

ANNUAL REPORT 2019-2020

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ATTRIBUTION

Content from this annual report should be attributed as: Queensland Building and Construction Commission Annual Report 2019-2020.

ABOUT THIS REPORT

This report summarises the activities and performance of the Queensland Building and Construction Commission (QBCC) for 2019-2020 against key business objectives and targets as set by the Queensland Building and Construction Board (Board), the Government's objectives for the community and the QBCC 2019-2023 Strategic Plan. The report reflects the QBCC's commitment to effective corporate governance through openness and accountability, and provides an account of our revenue and expenditure.

This is the QBCC's seventh annual report since its commencement on 1 December 2013. The previous annual reports are available on our website at www.qbcc.qld.gov.au

INTERPRETER SERVICE STATEMENT

The QBCC is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you experience difficulty in understanding the annual report, you can contact us on 139 333 and we will arrange an interpreter to effectively communicate the report to you.



ENQUIRIES

Readers are encouraged to download the report online at www.qbcc.qld.gov.au/about-us/our-performance.

Where this is not possible, printed copies are available using one of the contact options below.

299 Montague Road West End Qld 4101 or locate a regional service centre www.qbcc.qld.gov.au/locate-office.

Addresses are also available on page 11 of this report.

T: 139 333

E: info@qbcc.qld.gov.au

For more information on any of the initiatives or services mentioned in this report, visit the QBCC's website at www.qbcc.qld.gov.au

ACKNOWLEDGMENT OF COUNTRY

The QBCC respectfully acknowledges the Traditional Custodians of the lands on which we work. We pay our respects to their Elders past, present and emerging.

The QBCC is dedicated to advancing reconciliation across our spheres of influence by encouraging learning, supporting diversity in our workplace and workforce, and understanding and respecting the diversity and traditions of Aboriginal and Torres Strait Islander communities, which will reflect the wider Australian community.

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LETTER OF COMPLIANCE



11 September 2020

The Honourable Mick de Brenni MP
Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport
GPO Box 2457
Brisbane Qld 4001

Dear Minister,

I am pleased to submit for presentation to the Parliament the Annual Report 2019-2020 and financial statements for the Queensland Building and Construction Commission.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the Financial and Performance Management Standard 2019, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found at page 111 of this Annual Report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. L. Williams', is written over a light grey signature line.

R. L. Williams
Chair
Queensland Building and Construction Board

ABOUT US

OUR ROLE

The Queensland Building and Construction Commission (QBCC) is Queensland's building and construction regulator. Our mandate is to independently regulate the building and construction sector, and efficiently manage the insurance fund.

We are an independent statutory body established under the *Queensland Building and Construction Commission Act 1991* (QBCC Act) governed by the Queensland Building and Construction Board (Board). Our responsible Minister is the Honourable Mick de Brenni MP, Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport.

Led by a statutorily appointed Commissioner, our vision is "to be a regulator that builds trust and confidence in all we do". Our overarching strategies contribute to the Queensland Government's *Our Future State: Advancing Queensland's Priorities*, with a focus to 'Create Jobs in a Strong Economy' and 'Be a Responsive Government'.

During the 2019-2020 financial year, we administered our regulatory responsibilities under the following principal and subordinate legislation:

- *Queensland Building and Construction Commission Act 1991*
- Queensland Building and Construction Commission Regulation 2018
- Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018
- *Building Act 1975*
- Building Regulation 2006
- *Building Industry Fairness (Security of Payment) Act 2017*
- Building Industry Fairness (Security of Payment) Regulation 2018
- *Plumbing and Drainage Act 2018*
- Plumbing and Drainage Regulation 2019.

The QBCC 2019-2023 Strategic Plan, which this Annual Report pertains to, can be downloaded at www.qbcc.qld.gov.au/about-us/our-priorities.

QBC BOARD CHAIR'S MESSAGE

The building and construction industry has been affected by COVID-19, and I believe that Queensland's building and construction industry and its participants will emerge from this trying time with renewed momentum and optimism.

