ANNUAL REPORT 2013-14



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REGULATING FOR A QUALITY BUILT ENVIRONMENT IN VICTORIA.



ACCOUNTABLE OFFICER'S DECLARATION

In accordance with the *Financial Management Act* 1994, I have great pleasure to present the first Victorian Building Authority Annual Report for the reporting period 1 July 2013 to 30 June 2014.

24 September 2014

Prue Digby

Chief Executive Officer Victorian Building Authority

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CONTEXT



CHIEF COMMISSIONER'S REPORT

On 1 July 2013, amendments to the Building Act 1993 established the Victorian Building Authority (VBA) as a new statutory authority.

This began a new era of regulation for Victoria's building and plumbing industries. The VBA replaced the former Building Commission and Plumbing Industry Commission (the former Commissions). The structure of the VBA differs from the former Commissions and is designed to enable the VBA to focus on its core regulatory responsibilities.

THE CASE FOR CHANGE

In 2011 and 2012 respectively, the Victorian Auditor-General's Office (VAGO) and the Victorian Ombudsman delivered reports with criticisms of the regulation of the Victorian building system. The VAGO report also made recommendations designed to improve the regulatory oversight of Victoria's building permit system. They included:

- monitoring the building permit system, building permit data and levies
- monitoring to ensure building permits comply with statute
- · regulating building surveyors
- managing complaints
- managing practitioner registration and renewal.

Since its establishment, the VBA has taken steps to address the matters in both reports and act on their recommendations.

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AND PLUMBING INDUSTRIES.

IMPLEMENTATION OF THE REFORM AGENDA

As well, the VBA is implementing the State Government's wider reform agenda by:

- strengthening the performance audit program with an in-house Building Audit Program which conducts risk-based audits of building permits issued by private and municipal building surveyors
- auditing the building permit levy to identify nonpayment and risky practices by building surveyors
- closer monitoring of building and plumbing practitioners (practitioners)
- enhancing the Customer Service Unit to streamline VBA's interface with consumers and practitioners and to reduce unnecessary red tape
- improving the stakeholder engagement program across Victoria
- in June 2014, launching a new VBA website to provide clearer and more comprehensive communication and information for practitioners and consumers
- increasing cooperation with local councils to improve information sharing and monitoring capabilities
- improving oversight and probity of building practitioner registration.

Many of the VAGO recommendations are more comprehensively addressed within the State Government's Victorian Domestic Building Consumer Protection Reform Strategy. In May 2014, the Victorian Government introduced into Parliament the Building Legislation Amendment Bill 2014. The Bill will deliver further significant changes to the regulation of the Victoria's domestic building industry. One of its objectives is that the VBA become the integrated regulator for Victoria's architecture profession as well as the building and plumbing industries.

BEYOND THE REFORMS

A central aim of the VBA is to aid the achievement of efficient and competitive building and plumbing industries. Achieving this requires buildings to be constructed within a strong regulatory framework. To this end, after the reforms are fully implemented, the VBA will continue to effectively monitor the performance of the building permit system and determine when interventions are needed.

At 30 June 2014, there was a VBA Board of seven VBA Commissioners responsible for the governance and strategic direction of the VBA. The Board reports to the Minister for Planning. On 30 June 2014, the one year term of Commissioner Geoffrey London came to an end. I thank all the members of the VBA Board for their significant contributions over the past year. I also thank staff for their efforts and dedication to the success of the VBA's regulatory operations.

5 September 2014

William (Bill) Kusznirczuk Chief Commissioner Victorian Building Authority

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CEO'S REPORT

The VBA's focus now and in the future will be on ensuring we can deliver our core regulatory functions.

CORE REGULATORY FUNCTIONS

The VBA provides regulatory functions right across Victoria's building and plumbing industries. In doing so, it conducts audits of building and plumbing practitioner's work, responds to technical and regulatory enquiries and investigates and resolves complaints.

The VBA is also working to become a better regulator. This is being achieved through more appropriate resourcing and training and by bringing in a more systematic risk-based approach to all work programs.

Building Audit and Field Based Compliance Programs

The VBA has established a new Building Audit Program and a dedicated Field Based Compliance Program. These programs will respectively:

- monitor registered building practitioners compliance; and
- inspect building sites where non-compliance with the Building Act 1993 and Building Regulations 2006 has been identified as a risk.

In 2013-14, the Building Audit Program focused on building permits issued by building surveyors where safety concerns were identified. Next year the program will focus on draftspersons and demolishers.

The Field Based Compliance Program focused on construction of sheds by owner-builders and registered domestic building managers overseeing building work.

This approach helps the VBA ensure a safe built environment for Victorians. It maximises public benefit while minimising unnecessary burden on industry and the community.

Plumbing audits

In providing consumer protection, the VBA carries out compliance audits and inspections of plumbing work throughout Victoria.

This year the VBA ensured that 5.1 percent of all lodged plumbing compliance certificates were audited.

Sun-setting of regulations

The Department of Transport, Planning and Local Infrastructure (DTPLI), with the VBA's support, is undertaking work to remake the sun-setting Building Regulations 2006. Every 10 years, the building and the plumbing regulations are required to be reviewed, updated or changed.

In preparation, the VBA has started work with DTPLI on a new set of Building Regulations for 2016.

Stakeholder relations and communications

A great deal of work has also been undertaken to better engage with industry and consumer stakeholders.

The VBA has made it a priority to rebuild relationships with industry and consumers. Senior VBA staff have met regularly with industry and consumer groups, building and plumbing practitioners and spoken at practitioner events across Victoria.

The VBA has worked extensively with industry to provide feedback on the VBA's operations and what is expected of industry and practitioners when the State Government's reforms package is implemented.

Communications have increased to ensure that industry and consumers remain informed. This includes a focus on disseminating information widely on core regulatory activities, particularly examples of prosecutions and discipline actions of practitioners. Media releases and articles in industry journals, which are published on the VBA's website, are the main vehicles for this communication.

Information seminars about the VBA's role and the State Government's reforms package were held in 2014 in 10 locations across Victoria, with more than 1,200 people attending.

STATUTORY BODIES

The VBA has continued to support the operations and statutory responsibilities of the:

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

Information relating to these bodies is also included in this Annual Report.

STRATEGIC DIRECTION

A new and highly experienced executive leadership team has been appointed to improve the VBA's regulatory activity and capability.

An integrated organisational structure is being progressively implemented which will enable the VBA to better deliver on its regulatory responsibilities and streamline processes. This is enabling the VBA to work more collaboratively, efficiently and effectively, both internally and externally.

I LOOK FORWARD TO STRIVING
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FOR BETTER OUTCOMES FOR
FOR BUILDING AND PLUMBING
THE BUILDING AND CONSUMERS
INDUSTRIES AND CONSUMERS
INDUSTRIES AND INVICTORIA.

Across the VBA, planning for the future and investing in staff and resources is a priority to ensure that the VBA is appropriately equipped for the tasks ahead. This includes preparing to implement the Government's reform agenda encapsulated in the Building Legislation Amendment Bill 2014.

These important changes will create many new opportunities to improve the VBA's regulatory service delivery.

I thank the Board and executive leadership team for their guidance and support. To the VBA's staff I say thank you, for your dedication, contribution and hard work in 2013-14. I look forward to building upon our achievements together, delivering our strategic direction and striving for better outcomes for the building and plumbing industries and consumers in Victoria.

9 September 2014

Prue Digby
Chief Executive Officer
Victorian Building Authority

DIRECTION

In 2013-14, the Board approved a VBA Strategic Operational Plan 2013-14 that detailed a number of establishment priorities for the VBA (Appendix 2). In May 2014, the Board approved a new four year Corporate Plan 2014-2018 that includes the following vision, mission, objectives and values.

VISION

- A trusted regulator
- A respected industry
- An informed community.

MISSION

Regulating for a quality built environment in Victoria.

OBJECTIVES

The VBA will achieve its vision through the following objectives:

- Contemporary approach
- Protected consumers and capable practitioners
- Public value
- Organisational capability.

VALUES

As a Victorian Public Sector (VPS) entity, the VBA Board's Charter reflects the VPS values. As a part of the VPS, the VBA's staff must adhere to the values of:

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human Rights.

In addition, the VBA's Corporate Plan identifies additional and unique organisational values the VBA's staff must adhere to. They are:

- Future Focus
- Achieving Together
- Inspiring Excellence
- Respecting Individuals
- Ensuring Trust.



THE VBA IS RESPONSIBLE
THE VBA IS RESPONSIBLE
FOR CARRYING OUT THE
FOR CARRYING DETAILED IN
FUNCTIONS DETAILED IN
THE BUILDING ACT
THE BUILDING

RESPONSIBILITIES AND FUNCTIONS

RESPONSIBILITIES

As at 30 June 2014, the VBA is accountable to the Minister for Planning. The VBA is responsible for carrying out the functions detailed in the *Building Act 1993* and the *Building and Construction Industry Security of Payment Act 2002*.

FUNCTIONS

The VBA's functions under the Building Act (the Act) include to:

- monitor and enforce compliance with the Act
- administer licensing and registration of plumbers
- participate in the development of national building and plumbing standards
- monitor developments relevant to the regulation of building and plumbing standards
- promote the maintenance of adequate competency levels amongst plumbers
- provide information on:
 - building and plumbing standards
 - the regulation of buildings, building work and building practitioners
 - the regulation of plumbing work and plumbing practitioners
- provide information and training to assist those who are carrying out functions under the Act or regulations
- promote the resolution of consumer complaints about work carried out by builders and plumbers

- conduct or promote research relating to the regulation of the building and plumbing industries in Victoria and report on the research outcomes in the VBA Annual Report
- monitor the collection of building permit levy
- charge and collect fees for information and training services provided by the VBA
- administer the Victorian Building Authority Fund
- advise the Minister for Planning.

The VBA's functions under the Building and Construction Industry Security of Payment Act include to:

- authorise nominating authorities (ANAs) to nominate adjudicators to determine payment disputes
- maintain a publicly available register of ANAs
- keep a record of adjudication determinations and publish adjudication statistics.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

BOARD PROFILES

Chief Commissioner

Mr William (Bill) Kusznirczuk was appointed Chair of the Building Advisory Council from October 2011 to 30 June 2013 and in that capacity he provided ongoing advice to the Minister for Planning and the government in relation to administration of the Building Act. He is a member of the Board of the Metropolitan Planning Authority and has extensive experience in the areas of urban planning, design, building and development. He is Managing Director of Clement Stone Town Planners. He gives advice on urban, regional planning and development issues across Australia. Mr Kusznirczuk was appointed as Chair and Chief Commissioner of the Victorian Building Authority on 1 July 2013.

Deputy Chief Commissioner

Dr Damien Cremean has extensive experience in the areas of law, regulatory administration and dispute resolution in domestic building as the former Deputy President of VCAT (domestic building list). Dr Cremean is also co-author of the standard Australian text on building and construction contracts and has extensive experience in a regulatory environment as a Board member and Chair of the Business Licensing Authority.

Commissioner

Mr David Bennett QC is a Senior Fellow of the University of Melbourne Law School and Chairman of the Advisory Board for its Masters of Construction Law program. In that Masters program, he coordinates and lectures in two subjects. David is a former Adjunct Professor in Law at University of Technology, New South Wales and a founding board member of the University of Technology Sydney Centre for Dispute Resolution. He is Chair of the Building Regulation Advisory Committee. In 2012, on behalf of the Department of Justice, he was responsible for the drafting of a model building contract for new homes published by Consumer Affairs Victoria for public use. Mr Bennett was nominated for appointment by the Minister for Consumer Affairs.

Commissioner

Dr Lynne Williams brings extensive high level public service experience to the Board. She has held senior executive positions in State and Federal governments for more than 30 years, having most recently been Under Secretary in the Department of Treasury and Finance in Victoria. Dr Williams has previously held positions in the departments of Premier and Cabinet, and Industry in Victoria. Dr Williams has considerable Board experience and is the current Chair of the Victorian Government Procurement Board.

Commissioner

Mr Brian Welch has more than 25 years' experience in senior executive roles within the building and property industry, including 20 years as Executive Director of the Master Builders Association of Victoria (MBAV). In this role Mr Welch drove establishment of the Master Builders' brand and oversaw a threefold increase in membership and the opening of offices across Victoria. Mr Welch brings to the Board this experience and understanding of the industry and the role and requirements of practitioners.

Commissioner

Ms Yvonne von Hartel AM is a founding Principal of the award-winning national architectural and urban design practice, peckvonhartel. Ms von Hartel has practised as an architect for over 47 years, working on some of Australia's most significant infrastructure projects. This experience and expertise in architecture will be a valuable asset to the Board as the VBA takes on responsibility for the registration of architects as part of the State Government's building industry reforms strategy.

Commissioner

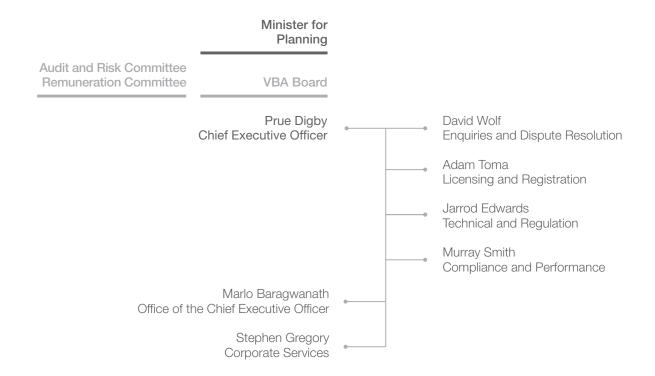
Mr Geoffrey London is the Victorian Government Architect. He is a Life Fellow of the Australian Institute of Architects and is the Winthrop Professor of Architecture at the University of Western Australia. Mr London has served on and acted as Chair of many architectural design award and competition juries and has owned and run an architectural consultancy.

CEO PROFILE

Prue Digby has held a range of senior board and senior executive roles across State Government, Local Government and the not-for-profit sector. Together with the VBA Board, Prue has responsibility for delivering the VBA's core regulatory functions and strategic direction. Prue is also accountable for ensuring the VBA can deliver the government's reform agenda, which aims to change the face of building and plumbing industry regulation in Victoria and improve consumer protection and building industry standards.

ORGANISATIONAL STRUCTURE

In May 2014, the VBA structure was aligned to an integrated functional service model to better respond to the needs of consumers and practitioners. New directors with significant government and regulatory experience were appointed in early 2014 to deliver the VBA's regulatory operations and to implement the legislative reforms.







