residential alterations and renovations market. This market segment accounts for one-third of domestic building permits in Victoria.

Previously, a lack of information has been a barrier to effectively regulating the design, construction and service performance of building work involving home alterations and renovations.

Some conclusions of the study were:

- The Commission develops further regulatory support activities
- Research findings informing building permit compliance audit programs
- Industry bodies can do more training and distribute information about the design and construction of energy efficient home alterations, extensions and renovations.

The Commission will use findings to improve advice to industry stakeholders, and to tighten monitoring and evaluation of compliance.

Cooperative Research Centre for Low Carbon Living

The Commission is a foundation member of the Cooperative Research Centre (CRC) for Low Carbon Living, which began operating on 1 July 2012. The CRC brings together key property, planning and policy organisations with leading Australian researchers to develop new social, technological and policy tools for reducing greenhouse gas emissions in the built environment.

By joining the CRC, the Commission is discharging its responsibility under the *Building Act 1993* to 'conduct or promote research relating to the regulation of the building industry in Victoria'.

Working with CRC, the Commission has identified research projects that support its objectives in regulatory development, implementation and evaluation.

The Commission is already collaborating with CRC on projects including:

- education and training scoping study
- mobile learning and engagement
- scoping study for precinct design and assessment tools.

Investing in careers and supporting building practitioners

The Commission continued to invest in the future of the building profession by promoting building careers to the wider community in 2012-2013. Initiatives included promoting building surveyors via posters distributed to more than 900 Victorian secondary schools, taking part in the Melton Shire Council careers day and attending the Construction Industry Expo held at Frankston City Council.

Building Surveyors Training Working Group

The Commission's Building Surveyor Training Working Group reviewed the capacity of TAFEs to deliver the Advanced Diploma of Building Surveying. Some TAFE providers were unable to deliver the Advanced Diploma because there were not enough qualified instructors available.

The Working Group includes representatives from the Australian Institute of Building Surveyors (AIBS), Victorian Municipal Building Surveyors Group (VMBSG), Building Industry Consultative Council Industry Advisory Body (BICCIAB), Advanced Building Studies Network Group (ABSNG) and university teachers, students and building surveyor employers.

In early 2012, the Commission collaborated with the AIBS and BICCIAB to develop a short-term solution to increase the number of industry educators. Together with the Federal Government's National Workforce Development Fund, the Commission was able to engage Victoria University to deliver a Certificate IV in Training and Assessment to a group of up to 14 industry people between April and October 2012. Eleven students completed the course and four of these immediately gained employment with TAFEs.

Shortage of Building Surveyors in regional areas

In collaboration with Regional Development Victoria (under the Local Skills Partnerships program) and regional councils, the Commission provided funding to address a shortage of building surveyors in these areas. The funding supported regional councils to deliver a two-year, best practice building surveying internship program that also received assistance from the VMBSG and the AIBS.

In June 2012, five interns from regional councils began the program at Bass Coast Shire, City of Greater Geelong, Warrnambool City, Campaspe Shire and Latrobe City Councils.

Continuing Professional Development

In 2012, the Commission did a survey asking Registered Building Practitioners (RBPs) about what they thought of Continuing Professional Development (CPD) and how important CPD was to being able to do their job.

The survey found 70 percent of practitioners thought CPD was highly important to their ability to practice as an RBP and these figures were similar to 2011. Participation in some form of CPD increased to 84 percent, with the most common type being industry conferences and seminars (64 percent), then technical skills courses (33 percent), business skills courses (26 percent) and TAFE courses (19 percent). These results are similar to 2011-2012. In 2012-2013, 8664 practitioners reported CPD participation points directly to the Commission when renewing their registration. This was a 2.4 percent increase on 2011-2012, when 8457 RBPs reported CPD points.

Continuing Professional Development awards

In May 2013, the Commission acknowledged nine practitioners for CPD achievements at the Commission's annual CPD awards. The winning practitioners demonstrated excellence in the application of their new learning in three different categories. The Commission also recognised two industry groups for their commitment to CPD.

Registered Building Practitioner resources

The Commission continued to promote the value of registration by providing RBPs with marketing materials including RBP site signs and RBP branding for practitioners to use in advertising.

The Registered Building Practitioner newsletter

In 2012, the Commission launched a new industry publication, *The Registered Building Practitioner*, the 'official news' of the Commission. Published quarterly, each edition of the newsletter was distributed to more than 20,600 Registered Building Practitioners and more than 4000 other stakeholders – averaged distribution over editions for the year. Each edition featured a message from the Commissioner and articles relating to technical information and items of industry interest. The publication does not accept advertising.

The Commission provided relevant information for both builders and plumbers through separate newsletters – *The Registered Building Practitioner* and *The Registered Plumber*.

Practitioner ebulletin

To provide frequent information on regulatory change, the Commissions delivered via email an ebulletin to 5000 practitioners who subscribed. From November 2012, the ebulletin was monthly.

Performance against targets and key achievements

Maintaining strong relationships with local government stakeholders

The Commission has a proactive and productive working relationship with the Victorian Municipal Building Surveyors Group (VMBSG), an important local government stakeholder. Commission senior representatives meet quarterly with the VMBSG Executive Committee as a reference group. Commission representatives also actively take part in the group's general meetings.

The VMBSG and Commission are involved in working groups of mutual interest including projects relating to the Victorian Auditor-General's Office report recommendations, along with the

Municipal Association of Victoria and the Department for Planning and Community Development. In 2012-2013, a draft strategy was developed that would help the Commission in monitoring building surveyors and the building permit system.

Following the success of a Building Surveyor Administration Workshop program run in Melbourne, the Commission held two workshops in regional Victoria in 2012-2013. These presentations and workshops clarified the Commission's processes for administration staff working for surveyors.

Employee workforce information

Gender profile as at 30 June 2013

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Female	70 (57%)	71 (59%)	77 (62%)	66 (57%)	63 (55%)
Male	53 (43%)	49 (41%)	48 (38%)	49 (43%)	51 (45%)
Total head count	123	120	125	115	114

Staff profile

As at 30 June 2013, the Commission employed 123 people (115.69 full-time equivalent employees). This figure excluded four employees on maternity leave.

The Commission is committed to applying merit and equity principles when appointing staff. The appointment process ensured that the Commission assessed and evaluated applicants fairly and equitably using key selection criteria and other accountabilities without discrimination.

Victorian Industry Participation Policy Act 2004

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

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

The *Public Administration Act 2004* ensures that employee conduct is based on merit, fairness, equality and avenues of redress against unreasonable treatment. The purpose of the Act and resulting Code of Conduct for Victorian Public Sector employees is to promote adherence to public sector values. Commission employees were expected to act with impartiality, integrity, accountability and provide responsive service to consumers, practitioners and the Victorian community.

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

The Code provides employees with guidelines to ensure behaviour is consistent with the Victorian public sector values of Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership, and Human Rights. Regular information sessions ensure all employees understand the requirements of the Code and new employees were advised of the requirement to declare any potential conflicts of interest to ensure these are managed appropriately. All members and executives of the Commission's statutory bodies sign a Declaration of Private Interest annually.

Core values

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

The Commission's core values are:

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

Recruitment

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

Suitability testing

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

Police and working with children checks

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

Work health and safety

The Commission's health, safety and wellbeing initiatives address the *Occupational Health and Safety Act 2004*. The Commission provided all employees with a safe and healthy working environment that complied with legislative requirements. The Commission's policies aimed to:

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

The Commission's work was supported by the Wellbeing Committee, which enhanced and promoted employee holistic health, safety and wellbeing.

Occupational and base salary standards

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Executives	3 (2%)	6 (5%)	6 (6%)	7 (6%)	5 (4%)
E01 – 03 of Victorian Government Sector					
EO1 (\$250,082 – \$364,378)					
EO2 (\$172,087 – \$274,181)					
EO3 (\$138,212 – \$191,953)					
Professional and Managerial					
Band 6 (\$84,710 – \$115,035)	21 (17%)	14 (11%)	13 (10%)	13 (11%)	13 (11%)
Associate professional (including technical)	59 (48%)	57 (47%)	59 (47%)	51 (44%)	50 (43%)
Band 5 (\$66,939 – \$88,891)	38				
Band 4 (\$53,922 – \$71,243)	21				
Administrative/secretarial/customer service	38 (31%)	41 (34%)	45 (36%)	43 (37%)	45 (39%)
Band 3 (\$45,613 – \$57,934)	23				
Band 2 (\$36,520 – \$50,459)	15				
Trainee					
Band 1 (\$32,421 – \$38,622)	2 (2%)	2 (2%)	2 (2%)	1 (1%)	2 (2%)
Total Head Count	123	120	125	115	115
Full time equivalent (FTE)	115.69	112.23	117.5	108.2	107.8

Performance against targets – Life balance participation

PERFORMANCE MEASURES	UNIT OF MEASURE	2012-2013 ACTUAL	2012-2013 TARGET	2011-2012 ACTUAL	2011-2012 TARGET
Quantity					
Days lost to occupational health and safety incidents	number	298 ⁽¹⁾	0	279 ⁽²⁾	0

(1) Days relate to three compensation cases.

(2) Days relate to five compensation cases.

Financial Statements 2012-2013

Summary of significant changes to financial position

The Building Commission's financial result of a \$132,370 net surplus for the 2012-2013 financial year was a significant improvement on the previous year's net deficit of \$1.6 million. This was due to a number of factors and in spite of:

- a reduction in building permit levies of \$745,105 compared to the previous year
- an increase in the Provision for Doubtful Debts for contractual receivables of \$839,506
- an increase in the BACV provision of \$215,000.

In addition to the three factors mentioned above, the other key financial impacts the Commission experienced during the 2012-2013 financial year included:

- A reduction of \$436,635 in employee benefit expenses compared to the previous year, primarily because a number of senior level positions became vacant and these not being re-filled.
- A reduction of \$1,295,916 in legal expenses, as a direct result of legal counsel services provided in-house.
- A reduction of \$974,433 in special project expenditure reflecting general austerity measures implemented to tighten expenditure in line with the expected decrease in building permit levies

Overall, total expenses from transactions were down \$2.4 million to \$27.4 million compared to the previous year. The Commission directed its revenues to:

- the delivery of regulatory development activities
- practitioner registration
- compliance activities
- building dispute resolution and reduction strategies within the Building Advice and Conciliation Victoria (BACV) function
- building industry research
- informing consumers and industry
- sustainable building and energy efficiency projects
- internal systems improvements
- bushfire rebuilding response projects
- local government consultation
- responding to the Victorian Auditor-General's Office performance audit and Victorian Ombudsman's report.

In response to the recommendations of the Victorian Auditor-General's performance audit into the building permit system, the Commission's revision of operating arrangements resulted in many investigator, inspector, assessment and legal services coming in-house, with the aim of making significant improvements in consumer and building industry outcomes, retaining intellectual property rights and reducing the costs of these services.