The QBCC is an organisation which has always been ready, willing and able to jump in and lend a hand when a crisis occurs.

Floods, cyclones, bushfires and economic downturns have contributed to its evolution into a flexible, creative regulator. The current pandemic is another example where the organisation has risen to the occasion when confronted by a significant challenge.

The late 2019-early 2020 'Black Summer' bushfires saw the QBCC initiate its emergency response initiatives for Queenslanders needing specific building advice.

The Find a Local Contractor search engine was there to help people locate and employ local, qualified and licensed contractors, providing reassurance through their skills and experience.

During the current pandemic, the QBCC's Customer Service Centres across Queensland have remained open. Contact Centre staff have been busy answering queries from licensees and home owners, so that their businesses and building projects could continue.

At the same time, all the other functions of the QBCC have continued, albeit often from the homes of our staff. I thank the QBCC's staff for the way they have adapted to these considerable changes and still gotten on with their jobs,

regulating this most important industry, and supporting licensees and home owners.

I also want to thank our Board for remaining dedicated to the work required to continue the QBCC's journey to becoming an even better regulator, through legislative changes such as the reforms within the *Building Industry Fairness Act*.

Security of payment for industry participants remains front of mind at the QBCC, and the ongoing rollout of Project Trust Accounts and other payment reforms will solidify the QBCC's reputation as a nation-leading regulator.

These reforms will also, most importantly, help the people who supply the building and construction industry with goods, services and labour to get paid.

While it is true that 2020 has so far brought unpredictability, one thing that is providing certainty is that the reforms being implemented by the QBCC are based on technological advances, insights from data and evidence collection, and the skills and experience of our staff and our Board.

I have no doubt that the QBCC's current and future initiatives and innovations will help to bring similar certainty to the industry, and with it confidence and stability, to counter the unprecedented challenges of late.

R. L. WILLIAMS

Chair

Queensland Building and Construction Board

COMMISSIONER'S FOREWORD

It is important that before I discuss the Financial Year 2019-2020, I thank the dedicated and diligent staff of the QBCC for all their hard work over the past 12 months.

I also could not write this year's Foreword without acknowledging the impact that the global COVID-19 pandemic has had on our organisation and the building and construction industry.

For our organisation, it has meant becoming more agile than ever, to adapt and cope with an industry, a population and an economy which have all been subject to varying degrees of lockdown and its associated restrictions.

As the regulator, we are constantly vigilant in the face of challenges to our industry, whether they are natural disasters, economic challenges or, in this case, the COVID-19 pandemic.

Amidst all of this, work has continued in our sector, and the availability of various financial incentives has provided home and property owners with encouragement and reassurance to undertake building work.

At these times, it is especially important that our compliance and enforcement activities continue, so that we can safeguard home owners, residents, workers and building industry participants.

In fact, we increased our compliance investigations in 2019-2020, compared to 2018-2019. This is attributable to the type of investigations being conducted, including investigations into offences against the *Building Industry Fairness (Security of Payment) Act 2017*, and where licensees have failed to notify the QBCC of serious safety incidents on worksites.

Our focus on security of payments for our licensees and industry participants, and our enhanced focus on quality of construction continued to intensify in 2019-2020, and will be maintained in the year ahead.

We continued to investigate monies-owed offences, domestic contract offences, non-payment of insurance premiums and unlawful building work.

This year, we conducted 522 non-payment of debts investigations and recovered \$5.9 million in undisputed debts owed by QBCC licensees to creditors. Since its inception in 2014, the monies-owed complaints system has recovered approximately \$35 million in debts.

For the first time, the QBCC's educational activities included sessions held in conjunction with the Australian Securities and Investments Commission and the Australian Tax Office.

These seminars explained the risks posed by illegal phoenixing and the damage it does to our industry, which mostly affects subcontractors and suppliers.

It is clear that the year ahead will continue to be a challenging one for all of us, and more than ever, the QBCC will seek the cooperation of our stakeholders to help minimise risks, maximise compliance and build quality.