ACHIEVEMENTS

Field Based Compliance Program

The VBA has established a dedicated Field Based Compliance Program. The purpose of this program is to inspect building sites throughout Victoria where non-compliance with the Building Act and the Building Regulations 2006 (Building Regulations) has been identified as a risk.

In April 2014, VBA compliance officers conducted 164 inspections of construction sites in the Bendigo area in relation to the construction of sheds by owner-builders. The VBA identified several areas of concern during the visits. These included:

- sheds that may not have been built by registered builders or owner-builders for which a certificate of consent may have been issued
- practitioners allegedly advising consumers that they need to become owner-builders
- issues with building site signs.

In June 2014, VBA compliance officers conducted 143 inspections of construction sites in the western suburbs of Melbourne focussing on sites where a registered domestic building manager was recorded as overseeing the work. These visits were conducted to ensure that appropriately registered building practitioners were undertaking the work. The VBA identified several areas of concern during the visits. These included:

- unregistered practitioners undertaking building work
- registered domestic managers not meeting the obligations of registration.

As a result of the Field Based Compliance Program, compliance officers are making further enquiries which may result in prosecution or disciplinary action. The outcomes of these inspections are published after every field program audit to educate practitioners on their regulatory responsibilities.

Building audits

The VBA established a new Building Audit Program to monitor the building industry to determine the level of compliance with the Building Act and the Building Regulations and related legislation. Under the program, a performance auditor examines work by registered building practitioners to ensure:

- the practitioner's work has been competently carried out and does not pose a risk of injury
- the Building Act and the Building Regulations have been complied with.

The Building Audit Program takes a risk-based approach, which means it focuses on the aspects of the building process that potentially pose the greatest risks to the public. This approach helps to ensure a safe built environment for Victorians. It maximises public benefit while minimising unnecessary burden on the Victorian industry and the community it services. In 2012-13, the VBA's in-house Building Audit Program carried out audits of 1,000 building permits with councils. In 2013-14, the Building Audit Program focused on 450 (of those original 1,000) building permits with safety concerns, in the offices of the relevant building surveyors (private or municipal). The VBA is using the intelligence gathered to:

- provide feedback to practitioners to enable improvement of practices
- prioritise VBA monitoring activities to address known regulatory risks
- draw on other compliance activities and enforcement tools to address significant or continued non-compliance
- inform the review of the sun-setting Building Regulations
- inform other VBA regulatory processes.

Levy audits

The Building Act imposes a 0.128 percent building permit levy on the cost of works for every issued building permit with a value greater than \$10,000. The levy is collected by the relevant building surveyor. To ensure building surveyors comply with their obligations for reporting and submitting levy payments to the VBA a Levy Audit Program has been conducted, taking a risk-based approach in selecting building surveyors for audit. It also ensures an appropriate mix of private and municipal building surveyors are included. The Levy Audit Program is essential to ensure the integrity of the building permit levy and data collection systems.

In 2013-14, 99 levy audits, made up of 61 field audits and 38 desk audits were conducted across **164,905** building permits and building works totalling **\$39 billion**. The Levy Audit Program also identified 685 unreported building permits and recovered \$334,746 in unpaid building permit levy monies.

Data transparency

The VBA is working to make a number of datasets available online by 30 September 2014 under the DataVic Access Policy.

The DataVic Access Policy is administered by the Department of Treasury and Finance and is expected to:

- stimulate economic activity and drive innovation and new services to the community and business
- increase productivity and improve personal and business decision making based on improved access to data
- improve research outcomes by enabling access to primary data to researchers in a range of disciplines
- improve the efficiency and effectiveness of government by encouraging better management practices and use of the data

Publishing the VBA's datasets online will increase transparency and accountability while improving outcomes for stakeholders.

For more information and to view the VBA's raw data visit www.vba.vic.gov.au/data or www.data.vic.gov.au.

Regulatory change

In preparation for the sun-setting of the Building Regulations in 2016, DTPLI and the VBA have started work on an evidence-based assessment of the *Building Regulations 2006* and are planning a comprehensive stakeholder engagement program. The VBA is supporting DTPLI to develop a new set of regulations that are clear, robust and best-practice. This work aims to reduce unnecessary red tape and establish systems that measure and improve industry, consumer and community outcomes.

During the year amendments were made to the Plumbing Regulations 2008 (Plumbing Regulations) by DTPLI, with the support of the VBA, with the Plumbing (Amendment) Regulations 2014 coming into effect from 1 July 2014. The amendment has changed the way plumbing fees are set, by replacing the definition of monetary fees with fee units. This also aligns Part 12A of the Building Act with the *Monetary Units Act 2004* to enable the automatic and annual indexation of the VBA's plumbing fees. Importantly, the change provides industry with more certainty about the VBA's fees and their associated costs.

As part of a whole-of-Victorian Government approach, the VBA participated in policy development for the National Occupational Licensing System (NOLS). NOLS was intended to harmonise licensing regulation between jurisdictions for plumbing and a number of other specific occupations. At the Council of Australian Governments (COAG) meeting in December 2013 it was decided not to pursue the proposed NOLS reforms. Through the Council for Australian Federation, Victoria and other states will instead develop alternatives that aim to minimise licensing impediments and improve labour mobility across Australia.

Slab heave research

The VBA commissioned research into the issue of slab heave to dwellings in the western suburbs of Melbourne.

The research found the key issues relating to slab heave in the sample dwellings were associated with deficiencies in the stormwater drainage systems of the dwellings. It also indicated that sections of the Building Code and relevant standard (AS2870) relating to drainage appear not to be well known or understood by practitioners and as a result there was a failure to comply. In response to this the VBA will:

- provide information to home-owners on slab design, responsibilities and maintenance
- develop VBA Practice Notes and guidance material based on AS2870 Residential Slabs and Footings, including drainage considerations, for use by practitioners
- advocate for designers and engineers to have better access to accurate information about slab design and associated drainage systems.

PROTECTED CONSUMERS AND CAPABLE PRACTITIONERS

Monitoring practitioner performance

Work on the skills and capability of VBA compliance staff has continued. The program aims to improve investigator capacity and enhance investigation outcomes. A range of activities took place including in-house lectures to investigators on the responsibilities of the informant in court proceedings, presentations by the Environment Protection Authority (EPA) on its restructuring of inspection, audit and investigation functions, and general education on assessment, investigation and preparation for court proceedings.

The Building Practitioners Board (BPB) is an independent statutory body established under the Building Act. It oversees the quality and standard of professional services in the Victorian building industry. In doing so, it administers a registration system and monitors the conduct and ability of registered building practitioners. This year the BPB has reviewed and updated its registration practices to include sample character and personal probity checks for practitioners wishing to register or vary their registration with the BPB.

Standards

Through involvement in the Australian Building Codes Board's (ABCB) National Construction Code (NCC) Series, the VBA represented Victorian interests on the Building Codes Committee and the Plumbing Code Committee to review the Building Code and Plumbing Code. The VBA also actively participated in the development of national standards relating to the building and construction sector.



Stakeholder engagement

The VBA has delivered an extensive stakeholder engagement program that included 10 seminars across Victoria for 1,218 building and plumbing practitioners and consumers. The purpose of the seminars was to inform and engage with industry and the community about changes to building and plumbing regulations, the Victorian Domestic Building Consumer Protection Reform Strategy and the government's proposed reform package. The VBA also worked with a range of industry stakeholders, including conducting joint roadshows with Energy Safe Victoria on the new gas code and ABCB on the NCC.

The VBA participated in the Master Builders Association of Victoria's (MBAV) Build and Renovating Expo in July 2014 to promote its functions.

As part of the stakeholder engagement program, VBA senior managers held regular meetings with industry and consumer groups.

Consumer information

A new and more easily accessible VBA website was launched on 19 June 2014.

The VBA has established a new Customer Service Unit, which is designed to help streamline the VBA's consumers and practitioners' experience with the VBA. This includes more appropriate resourcing and training of staff, implementation of new processes and equipment so enquiries and complaints are dealt with more efficiently. Further work to improve the VBA's consumer and practitioner interface is planned.

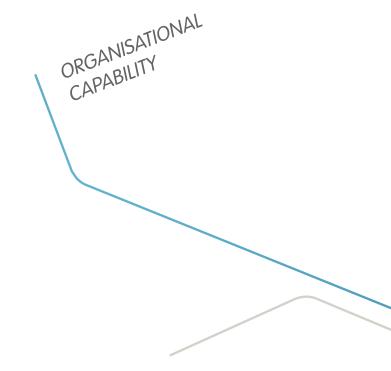
Wood heater service information

The Coroner's Court of Victoria found a March 2012 house fire that claimed the lives of two young children was caused by accumulated detritus around a wood heater flue. In accordance with the court's recommendations, the VBA published online consumer information and issued a media release about the importance of annual wood heater service by appropriately licensed or registered plumbers.

Community fire shelters

The VBA played a lead role in the Fire Services Commissioner's Victorian community fire refuges pilot project. This included the development of a performance standard for the design and construction of community fire refuges, membership of the pilot project's Advisory Board and membership of the expert panel established to advise the Fire Services Commissioner on design adequacy. The project successfully concluded with the opening of three community fire refuges at Blackwood, Ferny Creek and East Warburton.

The VBA also played a lead role in the development of ABCB's *Design and Construction of Community Bushfire Refuges* handbook. The handbook was based on the findings of the Victorian community fire refuges pilot project and is available for any jurisdictions to use.



Monitoring and evaluation of regulations

In preparation for sun-setting of the Building Regulations in 2016, the VBA is improving its organisational capability to monitor and evaluate the performance of regulations made under the Building Act.

The VBA has trialled new approaches for data collection, collation, analysis and research. The identification of additional sources of information will enable the VBA to continue evaluating the Building Regulations' performance to provide evidence for future change.

Monitoring building permits and building surveyors

In consultation with DTPLI, Australian Institute of Building Surveyors (AIBS), the Municipal Association of Victoria (MAV) and the Victorian Municipal Building Surveyors Group (VMBSG), the VBA has developed a draft strategy to provide more effective co-ordination between councils and the VBA in monitoring the performance of the building permit system and building surveyors. The developed strategy aims to address lodgement of documents by a registered building surveyor formal clarification of roles and enhanced information exchange between the VBA and councils.

The strategy will also clarify local councils' responsibilities for monitoring building surveyors and enforcement of the Building Act.

Organisational change

In 12 May 2014, the new VBA organisational structure was adopted. The new structure will enable better integration and create efficiencies in the regulatory services delivered to practitioners and consumers.

PERFORMANCE

In step with the DataVic Access Policy, in September 2014, the VBA will commence progressively releasing raw data about its functions online.

For more information about the DataVic Access Policy and to view the VBA's raw data visit www.vba.vic.gov.au/data.

REGULATORY ACTIVITY IN 2013-14

The following information provides an overview into the operations of the VBA, since its commencement on 1 July 2013 and the on-going regulation of Victoria's building and plumbing industries and practitioners. Comparisons have been made, where appropriate, between the former Commissions 2012-13 and the VBA's 2013-14 regulatory activity.

NUMBER OF BUILDING PERMITS ISSUED¹ AND COMPLIANCE CERTIFICATES LODGED IN VICTORIA

422,285

NUMBER OF BUILDING AND PLUMBING PRACTITIONERS REGISTERED OR LICENSED, OR BOTH, IN VICTORIA

46,874

NUMBER OF INVESTIGATIONS HELD INTO BUILDING AND PLUMBING WORK

1,482

NUMBER OF BUILDING AND PLUMBING PRACTITIONER DISCIPLINARY INQUIRIES HELD

77

NUMBER OF BUILDING AND PLUMBING PROSECUTIONS OF PRACTITIONERS

40

^{1.} Reported by the relevant building surveyor.

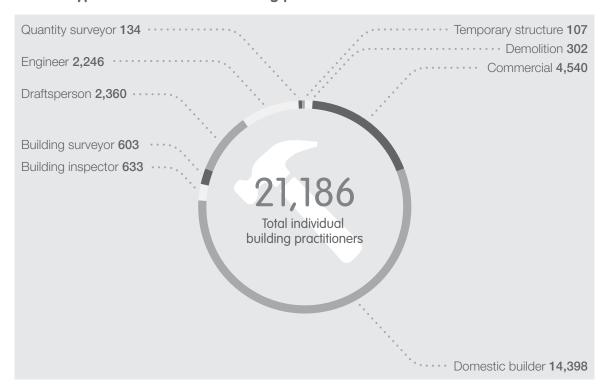
^{2.} Building permit cost of works totalled \$25.274 billion, a 12.37 percent increase on 2012-13.

^{3.} Compliance certificate costs of works is unknown.

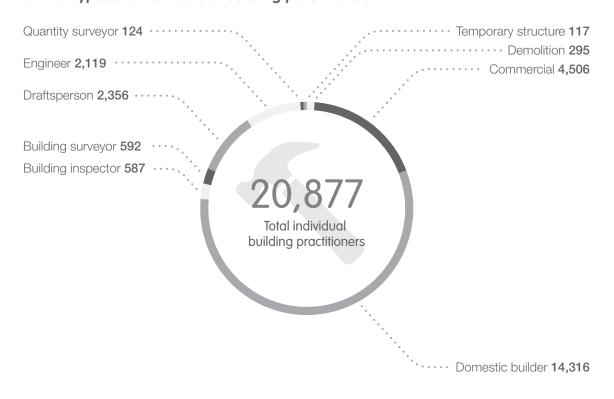
^{4.} Includes BPB inquiries and conduct reviews held and plumbing practitioner disciplinary hearings held.

REGISTRATION AND LICENSING ACTIVITY

2013-14 Types and numbers of building practitioners ⁵



2012-13 Types and numbers of building practitioners

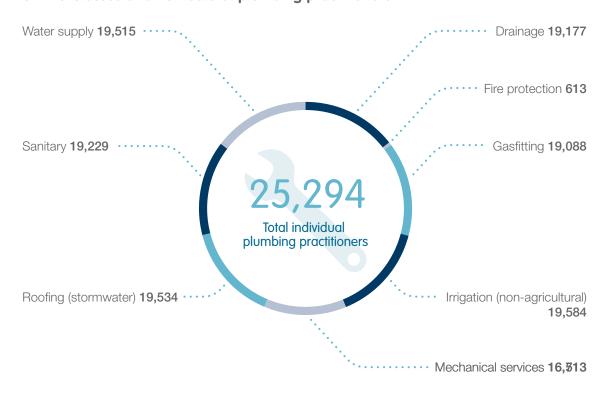


^{5.} Building practitioners can hold multiple types of registration.