Total asset holdings decreased by \$0.6 million during 2012/13, mainly due to a reduction of \$1.1 million in receivables and the effect of depreciation and amortisation for the year.

The Commission's working capital surplus, and cash and investments maintained their strong positions at \$6.7 million and \$10.7 million, respectively. Both accord with the Commission's Cash Reserves Policy.

Financial governance

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

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

Provisions and reserves

As the Commission is a statutory self-funding body under the *Building Act 1993*, the Commission's Building Advisory Council supported Cash Reserves and Expenditure Policy requires the Commission to hold sufficient retained earnings, working capital and cash/investments to protect the Commission against a sustained downturn in the Victorian building industry. In addition, the Building Commissioner, within the 2012-2013 annual budget and three-year financial plan, has planned for an increase in the Commission's cash reserves.

The Building Advice and Conciliation Victoria (BACV) building permit levy funds the BACV functions as established under the *Domestic Buildings Contracts (Conciliation and Dispute Resolution) Act 2002*. As part of the dispute resolution functions of the BACV, the Commission was allocated a portion of the levy to fund its role in the dispute resolution process and takes that income to account when received.

The Commission currently provides and, in the future, the Victorian Building Authority (VBA) will provide services in relation to BACV disputes arising from building permits issued in the past. As such, the VBA will in the future incur costs to service BACV disputes in relation to past building permits, including the cost of inspection reports and case administration. The BACV provision is the estimated net present value of those future costs to service disputes relating to past building permits issued. In the last four years, the Commission has implemented an on-site conciliation process aimed at identifying and resolving cases that can be better dealt with through a conciliation process rather than a formal inspection report process.

The on-site conciliation initiative has been very beneficial in the orderly resolution of matters. The future cost of providing this service has been estimated and factored into the BACV provision estimate. The value of the BACV Provision as at 30 June 2013 is \$3.615 million.

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

Financial performance during the past five years

ITEM	2012-2013 \$M	2011-2012 \$M	2011-2010 \$M	2009-2010 \$M	2008-2009 \$M
General building permit levy	\$14.7	\$15.0	\$15.3	\$15.5	\$13.3
BACV building permit levy	\$7.1	\$7.5	\$7.7	\$7.5	\$6.1
Building practitioner registrations	\$2.3	\$2.4	\$2.3	\$2.2	\$2.2
Owner-builder certification fees	\$0.7	\$0.7	\$0.8	\$0.8	\$0.7
Total income	\$27.8	\$28.3	\$30.0	\$28.6	\$25.1
Total expenses	\$27.5	\$29.6	\$28.4	\$26.6	\$25.6
Net result from normal operations	\$0.3	(\$1.3)	\$1.6	\$2.0	(\$0.5)
BACV provision expense	\$0.2	(\$0.3)	\$0.4	\$0.8	\$0.3
Net result	\$0.1	(\$1.6)	\$1.2	\$1.2	(\$0.8)
Total assets	\$18.1	\$18.6	\$19.8	\$19.8	\$18.2
Accumulated surplus	\$3.1	\$3.0	\$4.6	\$3.4	\$2.2
BACV provision	\$3.6	\$3.4	\$3.7	\$3.3	\$2.5
Net increase/(decrease) in cash and cash equivalents	\$2.6	\$0.5	(\$1.2)	(\$1.6)	(\$1.6)

Financial Statements 2012-2013

Building permit levy – general levy

The general building permit levy is the Commission's major source of revenue. The levy is payable at the rate of 0.064 cents in the dollar on the value of building work requiring a building permit. The levy is not payable on an application for a building permit if the cost of building work is \$10,000 or less. It is collected on a monthly basis through the building surveyor who issues the building permit. From 1 August 1997, the levy was payable on all Victorian and local government projects.

The amount of general building permit levy collected for the 2012-2013 financial year decreased two per cent to \$14.7 million.

Building permit levy – BACV levy

On 11 June 2002, the passing of the *Domestic Buildings Contracts (Conciliation and Dispute Resolution) Act 2002* in State Parliament resulted in the introduction of the Building Advice and Conciliation Victoria (BACV) building permit levy. This represented a further 0.064 cents in the dollar of building permit levy on the value of building work requiring a building permit worth more than \$10,000.

Effective from 1 January 2005, the Commission retained 50 per cent of the BACV building permit levy as revenue, while 50 per cent of the levy was payable on a monthly basis to the Domestic Builders Fund administered by Consumer Affairs Victoria (previously 56.6 per cent to the Commission and 43.4 per cent to Consumer Affairs Victoria).

The total amount collected and subsequently paid to Consumer Affairs Victoria (including interest) for 2012-2013 was \$7.1 million.

Domestic Building Indemnity Fund

On 8 June 2001, the passing of the *House Contracts Guarantee (HIH) Act 2001* in State Parliament resulted in the introduction of the HIH building permit levy. This represents a further 0.032 cents in the dollar of building permit levy on the value of domestic building work requiring a building permit worth more than \$10,000.

The additional building permit levy is payable on a monthly basis to the Domestic Building (HIH) Indemnity Fund administered by the Victorian Managed Insurance Authority (VMIA). The total amount collected and subsequently paid to VMIA for 2012-2013 was \$0.017 million, down on the \$0.046 million collected and paid to the VMIA in 2011-2012. This decrease was due to the sunsetting of the *House Contracts Guarantee (HIH) Act 2001* on 30 June 2010 and therefore the ceasing of this levy.

Bonds and guarantees

Under s22 of the *Building Act*, when issuing building permits for demolition, removal or re-erection of building, relevant building surveyors must require the applicant to lodge either a monetary bond or bank guarantee with the Commission – until completion of the project.

During 2011-2012, there were 286 bonds and three guarantees lodged with the Commission. At 30 June 2013, the Commission held \$1.9 million in bonds and guarantees relating to 458 outstanding projects. The Commission follows up outstanding projects with the relevant building surveyors annually.

New fees and charges

The *Building Amendment (Fees) Regulations 2010* amended the *Building Regulations 2006* to increase statutory fees in line with the annual rate set by the Victorian Treasurer. Details of fees and charges are available to Members of Parliament and the public on request.

Private interests

In accordance with Victorian Government requirements, relevant Commission staff have made private interest declarations for the year ended 30 June 2013. No senior officer held shares as a nominee, or beneficiary in a statutory authority or subsidiary.

Board and Committee fees by each Board and Committee for 2012-2013

(Note: Re VCEC recommendation 9.5)

Building Advisory Council	\$18,551
Building Practitioners Board	\$403,427
Building Appeals Board	\$266,286
Building Regulations Advisory Committee	\$19,269
Audit Committee	\$14,715
Total cost of board and committee fees	\$714,891

The funding allocated to each board and committee from the Building Administration Fund was sufficient to ensure its effective operation and decision-making and was managed within the Commission's financial management and budgetary processes in full consultation with the chairperson of each board and committee.

Major expenditure on special projects including R&D (more than \$10 000)

(Note: Re VCEC recommendation 10.3)

Details of consultancies less than \$10,000

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2012-2013 (EX GST)	FUTURE EXPENDITURE (EX GST)
Stephen John Murphy	Strategic communication advice	1/10/2012	31/12/2013	\$4,350.00	\$4,350.00	\$0
Anne Dalton & Associated	Probity advice	01/08/2012	30/11/2012	\$4,640.00	\$4,640.00	\$0
Grant Thornton (Vic) Pty Ltd	Research and advice	31/01/2013	30/04/2013	\$5,745.00	\$5,745.00	\$0
Sub-Total					\$14,735.00	\$0

Details of consultancies more than \$10,000

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EX GST)	EXPENDITURE 2012-2013 (EX GST)	FUTURE EXPENDITURE (EX GST)
Fleet Software & Services Pty Ltd	Vehicle use efficiency advice	01/04/2012	18/04/2012	\$21,600.00	\$21,600.00	\$0
Stonewall Holdings Pty Ltd (Clement-Stone)	Operational transition advice	01/02/2013	31/03/2013	\$21,962.50	\$21,962.50	\$0
Direction Strategies Pty Ltd	Strategic advice	01/07/2012	28/03/2013	\$22,416.00	\$22,416.00	\$0
Meinhardt (VIC) Pty Ltd	Construction, advice	01/12/2012	30/06/2013	\$44,100.00	\$44,100.00	\$0
Galaxie Business Solutions	Strategic advice to Commissioner	01/07/2012	31/12/2012	\$76,250.00	\$76,250.00	\$0
Deloitte Access Economics Pty Ltd	Builder advice	01/09/2012	31/03/2013	\$105,666.00	\$105,666.00	\$0
Total					\$291,994.50	\$0

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Commissioner, Building Commission

The Financial Report

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

The Commissioner's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

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

Matters Relating to the Electronic Publication of the Audited Financial Report

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

MELBOURNE
11 September 2013


John Doyle
Auditor-General

Financial Statements 2012-2013

Accountable Officer's and Chief Finance and Accounting Officer's Declaration

For the year ended 30 June 2013

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

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

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

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



Greg Hyams

Building Commissioner/Accountable Officer

Melbourne

10th September 2013



Mark Zanatta

Chief Finance & Accounting Officer

Melbourne

10th September 2013

Comprehensive Operating Statement

For the financial year ended 30 June 2013

	NOTES	2013 \$	2012 \$
Continuing operations			
Income from transactions			
Building permit levies	2(a)	21,759,069	22,504,174
Building practitioner registrations		2,324,026	2,367,752
Owner builder certification fees		674,480	730,026
Modifications & appeals		232,617	251,690
Prosecutions	2(b)	262,122	193,261
Interest income		356,610	454,655
		25,608,924	26,501,558
Other income	2(c)	2,177,017	1,780,893
Total income from transactions		27,785,941	28,282,451
Expenses from transactions			
Employee benefit expenses	3.1(a)	10,696,254	11,132,889
General administration expenses	3.1(c)	9,205,987	10,089,337
Accommodation expenses	3.1(d)	1,628,883	1,661,110
Corporate services expenses	3.1(e)	2,501,986	3,760,102
Depreciation & amortisation	3.1(f)	1,852,750	2,172,929
Board and committee fees	3.1(g)	714,891	725,564
Grant – Australian Building Codes Board		546,438	579,637
Audit fees	3.1(h)	81,480	14,800
BACV provision	3.1(i)	215,000	(333,002)
Total expenses from transactions		27,443,669	29,803,366
Net result from transactions (net operating balance)		342,272	(1,520,915)
Other economic flows included in net result			
Net loss from sale of non financial assets – Fixed assets	3.2	85,703	77,627
Write off of inventories	3.2	124,199	–
Total other economic flows included in net result		209,902	77,627
Net result		132,370	(1,598,542)
Comprehensive result		132,370	(1,598,542)