By doing this, we will help each other and our industry to persevere during this time.

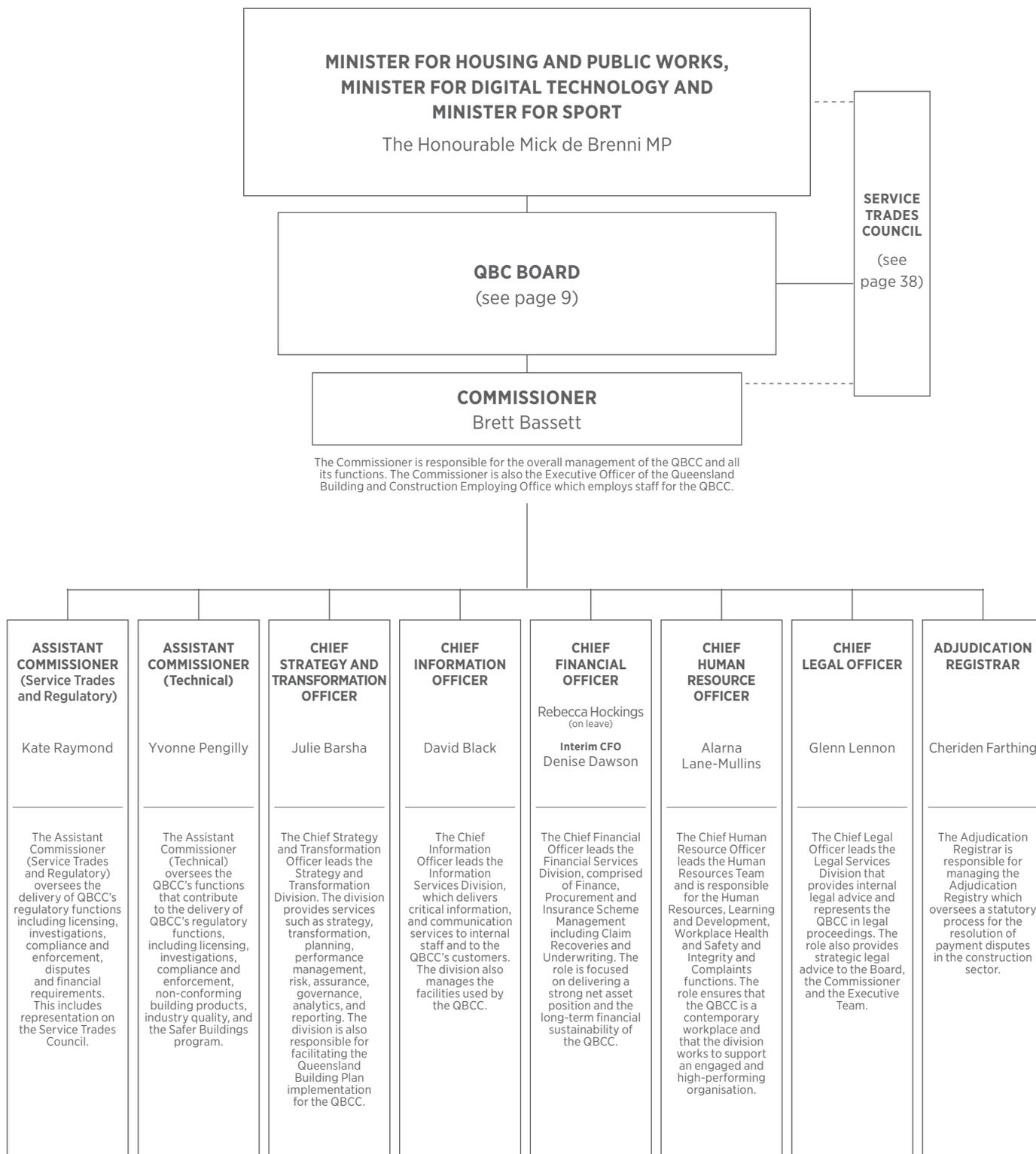
BRETT BASSETT

Commissioner

Queensland Building and Construction Commission

OUR STRUCTURE

The QBCC's management structure chart identifies the key figures within the organisation and their areas of responsibility as at 30 June 2020.