2013-14 Classes and numbers of plumbing practitioners ⁶



2012-13 Classes and numbers of plumbing practitioners



^{6.} Plumbing practitioners can hold multiple classes.

BUILDING AND PLUMBING ACTIVITY

Builders		
	2013-14	2012-13
Building permits issued	101,349	93,881
Owner-builder certificates of consent issued	7,730	7,337
Temporary structure occupancy permits issued	878	38

Plumbers			
	2013-14	2012-13	
Compliance certificates lodged 7	320,936	318,469	

MONITORING AND ENFORCEMENT ACTIVITY

Building practitioner investigations	441	527
Disciplinary hearings referred to BPB	145	-
Prosecutions	28	36
Building permit audits (number)	450 ¹⁰	1,000
Levy audits	99 11	46 ¹²
Field based compliance program	307	-

Plumbing practitioner investigations	1,041	1,098
Disciplinary hearings held 9	16	48
Prosecutions	12	31
Compliance certificate audits (percentage of total)	5.1%	5%

COMMUNITY INFORMATION ACTIVITY

Complaints received	956	1,638
BACV inspections requested	107	181

|--|

VBA		
Website visits ¹³	792,244	641,610
VBA mail distribution ¹⁴	508,354	-

For more detailed activity information over five years from the VBA and the former Commissions see appendix 3, the Building Appeals Board see appendix 4 and the Building Practitioners Board see appendix 5.

^{7.} Compliance certificates lodged can include multiple plumbing classes, for more detailed information see appendix 3.

^{8.} An increase in temporary structure occupancy permits is due to a combination of increased legal occupation of temporary structures, arising from an enhanced consistency of approach by the VBA with the public entertainment industry and the public entertainment industry being reactive to economic and social trends.

^{9.} A decrease in plumbing practitioner disciplinary hearings held is due to a focus on ageing investigations and changes in plumbing investigation procedures.

^{10.} As part of the Building Audit Program, the VBA has conducted a two phase audit project. Phase one in 2012-13 audited 1,000 building permits at councils. Phase two audited 450 of those 1,000 building permits at the office of the relevant registered building surveyors and focused on addressing over 1,500 health and safety issues.

^{11. 61} field audits and 38 desk audits and audit reviews across 164,905 building permits and building works totalling \$39 billion. 685 unreported building permits were identified and recovered \$334,746 in unpaid building permit levy monies.

^{12.} The figure reported in the Building Commission 2012-13 Annual Report of 40 field audits did not include 6 further desk audits and audit reviews.

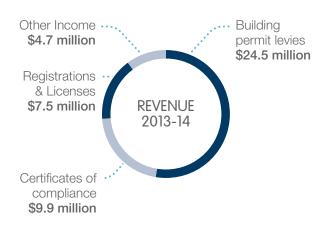
^{13.} The VBA's new website was launched on 19 June 2014.

^{14.} Since December 2013, 13 editions of the email newsletter, VBA Mail, have been distributed to an average of 39,104 recipients per edition.

FINANCIAL ACTIVITY SUMMARY

\$4.661m net result





Summary of significant impacts to financial position

The VBA's financial result of a \$4.7 million net surplus for the 2013-14 financial year was mainly contributable to a record year for building activity in the State of Victoria. Building activity for 2013-14 reached a record high of \$25.274 billion, an increase of 12.37 percent on the 2012-13 result. Total revenue for 2013-14 was \$46.6 million.

Total expenses for 2013-14 were \$42 million. The VBA directed its expenditure to the delivery of regulatory development activities, practitioner registration, compliance activities, building dispute resolution, building industry research, informing consumers and industry and internal systems improvements. In particular, a greater focus for expenditure was the reform agenda to address issues raised by the Victorian Auditor-General's Office in 2011 and the Victorian Ombudsman in 2012, and to ready the business for changes as a result of the Building Legislation Amendment Bill 2014.

The VBA's cash and investments position was in a robust position at balance date at \$28.5 million.

Financial governance

The VBA is committed to a strong financial governance framework, supported by an Audit and Risk Committee.

The Building Legislation Amendment Bill 2014 is currently before Parliament and may have an impact on financial statements in subsequent years. Full disclosure of the VBA's financial position is included in the Financial Statements and Notes to the Financial Statements.

BACV Provision

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 for the BACV, the VBA 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 VBA currently provides 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. The value of the BACV provision as at 30 June 2014 is \$4.9 million.

Summary of the VBA's financial performance

ITEM	2013-14 \$ million
General building permit levy	16.5
BACV building permit levy	8
Plumbing compliance certificate sales	9.9
Practitioner registrations and licensing	7.5
Total income	46.6
Total expenses	42
Net result from operations	6
BACV provision expense	1.3
Net result	4.7
Total assets	38.5
Accumulated surplus	4.7
BACV Provision	4.9
Net increase/decrease in cash and cash equivalents	8.5

THE VBA IS COMMITTED TO A STRONG FINANCIAL GOVERNANCE FRAMEWORK, OVERNANCE PRAIVIEVVUKN,
OVERNA

FINANCIAL STATEMENTS

ACCOUNTABLE OFFICER'S AND CHIEF FINANCE AND ACCOUNTING OFFICER'S DECLARATION

The attached financial statements for the Victorian Building Authority 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 2014 and financial position of the Victorian Building Authority at 30 June 2014.

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 24 September 2014.

Prue Digby

Chief Executive Officer

Victorian Building Authority

Melbourne

24 September 2014

Elizabeth Rowland

Chief Finance and Accounting Officer

Victorian Building Authority

Melbourne

24 September 2014



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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Building Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the Victorian Building Authority which comprises the 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 Board Members' Responsibility for the Financial Report

The Board Members of the Victorian Building Authority 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 Board Members 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 Board Members, 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 Victorian Building Authority as at 30 June 2014 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 Victorian Building Authority for the year ended 30 June 2014 included both in the Victorian Building Authority's annual report and on the website. The Board Members of the Victorian Building Authority are responsible for the integrity of the Victorian Building Authority's website. I have not been engaged to report on the integrity of the Victorian Building Authority'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 24 September 2014 for Dr Peter Frost Acting Auditor-General

COMPREHENSIVE OPERATING STATEMENT

for the financial year ended 30 June 2014

for the financial year ended 30 June 2014		
	Notes	2014
		\$
Continuing operations		
Income from transactions		
Building permit levies	2(a)	24,520,390
Certificates of compliance		9,902,403
Registrations		4,222,239
Licenses		3,253,729
Audits & Inspections		1,601,445
Owner builder certification fees		777,038
Other Income	2(b)	1,724,132
Total income from transactions		46,001,377
Other revenue		
Interest income		644,367
Total Income from transactions		46,645,743
Expenses from transactions		
Employee benefits	3(a)	19,229,463
General administration expenses	3(b)	7,462,121
Accomodation expenses		2,359,088
Audit, legal and consulting fees		2,054,896
Research & Development Policy Unit		1,394,960
Depreciation & amortisation	3(c)	2,206,946
Board and committee fees		785,798
Grant - Australian Building Codes Board		546,438
External Inspection, Investigations & Practitioner Audits		4,603,143
BACV Provision		1,276,480
Total expenses from transactions		41,919,335
Net result from transactions (net operating balance)		4,726,409
Other economic flows included in net result		
Net gain/(loss) on non-financial assets	4(a)	(64,978)
Total other economic flows included in net result		(64,978)
Net result from continuing operations		4,661,430
Comprehensive result		4,661,430

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

BALANCE SHEET AS AT 30 JUNE 2014

	Notes	2014
		\$
Assets		
Financial assets		
Cash and deposits	19(a)	24,771,534
Receivables	6	3,562,002
Investments and other financial assets	7	3,745,000
Total financial assets		32,078,536
Non-financial assets		
Inventories	8	29,428
Prepayments	11	116,773
Land & Buildings	9	1,350,845
Property, plant and equipment	9	3,358,116
Intangible assets	10	1,215,377
Make Good Asset	9	303,000
Total non-financial assets		6,373,540
Total assets		38,452,076
Liabilities		
Payables	12	2,194,593
Borrowings	13(a)	30,171
Provisions	14	9,254,749
Security Deposits		1,872,305
Deferred Revenue		4,926,625
Other Liabilities	12(d)	1,026,074
Total liabilities		19,304,516
Net Assets		19,147,560
Equity		
Accumulated surplus/(deficit)		4,661,430
Contributed capital		14,486,129
Net worth		19,147,560
Commitments for expenditure	16	
Contingent assets and contingent liabilities	17	

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

	Notes	Plumbing Industry Commission (PIC) Trust No 1 Reserve	Accumulated Surplus	Contributed by Owner	Total
			\$	\$	\$
Balance at 1 July 2013					-
Net result for the year			4,661,430		4,661,430
Other comprehensive income for the year					
Transfer to accumulated surplus		1,608	(1,608)		-
Administrative restructure – net assets received	5			14,486,129	14,486,129
Balance at 30 June 2014		1,608	4,659,822	14,486,129	19,147,560

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



CASH FLOW STATEMENT

for the financial year ended 30 June 2014	
Notes	2014
Cash flows from operation activities	\$
Receipts	
Receipts from customers	
Receipts from other entities	
Interest received	
Dividends received	
Other receipts – Goods and services tax recovered from ATO	1,400,035
Total receipts	48,205,867
Payments	
Payments of grants – Australian Building Codes Board	(546,438)
Payments to suppliers and employees	(38,217,790)
Total payments	(38,764,228)
Net cash flows from/(used in) operating activates 19(b)	9,441,639
Cash flows from investing activities	
Payments for property, plant and equipment	(713,350)
Proceeds from sale of property, plant and equipment	191,632
Payments of intangibles	(565,929)
Net cash flows from/(used in) investing activates	(1,087,647)
Cash flows from financing activities	
Receipts of security deposits	661,500
Payments for security deposits	(557,500)
Owner contributions by State Government 5	20,058,543
Net cash flows from/(used in) financing activities	
Net increase/(decrease) in cash and cash equivalents	28,516,534
Cash and cash equivalents at the beginning of financial year	-
Cash and cash equivalents at the end of financial year	
Non -cash transactions	

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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Victorian Building Authority for the period ending 30 June 2014. The purpose of the report is to provide users with information about the VBA's stewardship of resources entrusted to it.

The Victorian Building Authority commenced operations on 1 July 2013. This is the first financial statements for the VBA. Refer Note 5.

(A) 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 AASs paragraphs applicable to not-for-profit entities have been applied.

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

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

These annual financial statements were authorised for issue by the Victorian Building Authority Chief Operating Officer/Accountable Officer on 24 September 2014.

(B) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid. Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

BACV Provision increase

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 2013-2014 due to an increase in claims of older cases, 6 - 10 years post permit issued, and an increase in the cost to provide the BACV service.

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,
- superannuation expense 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(L)).

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

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

Consistent with AASB 13 Fair Value Measurement, the VBA determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the VBA has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the VBA determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the VBA's independent valuation agency.

The VBA, in conjunction with VGV [and other external valuers, if applicable], monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

(C) Reporting entity

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

The VBA is a self funded statutory authority established under the *Building and Planning Legislation Amendment Act 2013*.

Its principal address is: 733 Bourke street Docklands VIC 3008

A description of the nature of the VBA's operations and its principal activities is included in the report of operations on page 6, which does not form part of these financial statements.

(D) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

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

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

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, investing, 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 balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

(E) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when the VBA is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The VBA has considered the specific requirements relating to highest and best use, valuation premise, and principal (or most advantageous) market. The methods, assumptions, processes and procedures for determining fair value were revisited and adjusted where applicable. In light of AASB 13, the VBA has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

However, AASB 13 has predominantly impacted the disclosures of the VBA. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

AASB 119 Employee benefits

In 2013-14, the VBA has applied AASB 119 Employee benefits (September 2011, as amended) and the related consequential amendments for the first time.

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the VBA.

The revised standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis for benefits not expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service.

	(\$ thousand)
Impact on comprehensive result	2012-13
Decrease in employee expense	(19)

(F) 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.

Building permit levy (general and BACV)

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

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.

Compliance Certificates, modifications and appeals, miscellaneous revenue and proceeds from sale of fixed assets

Compliance Certificates, 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.

Prosecutions

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

Sundry revenue

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

Grant revenue

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

For reciprocal grants (i.e. equal value given back by the VBA to the provider), the VBA is deemed to have assumed control when the VBA has satisfied its performance obligations under the terms of the grant. For non-reciprocal grants, the VBA 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.

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 \$89.46 and this allows an owner builder to build one home every three years in the State of Victoria.

Plumbing registration and licence fees

Plumbing registration fees receipted throughout the year are for a triennium ending for three years from the date paid. Fees received relating to the subsequent years are recognised at year-end as deferred revenue.

Yearly licence renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Licences fees received relating to the subsequent year are recognised at year-end as deferred revenue.

Interest Income

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

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

(G) Expenses from transactions

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

Employee expenses

Refer to the section in Note 1(L) 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.

Depreciation

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

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

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

Asset	Useful life
Buildings	40 years
Motor Vehicles – owned	5 years
Motor Vehicles – leased through Vicfleet	3.5 years
Furniture & Fittings	6.7 years
IT Equipment	3 years
Office machines and equipment	3 years
Software and intangibles	3 years

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

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

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

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

Interest expense

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

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations 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(J) Impairment of financial assets.

Fair value of assets and services provided free of charge or for nominal consideration.

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another government department or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying value.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 Borrowing Costs applicable to not-for-profit public sector entities, the VBA continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

(H) Other economic flows included in the net result

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

Net gain/(loss) on non-financial assets

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

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

Refer to Note 1(K) Revaluations of non-financial physical assets.

Net gain/(loss) on disposal of non-financial assets Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

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

Impairment of non-financial assets

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

All other assets are assessed annually for indications of impairment, except for inventories (refer to Note 1(L)).

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

If there is an indication that there has been a reversal 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. The impairment loss is reversed 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.

(I) 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 VBA'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 VBA 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 payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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

Available-for-sale financial assets

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

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

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

Fair value is determined in the manner described in Note 18 Financial instruments.

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

Held-to-maturity financial assets

If the VBA 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 VBA 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 VBA would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method (refer to Note 18).

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

(J) Financial assets

Cash and deposits

Cash and deposits recognised on the balance sheet 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 readily convertible to known amounts of cash with an insignificant risk of changes in value.