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

Financial Statements 2012-2013

Balance Sheet

As at 30 June 2013

	NOTES	2013 \$	2012 \$
ASSETS			
Financial assets			
Cash and cash equivalents	15(a)	7,336,143	4,776,843
Receivables	4	2,908,717	3,981,994
Other financial assets	5	3,400,000	3,700,000
Total financial assets		13,644,860	12,458,837
Non financial assets			
Inventories	3.2(a)	–	124,199
Prepayments	8	95,997	270,762
Plant and equipment	6	3,144,599	4,007,303
Intangible assets	7	1,166,494	1,786,991
Total non financial assets		4,407,090	6,189,255
Total assets		18,051,950	18,648,092
LIABILITIES			
Payables	9(a)	1,110,621	1,966,255
Other liabilities	9(b)	1,401,294	1,464,785
Security deposits	10	1,768,305	1,881,305
Deferred revenue	11	1,262,235	1,066,952
Provisions	12	6,097,054	5,988,724
Total liabilities		11,639,509	12,368,021
Net Assets		6,412,441	6,280,071
Equity			
Contributed capital	13	3,260,987	3,260,987
Accumulated surplus	14	3,151,454	3,019,084
Net worth		6,412,441	6,280,071
Commitments for expenditure	17		
Contingent assets and liabilities	19		

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

For the financial year ended 30 June 2013

	NOTES	CONTRIBUTED CAPITAL \$	ACCUMULATED SURPLUS \$	TOTAL EQUITY \$
Balance at 1 July 2011	13	3,260,987	4,617,626	7,878,613
Net result for the year	14	–	(1,598,542)	(1,598,542)
Balance at 30 June 2012	13	3,260,987	3,019,084	6,280,071
Net result for the year	14	–	132,370	132,370
Balance at 30 June 2013		3,260,987	3,151,454	6,412,441

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Financial Statements 2012-2013

Cash Flow Statement

For the financial year ended 30 June 2013

	NOTES	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		30,056,647	37,195,401
Interest received		386,003	452,203
Goods and Services Tax recovered from the ATO ⁽ⁱ⁾		1,509,259	1,545,265
Total receipts		31,951,909	39,192,869
Payments to suppliers and employees		(28,577,918)	(37,301,333)
Payments of grants – Australian Building Codes Board		(546,438)	(579,637)
Total payments		(29,124,356)	(37,880,970)
Net cash flows from/(used in) operating activities	15(b)	2,827,553	1,311,899
Cash flows from investing activities			
Purchase of other financial assets		–	(400,000)
Proceeds of other financial assets		300,000	–
Payments for intangibles		(291,286)	(398,309)
Payments for purchase of plant and equipment		(367,665)	(245,308)
Proceeds from sale of plant and equipment		203,698	245,122
Net cash flows from/(used in) investing activities		(155,253)	(798,495)
Cash flows from financing activities			
Receipts of security deposits		563,330	593,500
Payments of security deposits		(676,330)	(593,070)
Net cash flows from/(used in) financing activities		(113,000)	430
Net increase/(decrease) in cash and cash equivalents		2,559,300	513,834
Cash and cash equivalents at the beginning of the financial year		4,776,843	4,263,009
Cash and cash equivalents at the end of the financial year	15(a)	7,336,143	4,776,843

(i) Goods and Services Tax recovered from the ATO is presented on a net basis.

The above cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2013

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Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies

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

1.1 Statement of compliance

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

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

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 23.

These annual financial statements were authorised for issue by the Building Commissioner on 10th September 2013.

1.2 Basis of accounting preparation and measurement

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

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

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

- The fair value of land, buildings, infrastructure, plant and equipment, and intangible assets (refer to Note 1.10);
- Superannuation expense (refer to Note 1.6); and
- Actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1.12).

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

1.3 Reporting entity

The financial statements cover the Building Commission as an individual reporting entity. The Commission is a self funded statutory authority established under the *Building Act 1993*. Its principal address is:

Building Commission
Goods Shed North
733 Bourke Street
Docklands VIC 3008

1.4 Scope and presentation of financial statements

Comprehensive operating statement

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

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods 2005* and *Amendments to Australian System of Government Finance Statistics, 2005* (ABC Catalogue No. 5514.0) (the GFS manual, refer to Note 23).

'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-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans; 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 (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

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*.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

Statement of changes in equity

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

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 at fair value. Revenue is recognised for each of the Commission's major activities as follows:

(a) Building permit levy (general and BACV)

Building permit levy receipts are brought to account in the month of issue of the building permit.

(b) Building Practitioner Registrations

Yearly registration renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Registration fees received relating to the subsequent year are recognised at year-end as deferred revenue (note 11).

(c) Cooling tower registrations, modifications and appeals, miscellaneous revenue and proceeds from sale of fixed assets

Cooling tower registrations, modifications and appeals and miscellaneous revenue are brought to account when earned. Proceeds from sale of fixed assets are recognised upon signing the contract of sale.

(d) Prosecutions

Prosecutions revenue recognises prosecution fines and costs payable to the Building Commission as a result of legal action taken by the Commission against building practitioners in the Magistrates Court.

(e) Sundry revenue

Sundry revenue recognises Building Practitioners Board (BPB) fines and costs payable to the Building Commission as a result of action taken by the BPB against registered building practitioners at BPB hearings.

(f) Grant revenue

Income from grants (other than contribution by owners) is recognised when the Commission obtains control over the contribution.

For reciprocal grants (i.e. equal value given back by the Commission to the provider), the Commission is deemed to have assumed control when the Commission has satisfied its performance obligations under the terms of the grant. For non-reciprocal grants, the Commission is deemed to have assumed control when the grant is receivable or received. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

(g) Owner builder certification fees

Owner builder certification fees are recognised upon receipt of the application for certification. From 14 June 2005 a certificate of consent must be obtained for domestic building work to be undertaken by an owner builder valued in excess of \$12,000, in order to obtain a building permit. The cost of an owner builder certificate of consent is \$85.15 and this allows an owner builder to build one home every three years in the State of Victoria.

(h) Interest Income

Interest income is recognised using the effective interest method which allocates the interest over the relevant period

1.6 Expenses from transactions

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

(a) Employee expenses

Refer to the section in Note 1.12 regarding employee benefits.

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

Superannuation

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

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

Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies *continued*

(b) Depreciation and amortisation

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

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

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

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

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

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

	USEFUL LIFE
Motor vehicles	2 years*
Furniture and fittings	6 years
EDP equipment	3 years
Office machines and equipment	10 years
Computer software	3 years

* 10% depreciation rate reduces the value of motor vehicles to their expected trade value after 2 years.

(c) Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations, and include:

Supplies and services

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

Bad and doubtful debts

Refer to Note 1.9 *Impairment of financial assets*

1.7 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 as follows:

(b) Disposal of non-financial assets

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

(c) Amortisation of non-produced intangible assets

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

(d) Impairment of non-financial assets

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

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

- inventories (refer Note 1.10)

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

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

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

Refer to Note 1.10 in relation to the recognition and measurement of non-financial assets.

1.8 Financial Instruments

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

The Loans and receivables category includes cash and deposits (refer 1.9), term deposits with a term to maturity of less than 12 months, and contractual and statutory receivables.

Held to maturity financial assets

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

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

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

1.9 Financial Assets

(a) Cash and deposits

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

(b) Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued and investment income; and
- statutory receivables, such as amounts owing from the Victorian Government and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1.8 for recognition and measurement). Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

(c) Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity; and
- available-for-sale financial assets.

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

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies *continued*

(d) Impairment of financial assets

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

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

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

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

1.10 Non Financial Assets

(a) Inventory

Inventories include goods held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Plant and Equipment

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

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

(c) Intangible assets

Purchased intangible assets are initially measured 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.

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

Refer to Note 1.6 *Depreciation and Amortisation* and Note 1.9 *Impairment of non-financial assets*.

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

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

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (ii) an intention to complete the intangible asset and use or sell it;
- (iii) the ability to use or sell the intangible asset;
- (iv) intangible asset will generate probable future economic benefits;
- (v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- (vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.11 Other non financial assets

(a) 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.

1.12 Liabilities

(a) Payables

Payables consist of:

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

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

(b) Borrowings

All interest bearing liabilities are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Commission has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

(c) Provisions

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

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

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

Employee benefits

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

(i) *Wages and salaries and annual leave*

Liabilities for wages and salaries and annual leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) *Long service leave*

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

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

The components of this current LSL liability are measured at:

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

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as other economic flow (refer to Note 1.7)

(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.

Employee benefits on-costs

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

Financial guarantees

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, then it is measured at the higher of the amount determined in accordance with

AASB 137 Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the Commission in the event of default.

The value of loans and other amounts guaranteed by the Treasurer is disclosed in Note 19.

Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies *continued*

1.13 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 lessee. All other leases are classified as operating leases.

Operating Leases

(i) *Commission as lessee*

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

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

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

1.14 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. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

1.15 Commitments

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

1.16 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

1.17 Accounting for the goods and services tax

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

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

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

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

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 of the 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 end of the reporting period and the date the statements are authorised for issue where the events relate to condition which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

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

1.19 Australian Accounting Standards issued that are not yet effective

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

As at 30 June 2013, the following standards and interpretations that are applicable to the Commission had been issued but are not mandatory for financial years ending 30 June 2013. The Building Commission has not, and does not intend to, adopt these standards early.

STANDARD/INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON PUBLIC SECTOR ENTITY FINANCIAL STATEMENTS
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 01 January 2015 but is available for early adoption. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed. The Commission has not yet decided when to adopt AASB 9.	1-Jan-13	The Commission is yet to assess its full impact. However, initial indications are that it may affect the commission's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1-Jul-13	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.

Notes to the Financial Statements

For the year ended 30 June 2013

1. Summary of significant accounting policies *continued*

1.19 Australian Accounting Standards issued that are not yet effective *continued*

STANDARD/INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON PUBLIC SECTOR ENTITY FINANCIAL STATEMENTS
<p>AASB 2011-4</p> <p><i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i></p> <p>[AASB 124]</p>	<p>This Standard amends AASB 124 Related Party Disclosures by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).</p>	<p>1-Jul-13</p>	<p>No significant impact is expected from these consequential amendments on entity reporting.</p>
<p>AASB 2011-6</p> <p><i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i></p> <p>[AASB 127, AASB 128 & AASB 131]</p>	<p>The objective of this Standard is to make amendments to AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.</p>	<p>1-Jul-13</p>	<p>The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.</p>
<p>2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i></p> <p>[AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]</p>	<p>This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 Fair Value Measurement.</p>	<p>1-Jul-13</p>	<p>As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.</p>

2. Income from transactions

(a) Building permit levies

		2013 \$	2012 \$
Building permit levy – General levy	(i)	14,666,494	15,035,503
Building permit levy – BACV levy	(ii)	7,092,575	7,468,671
		21,759,069	22,504,174

(i) *Building permit levy – General levy*

The general building permit levy is calculated based on 0.064 cents in every dollar of the cost of building work for which a building permit is sought.

(ii) *Building permit levy – BACV levy*

The Building Advice and Conciliation Victoria (BACV) building permit levy is calculated based on 0.064 cents in every dollar of the cost of building work for which a building permit is sought and funds the Building Advice and Conciliation Victoria functions established under the Domestic Buildings Contracts (Conciliation and Dispute Resolution) Act 2002. The Act became effective on 1 July 2002. The Commission collects the levy and for the period July 2012 – June 2013 retains 50% of the BACV levy as revenue with the remaining 50% being payable to Consumer Affairs Victoria (CAV). The statement of cash flow includes a cash inflow at 100% of the levy collected by the Commission and the corresponding payment to CAV as an outflow from operating activities.

(b) Prosecutions

	2013 \$	2012 \$
Prosecutions revenue	262,122	193,261
	262,122	193,261

(c) Other income

Other income is comprised of:

		2013 \$	2012 \$
Permit fees		135,528	58,556
Publications		4,317	2,633
Fines		593,159	341,882
Inspection fees		11,618	10,636
Accreditation fees		17,191	18,714
Freedom of Information fees		1,058	643
Miscellaneous revenue		31,058	30,973
Grant – Bushfire Rebuilding Response	(i)	408,000	363,878
Grant – Review Commercial Builders Insurance		–	97,500
Grant – Swimming Pool and Spa Safety Program		100,000	–
Recovery of costs		875,088	855,478
		2,177,017	1,780,893

(i) Grants received from Victorian State Government in order for the Building Commission to respond to building recommendations from the Bushfire Royal Commission.

Notes to the Financial Statements

For the year ended 30 June 2013

3.1 Expenses from transactions

(a) Employee expenses

		2013 \$	2012 \$
Salaries and related on costs		9,733,402	10,325,199
Superannuation	(b)	962,852	807,690
		10,696,254	11,132,889

(b) Superannuation

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

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

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

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

	2013 \$	2012 \$
Defined benefit plans:		
State Superannuation Schemes Revised & New	33,804	33,548
Defined contribution plans:		
VicSuper	484,978	544,263
Other superannuation funds	444,070	229,879
	962,852	807,690

\$89,879 of contributions were outstanding as at 30 June 2013.

(c) General administration expenses

General administration costs comprise:

	2013 \$	2012 \$
Travelling and subsistence	101,165	227,274
Office requisites, printing and stationery	343,933	360,529
Minor asset purchases	52,104	41,691
Books and publications	46,920	42,575
Postage and courier	82,109	96,526
Motor vehicles	139,963	165,416
Human resources investment	224,874	493,065
Incidental expenses	952,909	253,571
Legal expenses	1,395,626	2,691,542
Hire of agency staff	1,628,890	1,318,441
Special project expenditure	3,069,222	4,043,655
Insurance	147,528	140,053
Fringe benefits tax	146,234	184,633
Bank charges	30,247	30,366
Bad and doubtful debts	844,263	-
	9,205,987	10,089,337

3.1 Expenses from transactions *continued*

(d) Accommodation charges

The Commission's accommodation charges relate to its accommodation at Goods Shed North 733 Bourke Street, Docklands.

(e) Corporate services charges

These payments reflect amounts paid to external information technology support companies, building practitioner registration renewal outsourcing providers and external providers of building practitioner registration assessments, building practitioner compliance assessments, BACV inspections and BACV conciliations.

(f) Depreciation and amortisation expense by class of assets

	2013 \$	2012 \$
Motor vehicles	78,178	89,022
Furniture and fittings	631,190	632,883
EDP equipment	202,256	281,314
Office machines and equipment	8,133	8,024
Computer software	911,783	1,140,476
Make Good Provision	21,210	21,210
	1,852,750	2,172,929

(g) Board and committee fees

Board fees comprise sessional payments, on-costs, travel and incidental expenses of the following boards and committees:

- Building Advisory Council
- Building Practitioners Board
- Building Appeals Board
- Building Regulations Advisory Committee
- Audit Committee

(h) Auditors remuneration

Total Audit Fees of \$81,480, includes the Commission's fee payable of \$71,325 (2012 – \$14,800) to the Victorian Auditor General's Office, which represents fees for additional audit work completed for the 2011/12 financial year as well as work completed for the audit of the financial statements for the 2012/2013 financial year.

(i) BACV Provision

During the 2013 financial year, the Commission increased the BACV Provision by \$215,000 to recognise the Commission's liability in servicing future BACV dispute claims. The BACV provision is the estimated net present value of those future costs to service those disputes relating to past building permits issued. The provision has increased in 2013 mainly due to an increase in claim rates for 2012/2013.

3.2 Other economic flows included in net result

The loss from sale of fixed assets of \$85,703 (2012 – \$77,627) resulted from the proceeds of \$203,698 (2012 – \$245,122) after deducting the equipment's written down value of \$289,401 (2012 – \$322,749).

The write-off of obsolete inventories of \$124,199 is due to the merging of the operations of the Building Commission and Plumbing Industry Commission into the Victorian Building Authority from 01 July 2013. From this date, the Building Commission and Plumbing Industry Commission were abolished.

Notes to the Financial Statements

For the year ended 30 June 2013

4. Receivables

		2013 \$	2012 \$
Current			
Contractual			
Building permit levy receivables	(i)	2,140,631	2,576,607
Sundry debtors – prosecutions	(ii)	46,487	319,780
Other sundry debtors	(iii)	434,722	682,103
		2,621,840	3,578,490
Statutory			
GST clearing account		286,877	403,504
		2,908,717	3,981,994

- (i) Receivables comprise primarily building permit levy receipts in relation to permits issued prior to 30 June 2013 and unpaid at that date. The average credit period is 30 days and the balance is non-interest bearing. A provision has been made for estimated irrecoverable amounts when there is objective evidence that an individual receivable is impaired. The increase was recognised in the net result for the current financial year.
- (ii) Sundry debtors – prosecutions of \$46,487 (2012 – \$319,780) represents revenue owing at 30 June 2013 of \$669,967 (2012 – \$577,594), less a provision for doubtful debts of \$623,480 (2012 – \$257,814). A provision for doubtful debts, allows for fines and costs which may be commuted to community based orders and other penalties, and which may be paid by instalment. The level of the provision for doubtful debts reflects all prosecutions where no money has yet to be received by the Court for payment to the Building Administration Fund.
- (iii) Other sundry debtors of \$434,722 (2012 – \$682,103), represents sundry revenue owing at 30 June 2013 of \$1,014,253 (2012 – \$787,794), less a provision for doubtful debts of \$579,531 (2012 – \$105,691). The level of the provision for doubtful debts reflects all BPB fines and costs where no money has yet to be received by the Commission for payment to the Building Administration Fund.

(a) Movement in the provision for doubtful contractual receivables

	2013 \$	2012 \$
Balance at beginning of the year	363,505	358,501
Increase/(decrease) in provision recognised in the net result	839,506	5,004
Balance at the end of the year	1,203,011	363,505

(b) Ageing analysis of contractual receivables

Refer Note 16 for the ageing analysis of contractual receivables

(c) Nature and extent of risk arising from contractual receivables

Refer Note 16 for the nature and extent of risks arising from contractual receivables

5. Investments and other financial assets

Other financial assets comprise:

	2013 \$	2012 \$
Term deposit – current	3,400,000	3,700,000
	3,400,000	3,700,000

The Commission has reclassified a portion of cash balances in order to specifically allocate cash to fund the BACV Provision. The term deposit is interest bearing with a maturity date of 15 July 2013.

(a) Ageing analysis of other financial assets

Refer Note 16 for the ageing analysis of other financial assets

(b) Nature and extent of risk arising from other financial assets

Refer Note 16 for the nature and extent of risks arising from other financial assets

6. Plant and equipment

Classification by Public Administration Purpose Group – Carrying Amounts

	2013 \$	2012 \$
Sub-classification by nature		
Plant, equipment and vehicles		
Cost	7,797,670	7,809,672
less Accumulated Depreciation	4,653,071	3,802,369
Net carrying value of plant and equipment	3,144,599	4,007,303

Notes:

(i) Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications (GPC). All assets within a purpose group are further sub categorised according to the asset's 'nature' (i.e. buildings, plant and equipment, etc), with each sub category being classified as a separate class of asset for financial reporting purposes.

(a) Property plant and equipment – movements in carrying amounts

	PLANT, EQUIPMENT & VEHICLES		TOTAL	
	2013 \$	2012 \$	2013 \$	2012 \$
Opening balance	4,007,303	5,117,197	4,007,303	5,117,197
Additions	367,664	215,520	367,664	215,520
Disposals	(289,401)	(292,961)	(289,401)	(292,961)
Depreciation expense	(940,967)	(1,032,453)	(940,967)	(1,032,453)
Closing balance	3,144,599	4,007,303	3,144,599	4,007,303

7. Intangible assets

	COMPUTER SOFTWARE		TOTAL	
	2013 \$	2012 \$	2013 \$	2012 \$
Gross carrying amount				
Opening balance	6,324,818	5,926,509	6,324,818	5,926,509
Additions from internal development	291,286	398,309	291,286	398,309
Closing balance	6,616,104	6,324,818	6,616,104	6,324,818
Accumulated depreciation, amortisation and impairment				
Opening balance	(4,537,827)	(3,397,351)	(4,537,827)	(3,397,351)
(i) Depreciation of intangible produced assets	(911,783)	(1,140,476)	(911,783)	(1,140,476)
Closing balance	(5,449,610)	(4,537,827)	(5,449,610)	(4,537,827)
Net book value at end of financial year	1,166,494	1,786,991	1,166,494	1,786,991

Notes:

(i) The consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of the intangible non-produced assets is included in 'net gain/(loss) on non-financial assets' line on the comprehensive operating statement.

Notes to the Financial Statements

For the year ended 30 June 2013

8. Other non-financial assets

	2013 \$	2012 \$
Current other assets		
Prepayments	95,997	270,762
Total current other assets	95,997	270,762

9. Payables and other liabilities

9(a) Payables

	2013 \$	2012 \$
Current		
Contractual		
Sundry creditors and accruals	1,110,621	1,966,255
	1,110,621	1,966,255

Terms and conditions of payables vary according to particular agreements with these parties. The average credit terms for payables are 30 days and the balance is non-interest bearing.