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

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (refer to Note 1(M) Leases); and
- statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(I) Financial Instruments 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.

For the measurement principle of receivables, refer to Note 1(I).

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.

Impairment of financial assets

At the end of each reporting period, the VBA 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.

(K) Non-financial assets

Inventories

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

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 17 Property, plant and equipment.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(M)) 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.

Leasehold improvements

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

Revaluations of non-financial physical assets

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

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

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

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

Intangible assets

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

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

Refer to Note 1(G) Depreciation, Note 1(H) Amortisation of non-produced intangible assets and Note 1(J) Impairment of non-financial assets.

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

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

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

Other non-financial assets

Prepayments

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

(L) Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession notes. Accounts payable represent liabilities for goods and services provided to the VBA prior to the end of the financial year that are unpaid, and arise when the VBA 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 (refer to Note 1(I)). 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.

Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1(M) Leases). The measurement basis subsequent to initial recognition depends on whether the VBA 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.

The classification depends on the nature and purpose of the interest bearing liabilities. The VBA determines the classification of its interest bearing liabilities at initial recognition.

Provisions

Provisions are recognised when the VBA 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 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, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as 'current liabilities', because the VBA does not have an unconditional right to defer settlements of these liabilities.

Depends on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value- if the VBA expects to wholly settle within 12 months; or
- present value- if the VBA does not expect to wholly settle within 12 months.

(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 VBA 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:

- undiscounted value- if the VBA expects to wholly settle within 12 months; and
- present value-if the VBA does not expect to wholly settle within 12 months.

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

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

(iii) Termination benefits

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

On-costs

Provisions for 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 VBA in the event of default.

The value of loans and other amounts guaranteed by the Treasurer is disclosed in Note 32 Contingent assets and contingent liabilities.



(M) Leases

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

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

Finance leases

VBA as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the VBA will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating leases

VBA 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 straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(N) 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 to or distributions by owners 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.

(O) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 31 Commitments for expenditure) at their nominal value and inclusive of the 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. The VBA had no commitments for future expenditure at 30 June 2014.

(P) 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 32 Contingent assets and contingent liabilities) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(Q) Accounting for the goods and services tax

Income, expenses and assets are recognised net of the amount of associated goods and services tax (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 VBA, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(O) and Note 1(P)).

(R) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the VBA 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 between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate conditions which arose after the end of the reporting period that are considered to be of material interest.

(S) Plumbing Industry Commission (PIC) Trust No 1

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

(T) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2014 reporting period. DTF assesses the impact of all these new standards and advises the VBA of their applicability and early adoption where applicable.

As at 30 June 2014, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1/01/2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.



NOTE 2. INCOME FROM TRANSACTIONS

	2014
(a) Building permit levies	\$
Building Permit Levy – General Levy	16,461,043
Building Permit Levy – BACV Levy	8,059,347
Total Levy	24,520,390

(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 and Advice Conciliation Victoria (BACV) building permit levy is calculated 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 Building Contracts (Conciliation and Dispute Resolution) Act 2002*. The Act became effective on 1 July 2002. The VBA collects levy and for the period July 2013 to June 2014, retains 50% of the BACV levy as revenue with the remaining 50% being payable to Consumer Affairs Victoria (CAV). The Statement of Cashflows includes a cash inflow at 100% of levy collected by the VBA and the corresponding payment to CAV as an outflow from operating expenses.

(b) Other income	2014
Other income is comprised of:	\$
Accreditation Fees	8,205
Examinations	215,133
FOI Fees	1,756
Grants	25,000
Inspection Fees	-
Miscellaneous Revenue	319,376
Modifications and Appeals	251,928
Permits	209,159
Prosecutions	217,059
Recoveries	125,335
Sale of Publications	5,514
Infringement Notices	2,363
Fines and Costs	332,436
PIC No 1 Trust income	10,867
Total Other Income	1,724,132

NOTE 3. EXPENSES FROM TRANSACTIONS

Make good asset

Total Depreciation

	2014
(a) Employee expenses	\$
Salaries and related on costs	17,380,692
Superannuation expense – Defined contribution	1,440,369
Superannuation expense – Defined benefit	52,092
Seconded staff	356,310
Total Employee benefits	19,229,463

Employees of the VBA are entitled to receive superannuation benefits and the VBA 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 VBA 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 VBA.

	2014
(b) General administration expenses	\$
Agency Staff	2,144,065
Contractors - Non Agency	462,332
Fringe Benefits Tax	304,000
General Office Expenses	503,824
Human Resource Investment	642,192
Industry Development	448,084
Information Technology	1,079,398
Insurance	290,617
Minor Assets	256,053
Motor Vehicle	263,830
Printing, Stationery & Publications	917,751
Travel	140,716
Doubtful Debt Expense	-
PIC No 1 Trust administration expenses	9,259
Total General administration expenses	7,462,121
	2014
(c) Depreciation and amortisation by class of assets	\$
Buildings	21,781
Plant, equipment and vehicles	1,398,355
Intangible produced assets	756,510

30,300 **2,206,946**

NOTE 4. OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

	2014
(a) Net gain/(loss) on non-financial assets	\$
Write down of inventory	-
Net gain on disposal of property plant and equipment	(64,978)
Total net gain/(loss) on non-financial assets	(64,978)

NOTE 5. RESTRUCTUING OF ADMINSTRATIVE ARRANGEMENTS

The Victorian Building Authority was established on 1 July 2013 under the Building and Planning Legislation Ammendment Act 2013. This piece of legislation abolished the former Building Commission and Plumbing Industry Commission and transferred all assets and liabilities of these statutory authorities to the new authority. As this is the first financial year for the VBA, there are no comparative financials.

The contributed capital assumed by the VBA as a result of the administrative restructure of the Building Commission and Plumbing Industry Commission is recognised in the balance sheet at the carrying amount of those assets in the balance sheet of the transferor's balance sheet immediately before the transfer, with the exception of Property, Plant and Equipment and Intangible assets. The carrying amount of these assets have been corrected for prior period errors.

	Building Commission	Plumbing Industry Commission	Total
Financial assets			
Cash and deposits	7,336,143	9,322,400	16,658,543
Receivables	2,908,717	655,478	3,564,195
Investments and other financial assets	3,400,000	-	3,400,000
Non-financial assets			
Inventories	-	44,176	44,176
Prepayments	95,997	-	95,997
Land & Buildings	-	1,351,225	1,351,225
Property, plant and equipment ()	2,800,515	\$1,618,579.55	4,419,095
Intangible assets (ii)	878,020	662,744	1,540,764
Make Good Asset	233,310	99,990	333,300
Total assets	17,652,703	13,754,593	31,407,295
Liabilities			
Payables	(1,110,621)	(597,163)	(1,707,784)
Provisions	(6,097,054)	(1,224,242)	(7,321,296)
Security Deposits	(1,768,305)	0	(1,768,305)
Deferred Revenue	(1,262,235)	(3,460,252)	(4,722,487)
Other liabilities	(1,401,294)	0	(1,401,294)
Total liabilities	(11,639,509)	(5,281,657)	(16,921,166)
Total contributed capital	6,013,194	8,472,936	14,486,129

Notes

- (i) The accumulated depreciation on Furniture and Fittings for the Plumbing Industry Commission has been adjusted to reflect a depreciation rate of 6.7 years to align with the Building Commission depreciation rate. The accumulated depreciation on Motor Vehicles for the Building Commission has been adjusted to reflect a depreciation rate of 5 years to align with the Plumbing Industry Commission depreciation rate.
- (ii) The Building Commission had an amount of \$288,474 in work in progress for Building Appeals Board Software development. This project was abandoned in early 2012 and the development should have been expensed at this time.

NOTE 6. RECEIVABLES

	2014
Current receivables	\$
Contractual	
Building Permit Levy	1,842,594
Sale of goods and services	856,745
Sundry debtors – prosecutions	193,672
Other sundry receivables	67,685
Accrued investment income	99,202
	3,059,898
Statutory	
GST Input tax credit recoverable	501,478
Other receivables	626
	502,104
Total Current Receivables	3,562,002
Total receivables	3,562,002

(a) Ageing analysis of contractual receivables

Please refer to Table 18.3 in Note 18 for ageing analysis of contractual receivables

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

Please refer to Table 18.5 in Note 18 for the nature and extent of risk arising from contractual receivables



NOTE 7. INVESTMENTS AND OTHER FINANCIAL ASSETS

	2014
Current investments and other financial assets	\$
Term deposits:	
Australian dollar term deposits > three months	3,745,000
	3,745,000
Total Current investments and other financial assets	3,745,000

(a) Ageing analysis of investments and other financial assets

Please refer to Table 18.3 in Note 18 for ageing analysis of investments and other financial assets

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

Please refer to Table 18.4 in Note 18 for the nature and extent of risk arising from investments and other financial assets

NOTE 8. INVENTORIES

	2014
Current inventories	\$
Inventories held for sale:	
At cost	29,428
Total inventories	29,428

NOTE 9. PROPERTY, PLANT, AND EQUIPMENT

TABLE 9.1: CLASSIFICATION BY 'PUBLIC SAFETY AND ENVIRONMENT' - CARRYING AMOUNTS

	Public safety and environment	Total
Table disclosure reference	Table 9.3	
	2014	2014
Nature Based classification		
Land at fair value	686,000	686,000
Buildings at fair value	664,845	664,845
Plant, equipment and vehicles at fair value	3,358,116	3,358,116
Make good asset	303,000	303,000
Net Carrying amount of PPE	5,011,961	5,011,961

TABLE 9.2: GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION

	Gross carrying amount	Accumulated Depreciation	Net carrying amount
	2014	2014	2014
Land	686,000	-	686,000
Buildings at fair value	686,626	(21,781)	664,845
Plant, equipment and vehicles at fair value	4,756,471	(1,398,355)	3,358,116
Make good asset	333,300	(30,300)	303,000
	6,462,397	(1,450,436)	5,011,961

TABLE 9.3: CLASSIFICATION BY 'PUBLIC SAFETY AND ENVIRONMENT' PURPOSE GROUP -**MOVEMENT IN CARRYING AMOUNTS**

	Land at Fair value	Buildings at Fair value	Plant, equipment and motor vehicles	Total
	2014	2014	2014	2014
Contributed assets	686,000	665,225	4,419,095	5,770,320
Additions	-	21,401	593,987	615,388
Disposals	-	-	(256,610)	(256,610)
Depreciation	-	(21,781)	(1,398,355)	(1,420,136)
Closing balance	686,000	664,845	3,358,116	4,708,962

TABLE 9.4: AGGREGATE DEPRECIATION RECOGNITION AS AN EXPENSE DURING THE YEAR

	2014
Buildings at fair value	(21,781)
Plant, equipment and vehicles at fair value	(1,398,355)
Make good asset	(30,300)
	(1,450,436)

TABLE 9.5: FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS AT AS 30 JUNE 2014

	Carrying amount		neasurement at end ing period using:	
	as at 30 June 2014	Level 1	Level 2	Level 3
Land at fair value				
Non-specialised land	686,000		686,000	
Total of land at fair value	686,000		686,000	
Buildings at fair value				
Non-specialised buildings	664,845		664,845	
Total of buildings at fair value	664,845		664,845	
Plant, equipment and vehicles at fair value				
Vehicles	953,359		953,359	
Plant and equipment	2,404,758		2,404,758	
Total plant, equipment and vehicles at fair value	3,358,116		3,358,116	

Some of the VBA's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Asset Classification	Input Hierarchy	Valuation Technique	Inputs Used
Land assessed by market approach	Category 2	Market /Direct Comparison Approach	Sales evidence, Unit of value by comparative basis (\$ per m2),
Buildings assessed by market approach	Category 2	Market /Direct Comparison Approach	Sales evidence, Unit of value by comparative basis (\$ per m2),
Plant, equipment and vehicles by market approach	Category 2	Market /Direct Comparison Approach	Highest and best use, Recent replacement cost

Non-specialised land and non-specialised buildings

Non-specialised land and non-specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2012.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The VBA acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the VBA who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that is is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

For all assets measured at fair value, the current use is considered the highest and best use.



NOTE 10 INTANGIRLE ASSETS

NOTE 10. INTANGIBLE ASSETS		
	Computer software	Total
	2014	2014
Gross carrying amount	1,540,763	1,540,763
Opening balance		
Additions	854,404	854,404
Additions from work in progress		
Closing Balance	2,395,167	2,395,167
Accumulated Depreciation, amortisation and impairment	-	-
Opening balance		
Depreciation of intangible produced assets	(756,510)	(756,510)
Amortisation of intangible non-produced		
assets		
Impairment losses changed to net result	(263,077)	(263,077)
Transfer WIP funds to PPE asset	(160,203)	(160,203)
Closing Balance	(1,179,790)	(1,179,790)
Net book value at end of financial year	1,215,377	1,215,377

NOTE 11. OTHER NON-FINANCIAL ASSETS

Current other assets	2014
Prepayments	116,773
Total current other assets	116,773

NOTE 12. PAYABLES AND OTHER LIABILITIES

(a) Payables

Current Payables	2014
Contractual	
Supplies and services	1,866,362
Other payables	108,989
	1,975,350
Statutory	
FBT Payable	-
GST Payable	-
Other taxes payable	219,242
	219,242
Total Current payables	2,194,593

(b) Maturity analysis of contractual payables

Please refer to Table 18.4 in Note 18 for maturity analysis of contractual payables.

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

Please refer to Table 18.5 in Note 18 for the nature and extent of risk arising from contractual payables

(d) Other liabilities

Current	2014
Amounts payable to government agencies	
Domestic Building List	222,042
HIH clearing	6,015
BACV clearing	798,016
Total Other liabilities	1,026,074

NOTE 13. BORROWINGS

Current Payables	2014
Finance lease liabilities	
- PPP related finance lease liabilities	30,171
- Non-PPP related finance lease liabilities	-
Total non-current borrowings	30,171
TOTAL BORROWINGS	30,171

(a) Maturity analysis of borrowings

Please refer to Table 18.4 in Note 18 for maturity analysis of borrowings

(b) Nature and extent of risk arising from borrowings

Please refer to Table 18.5 in Note 18 for the nature and extent of risk arising from borrowings

(c) Defaults and breaches

During the current and prior year there were no defaults and breaches of any loans.