(a) Maturity analysis of contractual payables

Refer note 16 for the ageing analysis of contractual payables

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

Refer note 16 for the nature and extent of risks arising from contractual payables

9(b) Other liabilities

Amounts payable to government agencies

		2013 \$	2012 \$
Current			
Domestic Building List	(a)	150,412	107,923
HIH clearing	(b)	1,181	14,431
BACV clearing	2(a)(ii)	1,249,701	1,342,431
		1,401,294	1,464,785

(a) Domestic building list

This represents the amount owed to the Domestic Building List (which operates under the jurisdiction of the Commission of Justice) under section 200(5) (b) of the Building Act. During 2012/2013, the sum of \$1,435,568 (2011/2012 – \$1,428,141) was paid to the Domestic Building List. The Building Commission partially funds the operation of the Domestic Building List, which resolves contract disputes involving building practitioners registered with the Building Commission. The statement of cash flow includes a cash inflow at 100% of the building practitioner registrations collected by the Commission and the corresponding payment to the Domestic Building List as an outflow from operating activities.

(b) HIH clearing

Estimated additional building permit levy collected for the HIH rescue package fund established by State Parliament on 8 June 2001, calculated at the rate of 0.032 cents in every dollar of the cost of domestic building work for which a building permit is sought, payable to the Domestic Building (HIH) Indemnity Fund administered by the Housing Guarantee Fund Ltd. The statement of cash flow includes a cash inflow at 100% of the levy collected by the Commission and the corresponding payment to the Housing Guarantee Fund Ltd. as an outflow from operating activities.

The HIH payment ceased on the 1 July 2010 with the small amounts collected in the 2012/2013 financial year relating to permits that were applied for on or before the 30 June 2010.

10. Security deposits

	2013 \$	2012 \$
Current		
Security deposits	1,768,305	1,881,305
	1,768,305	1,881,305

Security deposits comprise bonds lodged under Section 22 of the Building Act 1993 to secure complete and satisfactory completion of building works. A further \$108,500 (2012 – \$93,500) was held in bank guarantees at 30 June 2013.

(a) Ageing analysis of security deposits

Refer Note 16 for the ageing analysis of security deposits

(b) Nature and extent of risk arising from security deposits

Refer Note 16 for the nature and extent of risks arising from security deposits

11. Deferred revenue

Deferred revenue comprises:

	2013 \$	2012 \$
Current		
Registration fees paid in respect of the 2012-2013 year	1,262,235	1,066,952
	1,262,235	1,066,952

12. Provisions

	NOTE	2013 \$	2012 \$
Current provisions			
BACV provision	12(b)	806,000	941,358
Employee benefits – Unconditional annual leave and expected to settle within 12 months	12(a)	969,537	893,320
Employee benefits – Unconditional long service leave and expected to settle within 12 months	12(a)	920,247	1,030,703
Provision for contract bonuses	12(a)	–	86,515
Total current provisions		2,695,784	2,951,896
Non-current provisions			
BACV provision	12(b)	2,809,000	2,458,642
Conditional long service leave entitlements	12(a)	231,808	232,419
Make Good provision	12(c)	360,462	345,767
Total non-current provisions		3,401,270	3,036,828
Total provisions		6,097,054	5,988,724

Notes to the Financial Statements

For the year ended 30 June 2013

12. Provisions *continued*

(a) Employee Benefits and related on-costs

	2013 \$	2012 \$
Current employee benefits		
Annual leave entitlements	814,369	750,350
Long service leave entitlements	822,670	885,481
Provision for contract bonuses	–	81,514
Non-current employee benefits		
Long service leave entitlements	147,213	199,673
Total employee benefits	1,784,252	1,917,018
Current on-costs	282,387	293,192
Non-current on-costs	54,953	32,746
Total on-costs	337,340	325,938
Total employee benefits and related on-costs	2,121,592	2,242,956

(b) BACV Provision

The Building Advice and Conciliation Victoria (BACV) building permit levy, funds the BACV functions established under the Domestic Buildings Contracts (Conciliation and Dispute Resolution) Act 2002. As part of the dispute resolution functions of the BACV, the Building Commission is allocated a portion of the levy to fund its role in the dispute resolution process and takes that income to account when received. The Building Commission provides and will in the future provide services in relation to BACV disputes arising from building permits issued in the past. As such the Building Commission will in the future incur costs to service BACV disputes in relation to past building permits, including the cost of inspection reports and case administration. The BACV provision is the estimated net present value of those future costs to service those disputes relating to past building permits issued.

Movement in provisions

	BACV PROVISION	
	2013 \$	2012 \$
Opening balance	3,400,000	3,733,002
Additional provision recognised	215,000	(333,002)
Closing balance	3,615,000	3,400,000
Current (Note 12)	806,000	941,358
Non Current (Note 12)	2,809,000	2,458,642
Closing balance	3,615,000	3,400,000

(c) Make Good Provision

Under the Goods Shed North lease agreement, the Commissions agreed to bring the leased property back to its original condition, obligating future costs to dismantle and remove the office fit out and restore the Goods Shed North to its original condition. Under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" it is generally accepted that this liability is recognised at the commencement of the lease, rather than at the end of the lease when the work is done. It is at the commencement that the partitioning or other fit out causes change to the floor and ceiling to necessitate the make good costs being incurred.

Movement in provisions

	MAKE GOOD PROVISION	
	2013 \$	2012 \$
Opening balance	345,767	331,671
Additional provision recognised	14,695	14,096
Closing balance	360,462	345,767

13. Contributed capital

	2013 \$	2012 \$
Balance at beginning of financial year	3,260,987	3,260,987
Closing balance at end of financial year	3,260,987	3,260,987

The balance of the contributed capital represents net assets transferred by the Victorian Government as at 1 July 2000 from the former Commission of Planning and Development to establish the Commission.

14. Accumulated surplus

	2013 \$	2012 \$
Balance at beginning of financial year	3,019,084	4,617,626
Net result for the period	132,370	(1,598,542)
Closing balance at end of financial year	3,151,454	3,019,084

15. Cash flow information

(a) Reconciliation of cash and cash equivalents

The Cash Flow Statement includes cash on hand and investments in market, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	2013 \$	2012 \$
Cash	2,436,143	1,176,843
Investments – current	4,900,000	3,600,000
Cash at the end of the financial year	7,336,143	4,776,843

(b) Reconciliation of net result for the period:

	2013 \$	2012 \$
Net result for the period	132,370	(1,598,542)
Non-cash movements:		
Depreciation and amortisation	1,852,750	2,172,929
Loss on sale of fixed assets	85,703	77,627
Movements in assets and liabilities :		
Increase/(decrease) in payables	(855,634)	858,406
(Increase)/decrease in inventory	124,199	(12,148)
(Increase)/decrease in receivables	1,073,277	366,213
Increase/(decrease) in other liabilities	(63,491)	(119,061)
Increase/(decrease) in employee benefits	(121,364)	16,532
Increase/(decrease) in provisions	229,695	(318,906)
Increase/(decrease) in deferred revenue	195,283	(40,501)
(Increase)/decrease in prepayments	174,765	(90,650)
Net cash from/(used in) operating activities	2,827,553	1,311,899

Notes to the Financial Statements

For the year ended 30 June 2013

16. Financial instruments

(a) Financial Risk Management objectives and policies

The Commission's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables). Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The Commission's main financial risk is interest rate risk. The Commission does not enter into derivative financial instruments to manage exposure to interest rate risk.

The carrying amounts of the Commission's contractual financial assets and financial liabilities by category are in the Table (b) below.

(b) Categorisation of financial instruments

	CONTRACTUAL FINANCIAL ASSETS/ LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS	CONTRACTUAL FINANCIAL ASSETS – LOANS AND RECEIVABLES	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
2013				
Contractual financial assets				
Cash and cash equivalents	–	7,336,143	–	7,336,143
(i) Receivables				
Sale of goods and services	–	2,621,840	–	2,621,840
Other receivables				
Term deposits	–	3,400,000	–	3,400,000
Total Contractual financial assets	–	13,357,983	–	13,357,983
Contractual financial liabilities				
Payables & other liabilities	–	–	–	–
Supplies & services	–	–	1,110,621	1,110,621
Amounts payable to government and agencies	–	–	1,401,294	1,401,294
Security Deposits	–	–	1,768,305	1,768,305
Total contractual financial liabilities	–	–	4,280,220	4,280,220
2012				
Contractual financial assets				
Cash and cash equivalents	–	4,776,843	–	4,776,843
(i) Receivables				
Sale of goods and services	–	3,578,490	–	3,578,490
Other receivables				
Term deposits	–	3,700,000	–	3,700,000
Total Contractual financial assets	–	12,055,333	–	12,055,333
Contractual financial liabilities				
Payables & other liabilities	–	–	–	–
Supplies & services	–	–	1,966,255	1,966,255
Amounts payable to government and agencies	–	–	1,464,785	1,464,785
Security Deposits	–	–	1,881,305	1,881,305
Total contractual financial liabilities	–	–	5,312,345	5,312,345

Note:

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

16. Financial instruments *continued*

(c) Credit risk

Credit risk arises from the financial assets of the Commission, which comprise cash and cash equivalents, non-statutory receivables and other financial assets. Exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Commission. Credit risk is measured at fair value and is monitored on a regular basis.

The credit risk 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.

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

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.

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

	FINANCIAL INSTITUTIONS TRIPLE-A CREDIT RATING	GOVERNMENT AGENCIES TRIPLE-A CREDIT RATING	GOVERNMENT AGENCIES TRIPLE-B CREDIT RATING	OTHER MIN TRIPLE-B CREDIT RATING	TOTAL
2013					
Cash and deposits		4,900,000		2,436,143	7,336,143
(i) Receivables				2,621,840	2,621,840
Other financial assets		3,400,000			3,400,000
Total contractual financial assets		8,300,000		5,057,983	13,357,983
2012					
Cash and deposits		3,600,000		1,176,843	4,776,843
(i) Receivables				3,578,490	3,578,490
Other financial assets		3,700,000			3,700,000
Total contractual financial assets		7,300,000		4,755,333	12,055,333

Note:

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

Notes to the Financial Statements

For the year ended 30 June 2013

16. Financial instruments *continued*

Ageing analysis of contractual financial assets

	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	PAST DUE BUT NOT IMPAIRED				IMPAIRED FINANCIAL ASSETS
			LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS – 1 YEAR	1 – 5 YEARS	
2013							
(i) Receivables							
Sale of goods and services	2,621,840	2,351,449	15,388	147,014	107,989	–	–
Other receivables							
Term deposits	3,400,000	3,400,000	–	–	–	–	–
Total	6,021,840	5,751,449	15,388	147,014	107,989	–	–
2012							
(i) Receivables							
Sale of goods and services	3,578,490	2,356,154	59,235	99,649	100,070	963,382	–
Other receivables							
Term deposits	3,700,000	3,700,000	–	–	–	–	–
Total	7,278,490	6,056,154	59,235	99,649	100,070	963,382	–

Note:

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

(d) Liquidity risk

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

Maturity analysis of contractual financial liabilities

	CARRYING AMOUNT	NOMINAL AMOUNT	MATURITY DATES				
			LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS – 1 YEAR	1-5 YEARS	5+ YEARS
2013							
Payables & other liabilities							
Supplies & services	1,110,621	1,110,621	1,110,621	–	–	–	–
Amounts payable to government and agencies	1,401,294	1,401,294	1,401,294	–	–	–	–
Security Deposits	1,768,305	1,768,305	1,768,305	–	–	–	–
Total	4,280,220	4,280,220	4,280,220	–	–	–	–

16. Financial instruments *continued*

Maturity analysis of contractual financial liabilities *continued*

	CARRYING AMOUNT	NOMINAL AMOUNT	MATURITY DATES				
			LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS – 1 YEAR	1-5 YEARS	5+ YEARS
2012							
Payables & other liabilities							
Supplies & services	1,966,255	1,966,255	1,966,255	–	–	–	–
Amounts payable to government and agencies	1,464,785	1,464,785	1,464,785	–	–	–	–
Security Deposits	1,881,305	1,881,305	1,881,305	–	–	–	–
Total	5,312,345	5,312,345	5,312,345	–	–	–	–

(e) Market risk

The Commission's exposures 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 of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments.

The carrying amount of financial assets and financial liabilities that are exposed to interest rates are as below:

Interest rate exposure of financial instruments

	WEIGHTED AVERAGE INTEREST RATE %	CARRYING AMOUNT	INTEREST RATE EXPOSURE		
			FIXED INTEREST RATE	VARIABLE INTEREST RATE	NON-INTEREST BEARING
2013					
Financial assets					
Cash & cash equivalents	2.81%	7,336,143	4,900,000	2,436,143	
Receivables		2,621,840			2,621,840
Term deposits	2.81%	3,400,000	3,400,000		
Total financial assets		13,357,983	8,300,000	2,436,143	2,621,840
Financial liabilities					
Payables & other liabilities					
Supplies & services		1,110,621			1,110,621
Amounts payable to government and agencies		1,401,294			1,401,294
Security Deposits		1,768,305			1,768,305
Total financial liabilities		4,280,220			4,280,220
2012					
Financial assets					
Cash & cash equivalents	3.61%	4,776,843	3,600,000	1,176,843	
Receivables		4,348,207			4,348,207
Term deposits	4.84%	3,700,000	3,700,000		
Total financial assets		12,825,050	7,300,000	1,176,843	4,348,207
Financial liabilities					
Payables & other liabilities					
Supplies & services		1,966,255			1,966,255
Amounts payable to government and agencies		1,464,785			1,464,785
Security Deposits		1,881,305			1,881,305
Total financial liabilities		5,312,345			5,312,345

Notes to the Financial Statements

For the year ended 30 June 2013

16. Financial instruments *continued*

(f) Sensitivity disclosure analysis and assumptions

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 3.00 per cent for cash and cash equivalents, and 3.00 per cent for other financial assets.

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

Interest rate risk sensitivity

	CARRYING AMOUNT	INTEREST RATE RISK			
		-2%		2%	
		(200 BASIS POINTS)		(200 BASIS POINTS)	
		NET RESULT	EQUITY	NET RESULT	EQUITY
2013					
Contractual Financial assets:					
Cash and cash equivalents	7,336,143	(146,723)	–	146,723	–
Other financial assets	3,400,000	(68,000)	–	68,000	–
Total impact		(214,723)	–	214,723	–
2012					
Contractual Financial assets:					
Cash and cash equivalents	4,776,843	(95,537)	–	95,537	–
Other financial assets	3,700,000	(74,000)	–	74,000	–
Total impact		(169,537)	–	169,537	–

(g) Net fair values

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

17. Leasing commitments – Operating Leases

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

	2013 \$	2012 \$
Non cancellable operating lease		
Not longer than one year	829,958	796,119
Longer than one year but not longer than 5 years	3,693,779	3,541,077
Longer than 5 years	7,372,532	8,355,192
Total lease commitments	11,896,269	12,692,388

The lease commitments noted above relate to the Commission's accommodation at the Goods Shed North, 733 Bourke Street, Docklands.

18. Subsequent events

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

19(a). Contingent assets

As a result of a software issue with the Building Commission's Permit Levy System (PLS), there may be unrecognised revenue that has not been brought to account in the current and prior financial years. Measurement of the unrecognised revenue is difficult, due to the lack of software support and the age of the PLS. A team of internal Levy auditors has done a preliminary overview of the PLS for the period January 2005 to June 2013, and is continuing a more detailed investigation of the transactions for this period. Consequently, it has been decided that it would not be prudent to bring this unrecognised revenue to account in the current financial year based on just a preliminary overview, but wait till the finalisation of the more detailed investigation.

19(b). Contingent liabilities

As a result of a software issue with the Building Commission's Permit Levy System (PLS), there may be an unrecognised liability that has not been brought to account in the current and prior financial years. Measurement of this unrecognised liability is difficult, due to the lack of software support and the age of the PLS. A team of internal Levy auditors has done a preliminary overview of the PLS and Levy reports for the period 2002 to 2013, and is continuing a more detailed investigation of the transactions, returns and other adjustments for this period. Consequently, it has been decided that it would not be prudent to bring this unrecognised liability to account in the current financial year based on just a preliminary overview, but wait till the finalisation of the more detailed investigation.

20. Related Party

As a result of Australian Accounting Standard AASB 124, the Plumbing Industry Commission is considered a related party to the Building Commission and \$2,664,284 was received on normal business terms by the Building Commission during 2012/2013 (2011/2012 – \$2,216,663) including an amount of \$100,265 as reimbursement for the time the accountable officer spent on Plumbing Industry Commission business activities.

There were no other related party transactions.

21. 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.

(1) The persons who held the positions of ministers and accountable officers in the Commission are as follows:

The Hon. Matthew Guy	MLC Minister for Planning	1 July 2012 – 30 June 2013
Michael Kefford	Building Commissioner/Accountable Officer	1 July 2012 – 10 February 2013
Greg Hyams	Building Commissioner/Accountable Officer	11 February 2013 – 30 June 2013

Amounts relating to the Minister are reported in the Financial Statements of the Commission of Premier and Cabinet.

(2) Remuneration received or receivable by the Accountable Officer in connection with the management of the Commission during the reporting period was in the range::

Michael Kefford 2013: \$200,000 – 209,999 (2012: \$100,000 – 109,999)

The above range includes payments made during the period 1 July 2012 – 10 February 2013.

Greg Hyams 2013 – \$130,000 – 139,999 (2012: \$0)

The above range includes payments made during the period 11 February 2013 – 30 June 2013.

Other transactions

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

Notes to the Financial Statements

For the year ended 30 June 2013

22. 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. The total annualised employee equivalent provides a measure of full-time equivalent executive officers over the reporting period.

Total remuneration payable to executives has reduced over the year, mainly due to a number of executive officers retiring, resigning or being retrenched and not being replaced in the 2012-13 financial year.

INCOME BAND	TOTAL REMUNERATION		BASE REMUNERATION	
	2013 NO.	2012 NO.	2013 NO.	2012 NO.
\$80,000 – 89,999			1	
\$90,000 – 99,999			1	
\$100,000 – 109,999				
\$110,000 – 119,999			1	
\$120,000 – 129,999				
\$130,000 – 139,999	1		1	1
\$140,000 – 149,999	1	1		1
\$150,000 – 159,999				1
\$160,000 – 169,999		1	1	
\$170,000 – 179,999				2
\$180,000 – 189,999	1	2		
\$190,000 – 199,999				1
\$200,000 – 209,999		2		
\$210,000 – 219,999				
\$220,000 – 229,999	1			
\$230,000 – 239,999				
\$240,000 – 249,999				
\$250,000 – 259,999	1			
Total no. of executives	5	6	5	6
Total annualised employee equivalent (AEE) ⁽ⁱ⁾	4	6	4	6
Total amount	\$804,060	\$1,096,557	\$403,966	\$979,958

(i) Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

23. Glossary of terms and style conventions

Glossary

Amortisation

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

Associates

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

Borrowings

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

Comprehensive result

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

Commitments

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

Current grants

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Ex gratia payments

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

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Notes to the Financial Statements

For the year ended 30 June 2013

23. Glossary of terms and style conventions *continued*

Financial statements

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

Grants and other transfers

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

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

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

General government sector

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

Intangible produced assets

Refer to produced assets in this glossary.

Interest expense

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

Interest income

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

Net acquisition of non-financial assets (from transactions)

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

Net result

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

Net result from transactions/net operating balance

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

Net worth

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

Non-financial assets

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

Other economic flows

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

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

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

Payables

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

Produced assets

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

Taxation income

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

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

Transactions

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

Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2012-13 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Commission's annual reports.

Appendix 1 – Disclosure Index

The Commission 2012 – 2013 Annual Report was prepared in accordance with all relevant Victorian Government legislation and pronouncements. This index has been prepared to facilitate identification of the Commission's compliance with statutory disclosure requirements.