NOTE 14. PROVISIONS

	2014
Current Provisions	
Employee Benefits	
Annual leave	
Unconditional and expected to settle within 12 months	1,139,520
Unconditional and expected to settle after 12 months	370,221
Long Service Leave	
Unconditional and expected to settle within 12 months	1,379,243
Conditional and expected to settle after 12 months	
BACV provision	1,233,934
	4,122,918
Provisions for on-costs	
Unconditional and expected to settle within 12 months	381,386
Unconditional and expected to settle after 12 months	71,638
	453,024
Total current provisions	4,575,941
Non-current provisions	
Employee Benefits	
Long Service Leave	
Conditional and expected to settle after 12 months	440,051
On-costs	51,332
BACV	3,657,546
Make good provision	529,879
Total non-current provisions	4,678,808
TOTAL PROVISIONS	9,254,749

(a) Employee benefits and on-costs

	2014
Current employee benefits	
Annual leave	1,509,740
Long Service Leave	1,379,243
Non current employee benefits	
Long Service Leave	440,051
Total employee benefits	3,329,035
Current on-costs	381,386
Non current on-costs	122,970
Total on-costs	504,355
TOTAL EMPLOYEE BENEFITS AND ON-COSTS	3,833,390

(b) Movements in provisions

	Make good	On-costs	BACV
	2014	2014	2014
Opening balance	514,946	479,669	3,615,000
Additional provisions recognised	14,933		1,276,480
Additions due to transfer in		24,687	
Closing balance	529,879	504,355	4,891,480
Current	529,879	381,386	1,233,934
Non-current		122,970	3,657,546
	529,879	504,355	4,891,480



NOTE 15. SUPERANNUATION

	2014
Defined Benefit plans:	
State Superannuation Fund – revised and new	52,092
Other	-
Defined contribution plans:	
VicSuper	821,879
Other	566,398
Total	1,440,369

NOTE 16. LEASES

Disclosures for lessees - operating leases

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

	Minimum future lease payments
	2014
Non-cancellable operating leases	
Not longer than one year	1,236,041
Longer than one year but not longer than five years	5,499,487
Longer than five years	9,068,586
Total lease commitments	15,804,114

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

NOTE 17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

No contingent assets and contingent liabilities existed as at 30 June 2014.

NOTE 18. FINANCIAL INSTRUMENTS

(a) Financial Risk Management objectives and policies

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

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

TABLE 18.1: 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
2014				
Contractual financial assets				
Cash and deposits	24,771,534			24,771,534
Receivables (i)	3,059,898			3,059,898
Term Deposits	3,745,000			3,745,000
Total contractual financial assets	31,576,432			31,576,432
Contractual financial liabilities				
Payables:				
Supplies and services			2,194,593	2,194,593
Amounts payable to government and agencies			1,026,074	1,026,074
Borrowings:			30,171	30,171
Security Deposits			1,872,305	1,872,305
Total contractual financial liabilities			5,123,142	5,123,142

Note:

(b) Credit risk

Credit risk arises from the financial assets of the VBA, 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 VBA. Credit risk is measured at fair value and is monitored on a regular basis.

The credit risk on financial assets of the VBA which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The VBA minimises concentrations of credit risk by undertaking transactions with unrelated debtors. The VBA is not materially exposed to any individual debtor.

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the VBA'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 VBA 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 VBA 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.

TABLE 18.2: CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED

2014	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
Cash and deposits	10,371,534	14,400,000			24,771,534
Receivables (1)				3,059,898	3,059,898
Investments and other financial assets		3,745,000			3,745,000
Total contractual financial assets	10,371,534	18,145,000	-	3,059,898	31,576,432

Note:

TABLE 18.3: AGEING ANALYSIS OF CONTRACTUAL FINANCIAL ASSETS

2014	Carrying amount	Not past due and not impaired	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years
Receivables (i)						
Sale of goods and services	3,059,898	2,058,497	111,931	5,866	883,604	
Other receivables						
Investments and other contractual financial assets	3,745,000					
Total	6,804,898	2,058,497	111,931	5,866	883,604	0

Note:

(c) Liquidity risk

Liquidity risk arises when the VBA would be unable to meet its financial obligations as and when they fall due. The VBA 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.



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

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

(d) Market risk

The VBA's exposures to market risk are primarily through interest rate risk. Exposure to interest rate risk is insignificant and might arise primarily through the VBA'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:

TABLE 18.4: INTEREST RATE EXPOSURE OF FINANCIAL INSTRUMENTS

	Weighted			rest rate expos	sure
2014	average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non- interest bearing
Financial assets					
Cash and deposits	2.50%	24,665,194	8,900,000	15,765,194	
Receivables (1)		3,059,898			3,059,898
Term deposits	2.50%	3,745,000	3,745,000		
Total Financial assets		31,470,092	12,645,000	15,765,194	3,059,898
Financial liabilities					
Payables:					
Supplies and services		2,520,441			2,520,441
Amounts payable to government and agencies		1,026,074			1,026,074
Security Deposits		1,872,305			1,872,305
Borrowings:					
Finance lease liabilities	2.50%	30,171	30,171		
Total Financial liabilities		5,448,990	30,171	-	5,418,819

Note:

TABLE 18.5: INTEREST RATE RISK SENSITIVITY

		Interest rate			
		-100 basis points	+100 basis points		
2014	Carrying amount	Net result	Available- for-sale revaluation surplus	Net result	Available- for-sale revaluation surplus
Contractual financial assets					
Cash and deposits	24,665,194	(246,652)		246,652	
Investments and other contractual financial assets	3,745,000	(37,450)		37,450	
Total impact		(284,102)		284,102	

(f) Net fair values

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

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



(a) Reconciliation of cash and cash equivalents

	2014
	\$
Cash at bank	24,722,024
Cash at bank and on hand – PIC No1 Trust Reserve	49,510
Short term deposits at call	3,745,000
Balance as per cash flow statement	28,516,534

(b) Reconciliation of net results for the period

	2014
Net result for the period	4,661,430
Non-cash movements	
(Gain)/Loss on sale or disposal of non-current assets	64,978
Depreciation and amortisation of non-current assets	2,206,946
Impairment of loss on intangible assets	263,077
Net (gain)/loss on financial instruments	
Other non-cash movements	
Movements in assets and liabilities:	
Increase/(decrease) in receivables	2,193
(Increase)/decrease in inventories	14,748
(Increase)/decrease in prepayments	(20,776)
Increase/(decrease) in deferred revenue	204,001
Increase/(decrease) in payables	486,808
Increase/(decrease in provisions)	1,933,453
Increase/(decrease) in other liabilities	(375,220)
Net cash flows from/(used in) operation activities	9,441,639



NOTE 20. TRUST ACCOUNT BALANCES

(a) Trust account balances relating to trust accounts controlled and/or administered by the Authority

	2014				
	Operation Clobal balance balance as at Total Total 1 July 2013 receipts payments 30-July 2014				
Cash and equivalent investments					
Controlled trusts					
PIC No 1 Trust	389,679	10,867	9,259	391,287	
Total controlled trusts	389,679	10,867	9,259	391,287	

NOTE 21. RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister of 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 Authority are as follows:

The Hon. Matthew GuyMLC Minister for Planning1 July 2013 - 30 June 2014Greg HyamsCEO/Accountable Officer1 July 2013 - 8 September 2013Joe DimasiCEO/Accountable Officer9 September 2013 - 24 November 2013Prue DigbyCEO/Accountable Officer25 November 2013 - 30 June 2014

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

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

Greg Hyams 2013: \$42000 - \$42,999

The above range includes payments made during the period 1 July 2013 - 8 September 2014

Joe Dimasi 2013: \$70,000 - \$79,999

The above range includes payments made during the period 9 September 2013 - 24 November 2013

Prue Digby 2013: \$200,000 - \$209,999

The above officer was on secondment from the Department of Transport, Plannning and Local Infrastructure during the period 25 November 2013 - 30 June 2014

NOTE 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 column. 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.

Income band	Total remuneration	Base remuneration
	2014 No.	2014 No.
\$20,000 - 29,999	1	1
\$30,000 - 39,999	2	2
\$40,000 - 49,999	1	1
\$50,000 - 59,999	2	2
\$120,000 - 129,999		1
\$170,000 - 179,999		1
\$180,000 - 189,999	1	1
\$240,000 - 249,999	1	
\$270,000 - 279,999	1	
Total number of executives	9	9
Total annualised employee equivalents	4	4
TOTAL AMOUNT	\$918,579	\$731,374

NOTE 23. REMUNERATION OF AUDITORS

	2014
Victorian Auditor-General's office	\$
Audit or review of the financial statements	85,220
	85,220

NOTE 24. SUBSEQUENT EVENTS

Proposed legislation with a potential financial impact to the Victorian Building Authority is currently in Parliament.



NOTE 25. GLOSSARY OF TERMS AND STYLE CONVENTIONS

Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- (b) the effects of changes in actuarial assumptions.

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 are 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 comprehensive income.

Capital asset charge

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

Commitments

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

Current grants

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

Depreciation

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

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability 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.

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 expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Financial statements

A complete set of financial statements comprises:

- (a) a statement of financial position as at the end of the period;
- (b) a statement of profit or loss and other comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 Presentation of Financial Statements; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.



Grants and other transfers

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

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

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

General government sector

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

Grants for on-passing

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

Infrastructure systems

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, ports, utilities and public transport assets owned by the State.

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

Net result from transactions/net operating balance

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



Net worth

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

Non-financial assets

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

Non-produced assets

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

Other economic flows included in net result

Other economic flows included in net result 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;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

Other economic flows other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows -other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on remeasuring availablefor-sale financial assets.

Payables

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

Produced assets

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

Public financial corporation sector

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

Public non-financial corporation sector

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

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 VBA.

Taxation income

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

- payroll tax, land tax and 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 in 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 2013-14 *Model Report for Victorian Government Departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VBA's annual reports.

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APPENDIX 1 BOARD REPORTING

VBA Board attendance

The VBA Board is established under section 200 of the Building Act 1993 and is responsible for governance, strategic management and carrying out the functions of the VBA. Members are appointed on the Minister for Planning's recommendation.

	VBA Boa	VBA Board meeting		Audit and Risk Committee		neration mittee
Name (board appointment dates)	Attended	Maximum possible 15	Attended 16	Maximum possible	Attended	Maximum possible
Bill Kusznirczuk (Chair) (1 July 2013 - 30 June 2016)	13	13	-	-	2	2
Damien Cremean ¹⁷ (1 July 2013 - 30 June 2016)	12	13	2	3	2	2
David Bennett QC ¹⁸ (1 July 2013 - 30 June 2016)	13	13	3	3	2	2
Yvonne von Hartel (1 April 2014 - 28 February 2017)	2	3	-	-	-	-
Lynne Williams (1 April 2014 - 28 February 2017)	2	3	-	-	-	-
Brian Welch (29 October 2013 - 30 June 2016)	12	13	3	3	1	2
Geoffrey London (1 July 2013 - 30 June 2014)	10	13	-	-	-	-
Prue Digby (1 July 2013 - 20 November 2013) ¹⁹	6	6	-	-	-	-

Audit and Risk Committee

The Audit and Risk Committee provides assurance to the Board and CEO that accountability, risk and internal control environments are operating effectively and efficiently.

Remuneration Committee

The Remuneration Committee provides assurance that the VBA complies with Victorian Government Executive Remuneration Guidelines and that appropriate executive remuneration polices are set and followed.

^{15. 11} meetings a year, plus two extraordinary meetings held on 18 November 2013 and 17 June 2014.

^{16. 3} of 3 meetings also attended by the VBA's independent auditor, Dianne Azoor-Hughes of Pitcher Partners.

^{17.} Chair of Audit and Risk Committee.18. Chair of Remuneration Committee.

^{19.} Resigned from the VBA Board on 20 November 2013 and appointed as CEO from 25 November 2013.

Statutory board, council and committee attendance

The VBA supports the work of a number of Minister for Planning appointed boards, councils and a committee.

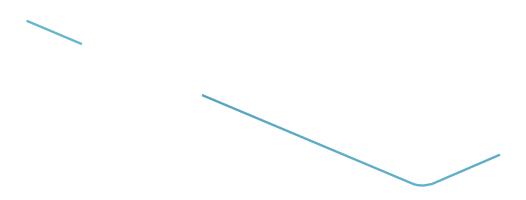
These boards, councils and a committee are independent statutory bodies, with funding and resources provided by the VBA or DTPLI. These bodies do not have their own reports of operation and their members' attendance is reported on by the VBA and by the Victorian Public Sector Commissioner online at www.publicboards.vic.gov.au.

Building Appeals Board

The Building Appeals Board (BAB) is an independent statutory body established under section 166 of the Building Act, has jurisdiction on building matters and is responsible for determining appeals, disputes and requests for modifications (a decision that a provision in the Building Regulations 2006 (Building 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 is supported by the VBA and members are appointed on the Minister for Planning's recommendation.

Member name	Term of appointment	Attended	Maximum possible ²⁰
Maree Davenport	7 August 2012 - 9 December 2013	11	36
Michael Kerr	24 June 2014 - 30 June 2015	14	36
Emily Mudge	1 July 2013 - 30 June 2015	17	36
Mark Selby-Hele	1 July 2013 - 30 June 2014	16	36
Dang Ho	24 June 2014 - 30 June 2015	23	36
Babu (Seshu) Akula	10 October 2012 - 30 June 2015	17	36
Graeme Addison	7 August 2012 - 30 June 2015	23	36
lan Pridgeon	7 August 2012 - 30 June 2015	22	36
Aileen McFadzean	1 July 2013 - 30 June 2015	22	36
David Barber	1 July 2013 - 30 June 2015	18	36
Elizabeth Coe	28 August 2012 - 30 June 2015	22	36
Matthew Wright	28 August 2012 - 30 June 2015	20	36
William Kong	7 August 2012 - 30 June 2015	22	36
Geoffrey Woolcock	1 July 2013 - 30 June 2015	28	36
Brett Davis	9 April 2013 - 9 April 2016	22	36
John Clampett	28 August 2012 - 30 June 2015	23	36
Leslie Schwarz	1 July 2013 - 30 June 2015	26	36
Warren Knight	28 August 2012 - 30 June 2015	26	36
Joe Zita	1 June 2013 - 30 June 2015	26	36
Rebecca Cameron	7 August 2012 - 30 June 2015	30	36
Stephen Kip	1 July 2013 - 30 June 2014	33	36
Bushy (Trevor) Miles	28 August 2012 - 30 June 2015	28	36
Peter Jolly	9 April 2013 - 9 April 2016	30	36
Bryan Thomas	1 July 2013 - 30 June 2015	33	36
Sarah McDonald	28 August 2012 - 30 June 2015	33	36
Gerard Coutts (Chair)	7 November 2012 - 30 June 2015	33	36

^{20.} Members are not required to attend all scheduled meetings.