CHARTER AND PURPOSE	REQUIREMENT	PAGE REFERENCE
FRD 22B	Manner of establishment and the relevant Ministers	2
FRD 22B	Objectives, functions, powers and duties	2
FRD 22B	Nature and range of services provided	2
Management and structure		
FRD 22B	Organisational structure	7
Financial and other information		
FRD 10	Disclosure index	72
FRD 12A	Disclosure of major contracts	10
FRD 15B	Executive officer disclosures	3, 31
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	14
FRD 22D	Employment and conduct principles	30
FRD 22D	Occupational health and safety policy	31
FRD 22D	Summary of the financial results for the year	1
FRD 22D	Significant changes in financial position during the year	32
FRD 22D	Major changes or factors affecting performance	32
FRD 22D	Subsequent events	67
FRD 22D	Application and operation of <i>Freedom of Information Act 1982</i>	11
FRD 22D	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	10
FRD 22D	Statement on National Competition Policy	10
FRD 22D	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	12
FRD 22D	Details of consultancies less than \$10,000	35
FRD 22D	Details of consultancies more than \$10,000	35
FRD 22D	Statement of availability of other information	11
FRD 24C	Reporting of office based environmental impacts	13
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SD 4.2(g)	General information requirements	14
SD 4.2(j)	Sign off requirements	38

FINANCIAL REPORT	REQUIREMENT (CONTINUED)	PAGE REFERENCE
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	41
SD4.2(b)	Operating statement	39
SD4.2(b)	Balance sheet	40
SD4.2(b)	Cash flow statement	42
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	44
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SD4.2(d)	Rounding of amounts	71
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Other disclosures as required by FRDs in notes to the financial statements		
FRD 21A	Responsible person and executive officer disclosures	67
FRD 102	Inventories	55
FRD 106	Impairment of assets	64
FRD 109	Intangible assets	57
FRD 110	Cash flow statements	42
FRD 112C	Defined benefit superannuation obligations	54
FRD 114A	Financial Instruments – General Government Entities and public non financial corporations	62
FRD 119	Contributions by owners	61

LEGISLATION

Building Act 1993

Financial Management Act 1994

Freedom of Information Act 1982

Information Privacy Act 2000

Multicultural Victoria Act 2004

Occupational Health and Safety Act 2004

Public Administration Act 2004

Victorian Industry Participation Policy Act 2003

Whistleblowers Protection Act 2001

Appendix 2 – Building Advisory Council members and attendance 2012-2013

MEMBERS	MEETINGS ATTENDED (% OF TOTAL ROSTERED)
William Kuszniczuk (Chair) Director, Clement Stone, Town Planners (Appointed 31 October 2011)	100
Michael Kefford Commissioner, Building Commission and Plumbing Industry Commission (Appointed 11 February 2012 – resigned 4 February 2013)	100
Greg Hyams Commissioner, Building Commission and Plumbing Industry (Appointed 13 February 2013)	100
Jon Clements Director, Jackson Clements Burrows Pty Ltd Architects Nominated by Royal Australian Institute of Architects, Victorian Chapter (Appointed 16 January 2012)	83
Jennifer Cunich Executive Director, Property Council of Australia, Victoria Nominated by Property Council of Australia, Victorian Division (Appointed 16 June 2011)	58
Dr Emad Gad Associate Professor, Faculty of Engineering and Industrial Sciences, Swinburne University of Technology – Institute of Engineers Australia Appointed as a person experienced in the building industry or in matters relating to that industry (Appointed 8 September 2011)	67
Peter Jolly Victorian President, Australian Institute of Building Surveyors Nominated by the Australian Institute of Building Surveyors, Victorian Chapter (Appointed 16 June 2011 – resigned March 2013)	78
Gil King Executive Director, Housing Industry Association, Victoria Nominated by Housing Industry Association, Victorian/Tasmanian Division (Reappointed 7 November 2012)	83
Eric Riegler Senior Member, Victorian Civil and Administrative Tribunal Appointed as a consumer representative (Appointed 1 March 2012)	50
Brian Welch Executive Director, Master Builders Association of Victoria Nominated by Master Builders Association of Victoria (Appointed 8 September 2011)	50
Tom Vasilopoulos Barrister, Owen Dixon Chambers Appointed as a member of the legal profession (Appointed 8 September 2012)	78
Claire Noone Director Consumer Affairs Victoria Appointed as a consumer representative (Appointed 16 January 2012 – resigned Sept 2012)	33
Elizabeth Lanyon Director, Regulation and Policy, Consumer Affairs Victoria Appointed as a consumer representative (Appointed – 6 December 2012)	83

Appendix 3 – Building Practitioners Board members and attendance 2012-2013

MEMBERS	MEETING ATTENDANCE (% OF TOTAL ROSTERED)
Bill Russell (Chair) Director, Russel Harvey & Co (Term expired April 2013)	80
Tony Abbruzzese CNC Homes Pty Ltd Nominated by the Housing Industry Association (Term started October 2012))	100
Murray Baker Director, Page Kirkland Group Nominated by Australian Institute of Quantity Surveyors (AIQS) (Term expired April 2013)	87
Graeme Geary Building Surveyor Nominated by the Australian Institute of Building Surveyors (Term expired January 2013)	100
Con Giazi BGSM, Municipal Building Surveyor, Nillumbik Nominated by the Australian Institute of Building Surveyors	67
David Hallett General Manager, Archicentre Member of the Architects Registration Board of Australia (Started as member 27 March 2012)	67
Carolyn Lloyd Appointed as a consumer representative (Term started October 2012)	88
David Cooke Managing Director, DCA Design Nominated by the Building Designers Association Victoria	92
Claudio Salvatore Managing Director, Construct Pro Nominated by the Master Builders Association of Victoria	83
Jason Biewer Harry the Hirer Nominated by the Hire and Rental Association of Victoria	92
Ron Wakefield Head of School, RMIT School of Property, Construction and Project Management Nominated by Engineers Australia	67
Maureen Capp Appointed as a consumer representative (Term started October 2012)	100
Melissa Kirby Appointed as a member of the legal profession (Term started October 2012 – resigned November 2012)	50

Appendix 4 – Building Appeals Board members and attendance 2012-2013

MEMBERS	MEETING ATTENDANCE (% OF TOTAL ROSTERED)
Gerard Coutts (Chair) Director, Gerard Coutts and Associates (Appointed August 2012)	100
Stephen Kip SKIP Consulting Pty Ltd Core member as an engineer (fire)	100
Leslie Schwarz Director, LMS Lawyers Core member as a lawyer	100
Bryan Thomas Senior Consultant, TressCox Lawyers Core member as a member of the legal profession	100
Ari Akritidis Akritidis Group Building Consultants Core member as a building surveyor (Retired from Board in September 2012)	92
Paul Bailey CH Group Pty Ltd Core member as a building surveyor	94
David Barber Principal, ARUP Fire Core member as an engineer (fire)	77
John Clampett John Clampett Consulting Core member as engineer (fire safety) and building surveyor	99
Elizabeth Coe Director, Umow Lai & Associates Core member as an engineer (mechanical)	78
Dang Hodinh Regional Director Southern, Lincolne Scott Core member as an engineer (mechanical)	100
Michael Kerr Head of Asia – Pacific, Rider Levett Bucknall Core member as a quantity surveyor	74
Warren Knight Manager, Building Certification and Inspections, City of Melbourne Core member as a building surveyor	84
Geoff Woolcock MBA Building Services Pty Ltd Core member as a building surveyor	100
Aileen McFadzean Core member as a consumer advocate and a member of the legal profession	90
Joe Zita Director, Approval Systems Core member as building surveyor	100
Emily Mudge Project Manager, Lend Lease Core member as an engineer (civil)	82

MEMBERS	MEETING ATTENDANCE (% OF TOTAL ROSTERED)
Mathew Wright Chief Technical Officer, Fire Protection Association Australia Core member as a building surveyor	83
Mark Selby-Hele Managing Director, MKH Industries Pty Ltd/Aged Care Development Core member as builder (domestic/commercial)	81
Ian Pridgeon Principal, Russell Kennedy Core member as a member of the legal profession (Appointed August 2012)	97
Rebecca Cameron Director, Rebecca Cameron Architects Core member as an architect (Appointed August 2012)	96
Allen Kong Director, Allen Kong Architect Pty Ltd Core member as an architect (Appointed August 2012)	100
Graeme Addison Director, GKA Builders Pty Ltd Core member as a builder (domestic/commercial) (Appointed 7 August 2012)	100
Maree Davenport Director, Phoenix Public Affairs Core member as a consumer advocate (Appointed August 2012)	92
Sarah McDonald Core member as a planner (Appointed September 2012)	100
Seshu Babu Akula Contracts Manager, DownerEDI Engineering Core member as an engineer (civil) (Appointed October 2012)	63
Trevor "Bushy" Miles Director, Allied Building Services Core member as a building surveyor (Appointed August 2012)	100
Peter Jolly Municipal Building Surveyor, Hume City Council Core member as a building surveyor (Appointed April 2013)	100
Brett Davis Partner, SED Advisory Core member as a planner (Appointed April 2013)	100

Appendix 5 – Building Regulations Advisory Committee members and attendance

MEMBERS	MEETING ATTENDANCE (% OF TOTAL ROSTERED)
Michael Kefford (Chair) Building Commissioner (Term ended 10 February 2013)	83
Greg Hyams (Chair) Building Commissioner (Started 11 February 2013)	100
Ross Boreham Property Council (Term ended 30 July 2012)	100
Melissa Chandler Australian Institute of Building Surveyors, Victorian Chapter (Term ended 30 July 2012)	100
Adam Dalrymple Metropolitan Fire Brigade	45
Victoria Hamer Australian Institute of Architects (Term ended 30 July 2012)	100
Mark Hazelwood Housing Industry Association, Victoria/Tasmania Division (Retired May 2013)	88
Angela Jurjevic Representative of the Minister administering Part 4 of the Project Development and Construction Management Act 1994 (Term ended 17 May 2013)	78
Warren Knight Melbourne City Council	80
Sam Loizou Australian Institute of Building Surveyors, Victorian Chapter	100
Malcolm Macdonald Person with building industry experience	78
Robert Marsicovetere Australian Institute of Building Surveyors, Victorian Chapter (Term ended 11 September 2012)	100
Bryan Miller Australian Institute of Architects	75
John Prendergast Municipal Association of Victoria	91
David Robertson Engineers Australia, Victoria Division (Term ended 19 September 2012)	100
Bob Sieffert Consumer representative	55
Bronwyn Weir Member of the legal profession	90
Ruth Wilson Person with building industry experience (Term ended 17 September 2012)	50
Geoff Woolcock Master Builders Association of Victoria	73

Appendix 6 – Glossary

Five star standard

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

Six star standard

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

Accessibility

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

Appeals

The Building Appeals Board re-hearings of decisions made by persons or bodies that have the power to decide certain matters under the *Building Act*.

Audit

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

Australian Building Codes Board (ABCB)

A joint initiative of all levels of government, including representatives from the building industry, established by an inter-governmental agreement. The Board is responsible for developing and managing a nationally uniform approach to building requirements through the National Construction Code (NCC) Series.

Building Act 1993 (Building Act)

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

Building Regulations 2006 (the Regulations)

The *Building Regulations 2006* are the Victorian statutory requirements with respect to prohibiting or regulating the construction, use maintenance and removal of buildings. They further regulate for fire safety of buildings and places of public entertainment which includes the use and maintenance of those buildings.

Building Advisory Council (BAC)

A senior industry-based advisory group that advises the Minister for Planning on the administration of the *Building Act 1993* and *Building Regulations 2006*.

Building Appeals Board (BAB)

An independent statutory body established under the *Building Act* that provides an independent process for determining modification requests, appeals and disputes about the applicability of building regulations and protection work issues.

Building Permit Activity

The total value of building permit approvals over a defined time period.

Building Practitioners Board (BPB)

An independent statutory body established under the *Building Act* that oversees the quality and standard of professional services in the Victorian building industry.

Building Regulations Advisory Committee (BRAC)

A committee of building industry representatives established under the *Building Act*.

Certificate of Consent

Written approval from the Building Practitioners Board that enables an owner-builder to obtain a building permit.

Continuing Professional Development (CPD)

Encourages ongoing learning to improve the knowledge and skills of Registered Building Practitioners.