Building Practitioners Board

The Building Practitioners Board (BPB) is an independent statutory body established under section 183 of the Building Act and is responsible for administering the Victorian building practitioners' registration system. The BPB registers practitioners, supervises the conduct of registered building practitioners and manages the issuing of Certificates of Consent to owner-builders. To assist in considering a particular matter, the BPB may co-opt any person to be a member of the BPB. The BPB is supported by the VBA and members are appointed on the Minister for Planning's recommendation.

Member name	Term of appointment	Attended	Maximum possible
Jason Biewer	5 July 2011 – 22 July 2013	1	1
Con Giazi	21 September 2010 – 3 September 2013	1	2
Graeme Geary	12 November 2013 – 30 June 2015	8	9
Murray Baker	12 November 2013 – 30 June 2015	8	9
Ronald Wakefield	17 December 2013 – 30 June 2015	5	10
Claude Salvatore	5 July 2011 – 30 April 2014	9	10
David Cooke	5 July 2011 – 30 April 2014	10	10
David Hallett	17 December 2013 – 30 June 2015	9	11
Anthony Abbruzzese	30 October 2012 – 30 October 2015	11	13
Maureen Capp	30 October 2012 – 30 October 2015	11	13
Carolyn Lloyd	23 October 2012 – 22 October 2015	13	13
Fiona Hanlon (Chair)	2 July 2013 – 30 June 2015	13	13

Building Advisory Council

The Building Advisory Council (BAC) is an independent statutory body established under section 206 of the Building Act and is responsible for advising the Minister for Planning on administration of the Building Act and Building Regulations and the impact of the building regulatory system and on issues relating to the building permit levy. The BAC is supported by DTPLI and the VBA and members are appointed by the Minister for Planning.

Meeting attendance 2013-14

Member name	Term of appointment	Attended	Maximum possible
Maree Davenport (Chair)	17 December 2013 – 30 June 2016	5	5
Jennifer Cunich	16 June 2011 – 30 May 2014	3	7
David Mulhall	22 October 2013 – 30 June 2015	7	7
Radley (Spencer) de Silva	22 October 2013 – 30 June 2015	7	7
Damien Cremean	23 July 2013 – 30 June 2016	4	8
Elizabeth Lanyon	6 December 2012 – 5 December 2015	4	8
Jonathan Clements	16 January 2012 – 15 January 2015	5	8
Gilbert King	7 November 2012 – 6 November 2015	6	8
Emad Gad	8 September 2011 – 30 June 2014	7	8
Tom Vasilopoulos	11 September 2012 – 10 September 2015	7	8

Plumbing Advisory Council

The Plumbing Advisory Council (PAC) is an independent statutory body established under section 221 of the Building Act and provides advice about the plumbing industry to the Minister for Planning and the VBA. The PAC is supported by DTPLI and the VBA and members are appointed by the Minister for Planning.

Member name	Term of appointment	Attended	Maximum possible ²¹
Prue Digby	30 June 2013 – 20 November 2013 ²²	0	0
Brian Welch	20 February 2014 - 30 June 2016	2	2
Nick Chiam	23 June 2011 – 20 June 2014	0	3
Douglas McClusky	22 October 2013 – 30 June 2015	2	3
Stephen Atherton	7 November 2012 – 6 November 2015	2	3
Sumit Oberoi	19 December 2013 – 30 June 2015	2	3
Brenden Day	1 November 2012 – 31 October 2015	3	3
Carmel Coate	1 November 2012 – 31 October 2015	3	3
Earl Setches	22 October 2013 – 30 June 2015	3	3
Kenneth Gardner (Chair)	6 September 2012 – 5 September 2015	3	3
Patrick McCrudden	19 December 2012 – 18 December 2015	3	3
Paul Bonsak	19 December 2012 – 18 December 2015	3	3
Sam Austin	22 October 2013 – 30 June 2015	3	3

^{21.} Not including one extraordinary meeting, held on 15 August 2014.

^{22.} Resigned from PAC (prior to any PAC 2013-14 meetings) on 20 November 2013 and appointed as CEO from 25 November 2013.



Building Regulations Advisory Committee

The Building Regulations Advisory Committee (BRAC) is an independent statutory body established under section 210 of the Building Act and 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 is supported by the VBA and members are appointed by the Minister for Planning.

Member name	Term of appointment	Attended	Maximum possible
Angela Jurjevic	18 September 2013 – 30 June 2016	2	3
John Prendergast	1 September 2010 – 31 August 2013 15 January 2014 – 30 June 2015	2	3
Marcus Marshall	18 September 2013 – 30 June 2016	2	3
David Bennett QC (Chair)	23 July 2013 – 30 June 2016	4	4
Adam Dalrymple	20 July 2012 – 19 July 2015	2	5
Malcolm Macdonald	20 September 2012 – 19 September 2015	3	5
Robert Seiffert	20 September 2012 – 19 September 2015	3	5
Bronwyn Weir	1 November 2012 – 31 October 2015	4	5
Bryan Miller	8 March 2013 – 7 March 2016	4	5
Geoff Woolcock	10 August 2011 – 30 April 2014	4	5
Warren Knight	1 November 2012 – 31 October 2015	4	5
Sam (Sotirios) Loizou	8 March 2013 – 7 March 2016	5	5



APPENDIX 2 ESTABLISHMENT PRIORITIES

Following the VBA's establishment on 1 July 2013, the VBA Board approved a Strategic Operational Plan 2013-14 with four first year priorities:

- Focusing on our role as a regulator to build consumer and industry confidence
- Shaping the VBA services to meet future challenges
- Sun-setting of the Building Regulations
- Working with our stakeholders.

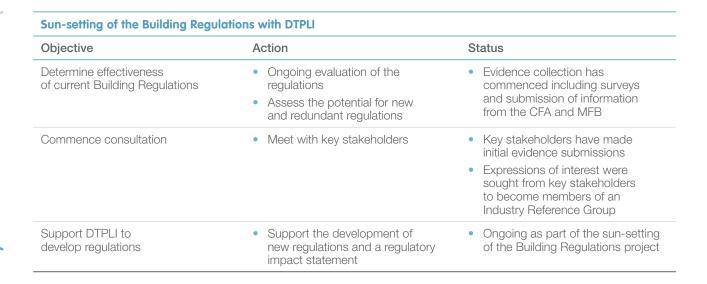
To achieve these priorities the following objectives and actions were commenced or completed.

Objective	Action	Status
Executive recruitment	Commence an independent search for new directors	Six directors commenced by 28 April 2014
Continue to improve and measure performance of the audit program	Establish a new Building Audit Program	 Performance audit policy and framework for the Building Audit Program established Planning of audit activities based on a risk-based criteria commenced
Implement a monitoring and evaluation program across the VBA	 Establish new policies, processes, procedures and monitoring and evaluation framework 	 The VBA has established policy, procedure and process frameworks The VBA is continuing to update operational policies, processes and procedures in preparation for legislative reform. This work is ongoing.
Deliver new risk management systems	 Establish a risk management policy and framework 	 Risk management policy and framework approved by the Audit and Risk Committee in March 2014 Strategic Risk Register approved by Audit and Risk Committee in May 2014
Deliver new project management systems	 Establish a project management office Establish a project management framework 	 Project management function established Implemented risk management framework for project management
Monitoring the collection of building permit levy	 Continue with revenue project to address levy receivables Continue with Levy Audit Program to monitor non-compliance 	 0.1% of Levy was outstanding for 2013-14. Of the 0.1%, 41.3% of levy receivables recoverable were paid by 30 June 2014 99.9% of levy due during 2013-14 was paid 61 field audits, plus 38 desk audits and reviews were performed Levy audits identified 685 unreported building permits, with \$334,746 unpaid levy recovered
Close off outstanding swimming pool permits	Reduce number of open swimming pool permits	 From a baseline number of 16,154 open swimming pool permits, 3,347 in 2013-14 and 8,907 in 2012-13 swimming pool permits were closed. Bringing the total amount of closed swimming pool permits to 12,254 since 2012-13.





Objective	Action	Status
Prepare for domestic builder and consumer protection reform	Prepare for change in: Domestic building dispute conciliation service Practitioner discipline framework Registration and licensing system Building permits system and regulation of building surveyors Review of VBA fees and charges Pool of technical expertise and new Technical Accreditation Committee One-stop shop creation Review of customer service Information and communications technology.	 VBA instigated a program of work to develop the operational capability to deliver the domestic building consumer protection reforms as contained in the Building Legislation Amendment Bill 2014 In principle agreement to transfer the Building Advice and Conciliation Victoria service from Consumer Affairs Victoria to the VBA on commencement of the Building Legislation Amendment Bill 2014 VBA has developed capability to implement the highest priority reforms in registration, discipline and dispute resolution and continues to enhance and refine these approaches in anticipation of the commencement of the Building Legislation Amendment Bill 2014
Develop national building and plumbing standards (NOLS)	Represent Victorian interests	 NOLS has been transferred to Council of Australian Federation
Determine a new direction for the VBA	 Deliver a four-year corporate plan Deliver annual updates of the corporate plan 	 Approved in principle by the VBA Board in May 2014 pending passage of the Building Legislation Amendment Bill 2014. Due September 2014
Refine the VBA's organisational structure to meet future challenges	Functionally align the VBA	Completed in May 2014
Integrate the Architects Registration Board of Victoria (ARBV) in to the VBA	Prepare for transition	 VBA is preparing for integration of the ARBV pending passage of the Building Legislation Amendment Bill 2014



Working with our stakeholders		
Objective	Action	Status
Deliver a local government internship program for building surveyors	Evaluate and report on the program	 The local Government Internship program has been delivered and evaluated
Enhance stakeholder relationships	Commence stakeholder communication and consultation on reforms and sun-setting of the Building Regulations and ongoing operations of the VBA	 Monthly meetings in place with key stakeholders including MBAV, HIA, VMBSG, AIBS, ARBV, Builders Collective, Master Plumbers Bi-monthly and quarterly meetings in place with other key stakeholders including Property Council, MFB, SPASA Delivered VBA Seminar Series highlighting building reforms Ongoing consultation with local government Ongoing engagement with peak industry stakeholders on approaches to implementing the domestic building consumer protection reforms As part of sun-setting of the Building Regulations evidence collection has commenced including surveys and submission of information from the CFA and MFB

APPENDIX 3 FIVE YEAR REGULATORY INFORMATION

The following tables of information provide an overview into the operations of the VBA, since its commencement on 1 July 2013 and the on-going regulation of Victoria's building and plumbing industries and practitioners. Comparisons have been made, where appropriate, between the former Commissions 2012-13 and the VBA's 2013-14 regulatory activity.

Do at a to a second to a second	1 12		and a Administration
Registration	ana II	censina	activity

	2013-14	2012-13	2011-12	2010-11	2009-10
Building practitioner registrations by type (registra	ation category	number)			
Builder Demolition Low Rise	208	197	191	193	182
Builder Demolition Medium Rise	60	63	62	58	61
Builder Demolition Unlimited	34	35	36	32	29
Builder Demolition total	302	295	289	283	272
Commercial Builder Limited	2,462	2,307	2,204	2,107	1,904
Commercial Builder Low Rise	na	na	na	na	58
Commercial Builder Unlimited	2,078	2,199	2,257	2,376	2,478
Commercial Builder total	4,540	4,506	4,461	4,483	4,440
Domestic Builder Limited	2,145	2,040	2,035	1,982	1,894
Domestic Builder Manager	1,137	1,127	1,210	1,184	1,116
Domestic Builder Unlimited	11,116	11,149	11,592	11,503	11,206
Domestic Builder total	14,398	14,316	14,837	14,669	14,216
Building Inspector Limited	211	183	179	145	103
Building Inspector Unlimited	422	404	383	365	352
Building Inspector total	633	587	562	510	455
Building Surveyor Limited	75	69	50	29	16
Building Surveyor Unlimited	528	523	518	504	504
Building Surveyor total	603	592	568	533	520
Draftsperson Building Design (Architectural)	2,032	2,015	2,003	1,959	1,902
Draftsperson Building Design (Interior)	160	163	163	161	152
Draftsperson Building Design (Services)	168	178	180	182	179
Draftsperson total	2,360	2,356	2,346	2,302	2,233
Civil Engineer	1,403	1,326	1,269	1,199	1,152
Electrical Engineer	277	256	253	248	229
Fire Safety Engineer	143	134	125	122	104
Mechanical Engineer	423	403	379	375	346
Engineer total	2,246	2,119	2,026	1,944	1,831
Quantity Surveyor	134	124	123	119	121
Quantity Surveyor total	134	124	123	119	121
Supervisor Temporary Structure Class 1	30	34	33	30	26
Supervisor Temporary Structure Class 2	77	83	83	85	85
Temporary Structure total	107	117	116	115	111
TOTAL REGISTERED BUILDING PRACTITIONERS	25,323	25,012	25,328	24,958	24,199
Certificates of consent to owner-builder (number)					
Certificates of consent issued	7,730	7,337	8,044	9,606	9,973

Registration and licensing activity						
		2013-14	2012-13	2011-12	2010-11	2009-10
Plumbing practitioner registere	ed or licensed by cla	ass (number)				
Drainage	Licensed	8,602	8,655	8,719	8,766	8,613
	Registered	10,875	10,522	10,213	9,554	9,327
Fire protection	Licensed	102	105	100	98	75
	Registered	557	508	516	472	440
Gasfitting	Licensed	8,116	8,017	7,946	7,847	7,611
	Registered	11,339	11,071	10,745	10,167	9,927
Irrigation (non-agricultural)	Licensed	9,155	9,153	9,158	9,151	8,989
	Registered	10,802	10,431	10,038	9,365	9,070
Mechanical services	Licensed	2,744	2,811	2,895	2,936	2,905
	Registered	13,769	13,902	14,145	14,111	14,178
Roofing (storm water)	Licensed	8,000	8,010	8,039	8,026	7,848
	Registered	11,801	11,524	11,215	10,607	10,438
Sanitary	Licensed	8,392	8,387	8,423	8,423	8,249
	Registered	11,183	10,842	10,431	9,756	9,484
Water Supply	Licensed	9,126	9,122	9,119	9,100	8,941
	Registered	10,763	10,393	10,000	9,341	9,034
Total plumbing licences in all o	classes	54,237	54,260	54,399	54,347	53,231
Total plumbing registrations in	all classes	81,089	79,193	77,303	73,373	71,898
TOTAL PLUMBING REGISTRA AND LICENCES IN ALL CLASS		135,326	133,453	131,702	127,720	125,129