Inquiry

A formal Board hearing held by the Building Practitioners Board into the conduct and/or ability to practice of a Registered Building Practitioner.

Investigations

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

Modifications

A formal request to the Building Appeals Board for a provision of the regulations to either apply or not apply in relation to a building or land.

National Construction Code (NCC) Series

The NCC consists of three Volumes:

Volume One – Building Code of Australia (BCA) Class 2 – 9

Volume Two – Building Code of Australia (BCA) Classes 1 and 10

Volume Three – Plumbing Code of Australia (PCA)

Volumes One and Two are a set of building codes referenced by the *Building Regulations 2006*, containing technical provisions for the design and construction of buildings and other structures.

Owner-builder

A person who carries out domestic building work on his or her own land, who is not in the business of building.

Registered Building Practitioner (RBP)

A person who carries out work in the business of building who is registered with the Building Practitioners Board.

Appendix 7 – Registered Building Practitioner – registrations by type

PRACTITIONER REGISTRATIONS BY TYPE	REG NUMBER PREFIX	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Registration Category						
Builder – Demolition – Low Rise	BD-L	197	191	193	182	163
Builder – Demolition – Med Rise	BD-M	63	62	58	61	63
Builder – Demolition – Unlimited	BD-U	35	36	32	29	30
Builder – Demolition total		295	289	283	272	256
Commercial Builder – Limited	CB-L	2,307	2,204	2,107	1,904	1,737
Commercial Builder – Low Rise	CB-LR	NA	N/A	N/A	58	59
Commercial Builder – Unlimited	CB-U	2,199	2,257	2,376	2,478	2,489
Commercial Builder total		4,506	4,461	4,483	4,440	4,285
Domestic Builder – Limited	DB-L	2,040	2,035	1,982	1,894	1,736
Domestic Builder – Manager	DB-M	1,127	1,210	1,184	1,116	949
Domestic Builder – Unlimited	DB-U	11,149	11,592	11,503	11,206	11,015
Domestic Builder total		14,316	14,837	14,669	14,216	13,700
Building Inspector – Limited	IN-L	183	179	145	103	87
Building Inspector – Unlimited	IN-U	404	383	365	352	353
Building Inspector total		587	562	510	455	440
Building Surveyor – Limited	BS-L	69	50	29	16	NA
Building Surveyor – Unlimited	BS-U	523	518	504	504	508
Building Surveyor total		592	568	533	520	508
Note: BS-L new category introduced 2009–2010						
Draftsperson Building Design (Architectural)	DP-AD	2,015	2,003	1,959	1,902	1,831
Draftsperson Building Design (Interior)	DP-ID	163	163	161	152	143
Draftsperson Building Design (Services)	DP-SD	178	180	182	179	174
Draftsperson total		2,356	2,346	2,302	2,233	2,148
Civil Engineer	EC	1,326	1,269	1,199	1,152	1,122
Electrical Engineer	EE	256	253	248	229	230
Fire Safety Engineer	EF	134	125	122	104	87
Mechanical Engineer	EM	403	379	375	346	339
Engineer total		2,119	2,026	1,944	1,831	1,778
Quantity Surveyor	QS	124	123	119	121	109
Quantity Surveyor total		124	123	119	121	109
Supervisor -Temp Structure Class 1	V1	34	33	30	26	27
Supervisor -Temp Structure Class 2	V2	83	83	85	85	83
Temporary Structure total		117	116	115	111	110
Total at 30 June 2013		25,012	25,328	24,958	24,199	23,334

Appendix 8 – Five-year statistics – operational trends

Table One – Building permit activity

BUILDING WORK BY BUILDING USE	2012-2013 \$M	2011-2012 \$M	2010-2011 \$M	2009-2010 \$M	2008-2009 \$M
Domestic	11,231	11,803	13,097	13,094	10,060
Residential	3,679	3,960	3,368	1,981	1,962
Commercial	2,690	2,887	2,697	2,611	3,454
Retail	1,546	1,447	1,297	1,096	1,366
Industrial	633	465	451	411	514
Hospital/healthcare	931	484	839	778	510
Public buildings	1,783	2,194	2,587	1,593	1,218
Total	22,492	23,239	24,336	23,934	19,267

Table Two – Prosecutions and inquiries held

PROSECUTIONS OUTCOMES	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Prosecutions completed	36	47	24	42	48
Case proved	35	47	22	41	47
Dismissed	0	0	0	0	1
Withdrawn	1	3	2	1	0
Good behaviour bond	7	14	5	6	15
Community-based order	0	0	1	0	0
Fines	36	47	11	35	30
Fines – \$Value	\$152,450	\$339,414 ⁽¹⁾	\$73,984	\$327,550	\$159,000

(1) A single fine in 2011-2012 was \$100,000.

Table Three – Building Practitioner Board inquiries

INQUIRY OUTCOMES	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Inquiries completed	100	99	89	60	77
Conduct Review meetings ⁽²⁾	25	42	23	N/A	N/A
Case proven	98	100	96	100	100
Dismissed	2	0	4	0	0
Registration suspended	11	13	9	2	3
Registration Cancelled	15	9	4	4	4
Fines	71	78	52	29	54
Fines – \$Value	\$370,635	\$207,750	\$133,766	\$59,600	\$92,340

(2) Conduct Review meetings were introduced in 2010-2011

Table Four – Total prosecutions and inquiry outcomes

TOTAL PROSECUTIONS AND INQUIRY OUTCOMES	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Total Prosecutions and Inquiries completed	136	146	113	102	125
Total Fines – \$Value	\$523,085	\$547,164	\$207,750	\$387,150 ⁽³⁾	\$251,240

(3) \$In 2009-2010 the maximum penalties were increased for both prosecutions and inquiries

Appendix 8 – Five-year statistics – operational trends

Table Five – Owner-builder work

CERTIFICATES OF CONSENT	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Certificate of consent applications	8,346	9,690	10,087	10,085	9,723
Certificate of consent issued	7,337	8,044	9,606	9,973	9,124

Table Six – Targeted Audit Program (four years)

TARGETED AUDITS	2012-2013	2011-2012	2010-2011	2009-2010
Class 10a audits (shed audits)	36	0	N/A	12 Councils audited, 280 files checked
Class 10a inspections (shed audits)	35	0	N/A	N/A
Class 10b audits (swimming pool audits)	294	79 site visits	148 site visits	300
DP-AD (draftspersons) audits	1	50 ⁽¹⁾	94	N/A

(1) This figure was reported as 0 in the 2011-2012 Annual Report which was incorrect.

Table Seven – Audits conducted

AUDITS CONDUCTED	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Domestic builder office audits	0	85	107	135	137
Domestic builder site audits	0	57	40	46	37
Local government/Municipal Building Surveyor audits	139*	37	14	26	19
Private Building Surveyor audits	869*	0	3	11	N/A

* These audits refer to the field component, with remedial work continuing.

Appendix 9 – Five-year statistical summary

Performance measure		2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Regulatory excellence						
BAB modifications heard	number	1,311	1,319	1,548	1,366	1,328
BAB appeals and disputes heard	number	331	337	295	333	316
Building Practitioner audits conducted	number	1,000	179	167	218	193
Industry Responsibility						
Research	\$	257,747	582,347 ⁽¹⁾	628,282 ⁽²⁾	816,370 ⁽³⁾	139,069
<i>(1) In 2012-12, \$582,347 was related to bushfire related research grants.</i>						
<i>(2) In 2010-11 \$249,000 of this was related to bushfire related research grants.</i>						
<i>(3) Increases due to research involved in bushfire related issues.</i>						
New building practitioner registrations	number	1,386	1,076	759	865	924
Total building practitioner registrations	number	25,012	25,328	24,958	24,199	23,334
Practitioner participants in the voluntary CPD program	number	8,664	8,540	7,066	8,540	2,500
Building permits by number	number	93,881	98,025	106,788	113,670	98,113
Building permits by value	\$B	22.5	23.2	24.3	23.9	19.3
Community accountability						
Domestic builder office audits	number	0	85	107	135	137
Domestic builder site audits	number	0	57	40	46	37
Local government/Municipal Building Surveyor audits	number	139*	37	14	26	19
Private Building Surveyor audits	number	869*	0	3	11	N/A
<i>* These audits refer to the field component, with remedial work continuing.</i>						
Complaints received about building practitioners	number	1,638	773 ⁽⁴⁾	652	629	560
Investigations conducted into building practitioners	number	527	619	652	586	630
Prosecutions completed	number	36	47	24	42	48
BPB inquiries completed	number	197	141	112	60	77
<i>(4) This figure was reported incorrectly in the 2011-2012 Building Commission Annual Report.</i>						
Registrations suspended	number	11	13	9	2	3
Registrations cancelled	number	15	9	4	4	4
Total fines awarded against building practitioners	\$	370,635	310,937	207,750	387,150	251,340

Appendix 9 – Five-year statistical summary

Performance measure		2012-2013	2011-2012	2010-2011	2009-2010	2008-2009
Community accountability <i>continued</i>						
Owner-builder permits	number	20,133	21,907	23,929	24,386	23,700
BACV inspections undertaken by the Building Commission where a report is requested	number	181	279	330	385	514
BACV disputes resolved successfully (on site)	%	93	91	94	91	92
Publications distributed	number	316,314	449,994	305,000	228,002	368,121
Website visits	number	641,610	606,721	544,869	517,764 ⁽⁵⁾	800,578
<i>(5) Extrapolated estimate</i>						
Consumers highly or very highly satisfied with the quality of their building work	%	94	92	93	89	91
Consumers encountering problems during their building process	%	18	16	14	23	22
Our people						
Total head count	number	123	120	125	115	115
Percentage of female employees	%	57	59	62	57	61
Percentage of male employees	%	43	41	38	43	39
Learning and development hours per employee	Hours	9.73	24.26	14	15	19
OHS days lost	Days	298 ⁽⁴⁾⁽⁶⁾	279 ⁽⁷⁾	230 ⁽⁸⁾	51 ⁽⁹⁾	0
<i>(6) Relates to three compensation cases.</i>						
<i>(7) Relates five compensation cases.</i>						
<i>(8) 99 percent of days lost influenced by one significant case.</i>						
<i>(9) 86 percent of days lost involved a long-term case.</i>						
Financial performance						
Total income	\$	27.8	28.3	30.0	28.6	25.1
Total expenses	\$	27.5	29.6	28.4	26.6	25.6
Net result from normal operations	\$	0.3	(1.3)	1.6	2.0	(0.5)
BACV provision	\$	0.2	(0.3)	0.4	0.8	(0.3)
Net result for the period	\$	0.1	(1.6)	1.2	1.2	(0.8)
Total assets	\$	18.1	18.6	19.8	19.8	18.2
Total liabilities	\$	11.6	12.4	12.0	13.1	12.7



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