	2013-14	2012-13	2011-12	2010-11	2009-10
Building permit (number)					
Building permits issued	101,349	93,881	98,025	106,788	113,670
Building work by building use (\$ billion)					
Domestic	\$12.678	\$11.231	\$11.803	\$13.097	\$13.094
Residential	\$3.485	\$3.679	\$3.960	\$3.368	\$1.981
Commercial	\$3.408	\$2.690	\$2.887	\$2.697	\$2.611
Retail	\$2.067	\$1.546	\$1.447	\$1.297	\$1.096
Industrial	\$0.507	\$0.633	\$0.465	\$0.451	\$0.411
Hospital/healthcare	\$1.285	\$0.931	\$0.484	\$0.839	\$0.778
Public buildings	\$1.845	\$1.783	\$2.194	\$2.587	\$1.593
TOTAL	\$25.274	\$22.492	\$23.239	\$24.336	\$23.934
Compliance certificate lodged by plumbing work	class (number)			
Roof Plumbing	83,612	85,603	105,533	104,363	na
Sanitary Plumbing	62,876	63,362	83,498	74,268	na
Septic Tank Installs	3,415	3,675	5,130	4,502	na
Drainage (Below Ground Sewer)	43,036	43,763	65,952	54,517	na
Drainage (Below Ground Storm Water)	42,739	43,756	62,796	54,217	na
Cold Water Plumbing	117,807	117,811	142,870	133,992	na
Hot Water Plumbing	101,953	103,390	125,447	113,124	na
Mechanical Services	53,148	53,159	54,656	60,535	na
Backflow Prevention	633	520	588	501	na
Residential and Domestic Fire Sprinkler Systems	217	173	203	267	na
Grey or Reclaimed Water	7,079	6,796	6,237	5,971	na
Gasfitting (Natural Gas Type A)	127,898	130,022	149,344	143,615	na
Gasfitting (LPG Type A)	30,203	30,057	31,798	30,757	na
Gasfitting (Other Gases)	404	506	453	335	na
Fire protection	4,265	4,224	4,344	3,171	na
Irrigation	353	361	400	420	na
Refrigerated Air-Conditioning	43,149	36,718	33,198	33,385	na
Solar Installation	28,647	29,844	36,914	38,601	na
Rainwater tank Installation	15,703	15,737	19,509	18491	na
TOTAL	767,137	769,477	928,837	875,032	na

Monitoring and enforcement activity					
	2013-14	2012-13	2011-12	2010-11	2009-10
Building targeted audit programs (number)					
Class 10a audits (shed audits)	0	36	0	na	12 councils audited, 280 files checked
Class 10a inspections (shed audits)	164	35	0	na	na
Class 10b audits (swimming pool audits) 23	-	294	79	148	300
Closed swimming pool permits	3,347	8,907	-	-	-
DP-AD (draftsperson audits)	0	1	50	94	na
DB-M (Domestic Builders Managers) inspections	143	-	-	-	-
Building and levy audits (number) 24, 25					
Local government/Municipal building surveyor audits	73	139	37	14	26
Private building surveyor audits	446	869	0	3	11
Building prosecution information (number)					
Investigations conducted into building work	441	527	619	652	586
Prosecutions completed	28	36	47	24	42
Case proved	25	35	47	22	41
Dismissed	1	0	0	0	0
Withdrawn	2	1	3	2	1
Good behaviour bond	4	7	14	5	6
Community-based order	2	0	0	1	0
Fines	19	36	47	11	35
Fines (\$ value)	\$195,690	\$152,450	\$339,414	\$73,984	\$327,550
Total VBA prosecutions and BPB inquiry outcomes	s (number)				
Total building prosecutions and BPB inquiries completed	81	136	146	113	102
TOTAL FINES (\$ value)	\$369,073	\$523,085	\$547,164	\$207,750	\$387,150

^{23.} The Class 10b audits were replaced in 2013-14 by a review of all 16,154 open swimming pool permits across Victoria.

Building Permit Levy Audit conducted 99 field and desk based audits of registered building surveyors across 164,905 building permits. This comprised 85 private building surveyors and 14 municipal building surveyors.

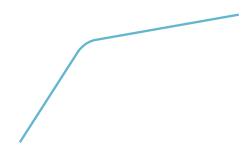
Building Permit Audit conducted detail audits of 450 building permit files addressing 1,500 health and safety issues.

Monitoring and enforcement activity							
	2013-14	2012-13	2011-12	2010-11	2009-10		
Plumbing investigations (number)							
Investigations completed	1,041	1,098	1,552	1,695	712		
Disciplinary hearings held	16	38	58	42	32		
Prosecutions completed	12	42	27	40	20		
Plumbing audits and inspections (number)							
Audits completed	16,447	16,069	20,463	20,016	17,605		
Audits failed	2,721	1,522	1,193	2,059	1,938		
Sanitary drains booked for inspection	44,509	41,368	43,810	48,451	51,572		
Sanitary drains inspected	2,346	2,179	2,474	2,693	2,757		
Sanitary drains failed inspection	372	14	77	193	193		
Recycled water installations inspected	17,569	16,230	14,855	13,441	10,327		
Recycled water installations failed inspection	1,243	968	649	865	1,122		
Site visits – Field duty inspections	85	1,873	3,050	1,327	3,318		
Notices and orders issued	34	38	96	144	59		

Note:

For all failed inspections a rectification notice is issued to the relevant plumbing practitioner to ensure all non-compliant plumbing works are rectified.

Community information activity							
	2013-14	2012-13	2011-12	2010-11	2009-10		
Plumbing complaints (number)							
Complaints received	1,708	2,120	2,195	2,399	2,812		
Building complaints (number)							
Complaints received about building practitioners	956	1,638	773	652	629		





APPENDIX 4 FIVE YEAR BUILDING APPEALS BOARD INFORMATION

The following information provides an overview of the matters heard by the Building Appeals Board.

	2013-14	2012-13	2011-12	2010-11	2009-10
BAB performance (number)					
BAB modifications heard	1,094	1,311	1,319	1,548	1366
BAB appeals and disputes heard	331	331	337	295	333

APPENDIX 5 FIVE YEAR BUILDING PRACTITIONERS BOARD INFORMATION

The following information provides an overview of the matters heard by the Building Practitioners Board.

	2013-14	2012-13	2011-12	2010-11	2009-10
BPB performance (number)					
BPB inquiries and conduct reviews	61	141	141	na	na
Inquiries completed	53	100	99	89	60
Conduct review meetings	8	25	42	23	na
Case proven	52	98	100	96	100
Dismissed	1	2	0	4	0
Registrations suspended	5	11	13	9	2
Registrations cancelled	0	15	9	4	4
Fines	38	71	78	52	29
Fines (\$ value)	\$173,383	\$370,635	\$207,750	\$133,766	\$59,600



APPENDIX 6 PEOPLE

The VBA has an established Occupational Health and Safety Policy and a work health and safety strategy that aims to ensure staff are safe and healthy at work.

During 2013-14, the VBA offered a range of work health and safety programs to staff, including flu vaccinations, mental health and mindfulness awareness sessions and onsite staff counselling. In addition, the VBA's staff contributed to fund-raising initiatives for charities including Jeans for Genes Day, RUOK Day and World Mental Health Day.

VBA staff must attend health and safety training as part of their induction and refresher training is provided on work health safety, bullying and harassment and other legislative requirements, including the Victorian Public Sector (VPS) Code of Conduct, ethics and regular safety bulletins. In addition, staff are able to access workstation ergonomic assessments that are conducted by a qualified ergonomist.

The VBA Wellbeing Committee aims to engage and promote a safe and healthy workplace for all staff. The committee is comprised of VBA staff and has executive officer representation. The committee considers a range of initiatives including health and safety promotions, wellbeing and life balance promotions, accident prevention assessments, injury reporting, work health and safety risk assessments, fire evacuation procedures and assistance with Victorian WorkCover Authority claims management.

Incident management

Workplace health and safety incidents across the VBA are consistently low. Staff can report an incident by completing an incident report form.

Work health and safety management performance

Measure	Key performance indicator	2013-14
Incidents	No. of incidents	17
	Rate per 100 FTE	8.2
Claims	No. of standard claims ²⁶	3
	Rate per 100 FTE	1.4
	No. of lost time claims	3
	Rate per 100 FTE	1.4
	No. of claims exceeding 13 weeks	0
	Rate per 100 FTE	0
Fatalities	Fatality claims	0
Claim costs	Average cost per standard claim	\$3,407.91
Return to work	Percentage of claims with RTW plan <30 days.	100%
Management commitment	Evidence of OH&S policy statement, OH&S objectives, regular reporting to senior management of OH&S, and OH&S plans (signed by CEO or equivalent).	Completed
	Evidence of OH&S criteria in purchasing guidelines (including goods, services and personnel).	
Consultation and participation	Evidence of agreed structure of designated workgroups (DWGs), health and safety representatives (HSRs), and issue resolution procedures (IRPs).	Completed Yes
	Compliance with agreed structure on DWGs, HSRs, and IRPs.	Completed Yes
Risk management	Percentage of internal audits/inspections conducted as planned.	100%
	Percentage of issues identified actioned arising from: internal audits HSR provisional improvement notices (PINs) WorkCover notices	100%
Training	Percentage of managers and staff that have received OH&S training: induction management training contractors, temps, and visitors.	98%
	Percentage of HSRs trained: acceptance of role re-training (refresher) reporting of incidents and injuries.	100%

^{26.} Data sourced from the VBA's insurer Allianz on behalf of the Victorian WorkCover Authority.

Employment and conduct principles

The VBA is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

Every year the Victorian Public Sector Commission (the Commission) collects employment and demographic data from all public sector employers. To support the Commission's workforce data collection, the VBA correctly classifies its employees.

In June 2012, the VBA commenced conducting National Police Record Checks on all new and external, fixed-term and ongoing, executive and staff engaged by the VBA.

Public administration values and employment principles

The Commission was established on 1 April 2014 through an amendment to the *Public Administration Act 2004*. The VBA continues to implement the directions of the Commission with respect to upholding public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances, and selecting on merit.

As part of the Victorian Public Service (VPS), the VBA's staff are required to abide by the VPS Code of Conduct. The Code is designed to help staff understand their responsibilities and obligations associated with working in the public sector. This includes the responsibility of ensuring the VBA's stakeholders perceive the public sector positively.

The Code provides staff with guidelines to ensure behaviour is consistent with the VPS values of:

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human Rights.

Regular information sessions ensure that staff understand the Code and new staff are advised to declare any potential conflicts of interest to ensure these are managed appropriately. The VBA's Board members and executive all complete Declaration of Private Interest forms upon their commencement. These forms are then reviewed annually to ensure appropriate oversight.

The VBA has, through the *Victorian Building Authority Agreement 2013* (the Agreement), ratified in December 2013, policies and procedures to guide the employment principles of grievance resolution, recruitment, redeployment, managing diversity, managing underperformance and discipline. The VBA's values are embedded into the performance management and probation system.

Carers Recognition Act

The VBA provides all fixed-term and ongoing staff with the opportunity to adapt their work to individual and flexible needs. This includes those staff in caring relationships as defined by the *Carers Recognition Act 2012*. Staff are eligible for 15 days carers leave per annum (over and above the National Employment Standards). The VBA also provides policies and procedures for staff to transition to retirement, vary working hours, work at alternate locations on a casual or regular basis and work on compressed work arrangements.

The VBA also supports staff with other paid and unpaid leave options in order to fulfil a range of legislative responsibilities.

Disability Act

The VBA has an established Disability Action Plan and is committed to further advancing the principles of the *Disability Discrimination Act 2006*.

The VBA has a number of positions that have been specifically designed to suit staff with a disability and there are currently three staff (one percent) working in these positions.



Workforce information

The VBA commenced as a new entity on 1 July 2013 and has been compared to the combined former Building Commission and Plumbing Industry Commission workforce information and executive officer data or marked as not available (na).

TABLE 1: FULL TIME EQUIVALENTS (FTE) STAFFING TRENDS FROM 2011 TO 2014

2014	2013	2012	2011
207.5	161.39	165.93	165.4

TABLE 2: SUMMARY OF EMPLOYMENT LEVELS IN 2013 AND 2014 27

Ongoing employees ²⁸					Fixed-term and casual employees
	Employees (headcount)	Full-time (headcount)	Part-time (headcount)	FTE	FTE
June 2014	216	194	22	207.5	14 ²⁹
June 2013	170	na	na	161.39	na

^{27.} All figures reflect employment levels during the last full pay period in June of each year.

^{28.} Ongoing employees includes people engaged on an open-ended contract of employment and executives engaged on a standard executive contract who were active in the last full pay period of June.

^{29.} This figure includes contractors engaged to deliver the reform agenda.



TABLE 3: DETAILS OF EMPLOYMENT LEVELS IN JUNE OF 2013 AND 2014 30

	2014			2013			
	20 Ong		Fixed-term and casual employees	20 Ong		Fixed-term and casual employees	
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE	
Gender:							
Male	105	104.8	5	89	na	na	
Female	97	88.7	9	81	na	na	
Total	202	193.5	14	170	161.39	na	
Age							
Under 25	4	4	0	na	na	na	
25-34	48	47.2	6	na	na	na	
35-44	60	56.1	5	na	na	na	
45-54	43	40.9	3	na	na	na	
55-64	40	38.7	0	na	na	na	
Over 64	7	6.6	0	na	na	na	
Total	202	193.5	14	170	161.39	na	
VBA Classification	on						
Band 1	2	1.1	0	2	na	na	
Band 2	38	35.4	1	21	na	na	
Band 3	29	27.3	1	26	na	na	
Band 4	24	23.2	2	26	na	na	
Band 5	72	70.6	8	63	na	na	
Band 6	31	29.1	2	29	na	na	
Executive	7	6.8	0	3	na	na	
Total	202	193.5	14	170	161.39	na	

^{30.} Excluded are those on leave without pay or absent on secondment, external contractors/consultants and temporary staff employed by employment agencies and a small number of people who are not employees but appointees to a statutory office, as defined in the *Public Administration Act 2004*.



The VBA commenced as a new entity on 1 July 2013 and executive officer data cannot be compared to the former commissions.

An executive officer (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*. All figures reflect employment levels at the last full pay period in June 2014 and corresponding previous reporting year.

Seven (7) executives were appointed during 2013-14, filling positions under the new VBA organisational structure on fixed-term contacts, in addition to the CEO (seconded from DTPLI). Executives at the VBA are classified according to Government Sector Executive Remuneration Panel (GSERP) approved remuneration levels.

TABLE 1: BREAKDOWN OF EXECUTIVES³¹

	2014			
	Male	Female	Vacancies	
Class	No.	No.	No.	
CEO	0	0	1 32	
EO	6	1	0	
Total	6	1	1	

TABLE 2: RECONCILIATION OF EXECUTIVE NUMBERS

		2014
	Executives with total remuneration over \$100 000 (Financial Statement Note 22)	4
Add	Vacancies (Table 1)	1
	Executives employed with total remuneration below \$100 000	6
	Accountable Officer (CEO)	0 33
Less	Separations	3 34
	Total executive numbers at 30 June	8

^{31.} All figures reflect employment levels during the last full pay period in June of each year.

^{32.} The CEO, Prue Digby is not included in headcount as the incumbent was seconded from DTPLI from 25 November 2013 to 30 June 2014 and formally appointed to the role on 1 July 2014. GSERP approval was provided for CEO's remuneration package.

^{33.} This figure does not include CEO, Prue Digby as the incumbent was seconded from DTPLI from 25 November 2013 to 30 June 2014 and formally appointed to the role on 1 July 2014.

^{34.} This figure includes Acting CEO, Greg Hyams from 1 July 2013 to 8 September 2014 and CEO, Joe Dimasi from 9 September 2013 to 22 November 2013.

APPENDIX 7 STATUTORY DISCLOSURES

Risk attestation

Risk management context

On 1 July 2013, the VBA was established. During 2013-14, the VBA has focused on reviewing the governance, systems and processes of the former Building Commission and Plumbing Industry Commission, so that the VBA's risk exposure is actively managed. The VBA's 2013-14 risk management attestation is supported by:

- A risk policy and framework that integrates risk management practices into planning and decision-making processes
- Reviews of the VBA risk profile
- An external audit program.

Risk Attestation

I, William (Bill) Kusznirczuk certify that the Victorian Building Authority has risk management processes in place consistent with AS/NZS ISO 31000:2009 and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The VBA Board's Audit and Risk Committee verifies this assurance and that the risk profile of the Victorian Building Authority has been critically reviewed within the last 12 months.

5 September 2014

William (Bill) Kusznirczuk Chief Commissioner Victorian Building Authority

Insurance attestation

I, Prue Digby certify that the Victorian Building Authority has complied with Ministerial Direction 4.5.5.1 – Insurance.

5 September 2014

Prue Digby

CEO

Victorian Building Authority



Major contracts

The VBA adheres to the Victorian Government's policy of disclosing contracts that are \$10 million or more under the Financial Management Act. In 2013-14, the VBA had no contracts that were \$10 million or more.

Consultancies 35

Details of consultancies (valued at \$10,000 or greater)

In 2013-14, there were three consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2013-14 in relation to these consultancies was \$135,246 (excluding GST). Details of individual consultancies are provided below.

(\$ thousand)

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2013-14 (excluding GST)	Future expenditure (excluding GST)
Deloitte Access Economics	Review of VBA fee structure	21/03/2014	12/05/2014	74,791	74,791	-
Deloitte Touche Tohmatsu	Bulding Survey Amendment	08/08/2012	16/08/2013	184,937	45,455	-
Pricewaterhouse Coopers	Scoping assistance for response to Ombusman Victoria Report 2012 recommendations	01/07/2013	31/08/2013	15,000	15,000	-

^{35.} The definition of consultancy was updated effective from 1 July 2013. Consequently disclosures on the 2013-14 consultancy expenditure cannot not be compared with previous year disclosures.

Details of consultancies under \$10,000

In 2013-14, there were six consultancies engaged during the year, where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2013-14 in relation to these consultancies was \$28,799 (excluding GST).

Advertising expenditure

The VBA did not undertake any advertising campaigns over \$150,000 in 2013-14.

Office-based environmental data

The VBA's head office is located in the Goods Shed North building, Docklands. In 2009, the Goods Shed North building received a five star Green Star rating from the Green Building Council of Australia. With the aim of reducing its paper, water, gas and electricity usage, the VBA actively monitors its consumption of each.

Building Act

The VBA owns and operates four regional offices in Ballarat, Bendigo, Morwell and Wangaratta.

The VBA conducts and reports on quarterly inspections of its owned buildings to ensure compliance with building standards and regulations. This internal control system allows the VBA to satisfactorily manage risks.

The VBA conducted no major projects or works on VBA-owned buildings greater than \$50,000 in 2013-14.

The VBA's regional office in Morwell has been brought into conformity during 2013-14. There have been no cases of registered building practitioners becoming deregistered following work on VBA owned buildings.

VIPP

The Victorian Industry Participation Policy Act 2003 requires the VBA to report on the implementation of the Victorian Industry Participation Policy (VIPP). The VBA is required to apply VIPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria. In 2013-14 the VBA did not meet VIPP procurement activity thresholds.

National Competition Policy

In 1995, all Australian governments (federal, state and territory) agreed to review and, where appropriate, reform all existing legislative restrictions on competition.

Under National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community as a whole outweigh the costs
- The objectives of the legislation can only be achieved by restricting competition.

The VBA continues to comply with the requirements of the National Competition Policy.

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralised. The VBA continues to implement and apply this principle.



Protected disclosures

The Protected Disclosure Act 2012 (the Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The VBA 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 making 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 VBA 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.

Reporting procedures

Disclosures alleging improper conduct or detrimental action by the VBA or any of its employees or officers can be made to the Victorian Ombudsman or to:

Independent Broad-based Anti-corruption Commission Address: Level 1, North Tower, 459 Collins Street

Melbourne, VIC 3000 Phone: 1300 735 135 www.ibac.vic.gov.au

Further information

The VBA's Protected Disclosure Procedures outline the system for reporting disclosures of improper conduct or allegations of detrimental action taken by the VBA or any of its employees or officers. The procedures also demonstrate to potential disclosers that the VBA will take steps to ensure a person's welfare will be managed before, during and after any investigation or action which may be taken by the Independent Broad based Anti corruption Commission (IBAC). These procedures are outlined on online at

www.vba.vic.gov.au

Further information or guidance is available from the VBA's Protected Disclosure Coordinator:

Richard Johnson Victorian Building Authority Goods Shed North 733 Bourke Street Docklands VIC 3008

Phone: 1300 815 127

Email: customerservice@vba.vic.gov.au



Freedom of information

The Freedom of Information Act 1982 allows the public a right to seek access to documents held by the VBA. For the 12 months ending 30 June 2014, the VBA received 116 freedom of information applications. The majority of the requests were from the parties to complaints investigated by the VBA's plumbing and building investigators. Only one request was submitted by a media agency.

Most of the decisions on access resulted in the full release of the documents sought. In only 13 requests was access refused in full, with the main exemptions applied being those to protect the personal privacy interests of others or a claim of legal professional privilege.

Making a request

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the Freedom of Information Act.

In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of the VBA should be addressed to:

Freedom of Information Manager Victorian Building Authority Goods Shed North 733 Bourke Street Docklands VIC 3008

Phone: 1300 815 127 Email: foi@vba.vic.gov.au

Requests can also be lodged online at www.foi.vic.gov.au.

Access charges may also apply once documents have been processed and a decision on access is made, including for example, photocopying and search and retrieval charges.

Further information regarding freedom of information can be found at www.foi.vic.gov.au.



Additional information on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the VBA and are available on request, subject to the provisions of the Freedom of Information Act.

- a. 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
- c. Details of publications produced by the VBA about the VBA, and how these can be obtained
- d. Details of changes in prices, fees, charges, rates and levies charged by the VBA
- e. Details of any major external reviews carried out on the VBA
- f. Details of major research and development activities undertaken by the VBA
- g. 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 VBA to develop community awareness of the entity and its services

- Details of assessments and measures undertaken to improve the occupational health and safety of staff
- j. A general statement on industrial relations within the VBA and details of time lost through industrial accidents and disputes
- k. A list of major committees sponsored by the VBA, the purposes of each committee and the extent to which the purposes have been achieved
- I. Details of all consultancies and contractors including:
 - i. consultants/contractors engaged
 - ii. services provided
 - iii. expenditure committed to for each engagement.

The information is available on request from:

Marlo Baragwanath Director, Office of the CEO Victorian Building Authority Phone: 1300 815 127

Email: customerservice@vba.vic.gov.au



GLOSSARY

Audit program

Proactive and research driven monitoring of the building industry through a risk-based approach and examination of industry performance and building practitioner work. May result in improved industry compliance with legislation, audit reports, publication of information, fact sheets and engagement with industry bodies and stakeholders.

Architect

A qualified person who is registered with the Architects Registration Board of Victoria to provide building design and contract administration services.

Building and construction sector

A defined secondary sector of the economy.

Building and plumbing industry

A part of the building and construction sector relating to building and plumbing practitioners.

Building permit

Written approval from a registered building surveyor that shows plans fit within building regulations.

Building permit system

The regulatory building permit regime.

Building practitioners

Includes building surveyors, building inspectors, draftspersons, engineers engaged in the building industry, commercial and domestic builders, demolishers, people who erect temporary structures and quantity surveyors.

Built environment

The physical and human-made world.

Certificate of consent

Means a certificate of consent under Division 3A of Part 3 of the Building Act.

Field Based Compliance Program

Reactive and targeted investigations into known noncompliant activity in the building industry by ownerbuilders, registered practitioners and unregistered individuals or a company. May result in improved industry compliance through reporting, disciplinary action, prosecutions or a media releases.

Occupancy permit

Issued by the building surveyor after final inspection of the building; it shows that the building is safe and suitable for occupation.

Owner-builder

Someone who carries out building on their own property. Owner-builders are not in the business of building.

Planning permit

A permit obtained from the relevant local council that relates to the zoning and use and development of land.

Plumbing practitioner

Includes fire protection, water supply, sanitary, roofing (stormwater), mechanical services, irrigation (non-agricultural), gas-fitting and drainage classes.

Practitioner

A building practitioner and plumbing practitioner.

Prescribed temporary structure

Includes a temporary structure in a prescribed class of temporary structures

Reform

Legislative change.

Registered builder

A building practitioner registered with the Building Practitioners Board to complete limited or unlimited work.

Registered or licensed plumber

A plumbing practitioner registered or licensed with the VBA to legally carry out any work within the defined classes.

Temporary structure

Includes a booth, tent, marquee or other temporary enclosure, whether or not a part of the booth, tent, marquee or enclosure is permanent; or a seating structure whether enclosed or not, including a mobile seating structure.

ABBREVIATIONS

ABCB Australian Building Codes Board

AIBS Australian Institute of Building Surveyors

AM Medal of the Order of Australia

ARBV Architects Registration Board of Victoria

AS Australian Standard BAB Building Appeals Board

BAC **Building Advisory Council**

Building Advice and Conciliation Victoria **BACV**

BPB **Building Practitioners Board**

BRAC Building Regulations Advisory Committee

CEO Chief Executive Officer CFA Country Fire Authority

COAG Council of Australian Governments

DTPLI Department of Transport, Planning and Local Infrastructure

DWGs Designated work groups

EPA **Environment Protection Authority**

FTE Full-time equivalent

GSERP Government Sector Executive Remuneration Panel

GST Goods and Services Tax

HIA Housing Industry Association

IBAC Independent Broad-based Anti-corruption Commission

IRP Issue resolution procedure

MBAV Master Builders Association of Victoria

MFB Metropolitan Fire Brigade

Not available na

National Construction Code NCC

National Occupational Licensing System **NOLS**

NZS New Zealand Standard

OH&S Occupational health and safety

PAC Plumbing Advisory Council PDF Portable document format

QC Queen's Counsel

SPASA Swimming Pool and Spa Association of Australia

VAGO Victorian Auditor-General's Office

Victorian Building Authority VBA

VCAT Victorian Civil and Administrative Tribunal VIPP Victorian Industry Participation Policy

VMBSG Victorian Municipal Building Surveyors Group

VPS Victorian Public Sector

DISCLOSURE INDEX

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

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FRD 15B	Executive officer disclosures	Page 87, 61
FRD 22E, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	Page 9-14, 73-75
FRD 22E	Employment and conduct principles	Page 84
FRD 22E	Occupational health and safety policy	Page 82-83
FRD 22E	Summary of the financial results for the year	Page 20
FRD 22E	Major changes or factors affecting performance	Page 19-20, 76-81
FRD 22E	Subsequent events	Page 61
FRD 22E	Application and operation of (Freedom of Information Act 1982)	Page 92
FRD 22E	Compliance with building and maintenance provisions of (Building Act 1993)	Page 90
FRD 22E	Statement on National Competition Policy	Page 90
FRD 22E	Application and operation of the (Protected Disclosure 2012)	Page 91
FRD 22E	Application and operation of the (Carers Recognition Act 2012)	Page 84
FRD 22E	Details of consultancies over \$10,000	Page 89
FRD 22E	Details of consultancies under \$10,000	Page 90
FRD 22E	Statement of availability of other information	Page 93
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SD 4.5.5	Risk management compliance attestation	Page 88
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Other disclos	sures as required by FRDs in notes to the financial statements					
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FRD 102	Inventories	Page 47				
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Carers Recognition Act 2012	Page 84
Victorian Industry Participation Policy Act 2003	Page 90
Financial Management Act 1994	Page 23

ACKNOWLEDGEMENT OF COUNTRY

The VBA acknowledges that its head office is located on the traditional lands of the Kulin Nation, and pays respect to their Elders, past and present.

VICTORIAN BUILDING AUTHORITY

Head office

Goods Shed North 733 Bourke Street Docklands, Victoria 3008

Contacts

1300 815 127

Monday to Friday 8:30am to 5:00pm PO Box 536 Melbourne, Victoria 3001 customerservice@vba.vic.gov.au

www.vba.vic.gov.au

Local offices

Melbourne

Goods Shed North 733 Bourke Street Docklands Monday to Friday 8:30am to 5:00pm

Ballarat

2 Skipton Street Ballarat Monday to Friday 8:30am to 4:30pm

Bendigo

46 Breen Street Bendigo Tuesday 9:00am to 1:00pm

Morwell

3 Church Street Morwell Thursday 9:00am to 1:00pm

Wangaratta

1 White Street Wangaratta Monday to Friday 8:30am to 5:00pm