* The Deputy Commissioner position was filled from 10 January 2018 to 13 May 2020.

OUR BOARD As at 30 June 2020

R. L. WILLIAMS (Chair) – *Appointed 1 December 2019*

The QBC Board Chair, R. L. Williams, has served as Company Secretary and Director of Future Skills Limited, a recognised training organisation, since 2009. Mr Williams has also worked as Company Secretary and Director of Connect Assess Australia Limited (trading as Future Skills International) since 2011. Mr Williams holds a directorship with Construction Skills Queensland and Future Skills Management and Consulting.

Mr Williams has served as Director and Trustee with Energy Super, Construction Skills Queensland and Energy Skills Queensland, and as a member of Energy Super's Audit and Risk, Membership Services, Investment, Remuneration and Governance Committees, and as a member of the Electrical Safety Board. He was ALP Queensland State President from 2012 to 2016 and is a former State Secretary of the Electrical Trades Union of Employees Queensland.

MICHELLE JAMES (Deputy Chair) – *Appointed 1 December 2019*

LLB (Hons), GAICD

The QBC Board Deputy Chair, Ms James, is a Principal and Director with law firm Maurice Blackburn. She has over 20 years' experience in personal injuries litigation and significant experience advocating for the rights of injured people, particularly survivors of child sexual abuse, heading up Maurice Blackburn's national Abuse Law practice. She has authored submissions to, and appeared before, numerous State and Federal Parliamentary and Senate Committees in relation to matters impacting injured people and survivors of child sexual abuse.

She has expertise in organisational leadership and governance, and is an advocate for inclusion and diversity in governance. Ms James was the first woman President of the Australian Lawyers Alliance in Queensland, and is now a national Director. She was the 2013 Recipient of the Queensland Law Society Agnes McWhinney Award, and is a Queensland Law Society Accredited Specialist.

LESLEY ANDERSON – *Appointed 1 December 2019*

B. Com (Hons), M. Ec (Hons), GAICD

Ms Anderson is an economist with experience in government policy, regulation and long-term liability insurance. Her most significant regulatory role was as Queensland's Insurance Commissioner for Motor Accident Personal Injury Insurance from 1996 to 2007. Other roles include her early career with the Reserve Bank of Australia and more recently with the Northern Territory Insurance Office.

Ms Anderson is a current member of the Board of the National Injury Insurance Agency Queensland and served as a Director of Ports North (Far North Queensland Ports Corporation) and as Chair of its Audit Committee from 2009 to 2012.

She has also served on boards of not-for-profit organisations providing social assistance programs.

ANDREW HICKMAN – *Appointed 1 December 2019*

Mr Hickman is the CEO of FVS Services Group Pty Ltd and President of the National Fire Industry Association. He holds several high-level positions within other companies and organisations. He brings a wealth of experience to the Board, including skills in change leadership and management, negotiation, and strategic and solution-based thinking.

JADE INGHAM – *Appointed 1 December 2019*

Mr Ingham is the CFMEU Assistant Divisional Branch Secretary (Queensland/Northern Territory). He also holds the position of National Divisional President of the CFMEU (Construction and General Division). The CFMEU is the principal construction union in Australia, representing workers in respect of employment and other social justice matters.

He started as a full-time official with the CFMEU in 2004 as an organiser and has worked in all sectors of the industry. He currently has responsibility for training and coordination of construction organisers, negotiation and implementation of enterprise agreements, and implementing strategic policy initiatives.

Mr Ingham is currently a director on the Building Employees Redundancy Trust (BERT), and Construction Income Protection Limited (CIPL) Board.

BRETT SCHIMMING – *Appointed 1 December 2019*

MBA, M.PA, B.Ed, FAICD, FAIM

Mr Schimming is the CEO of Construction Skills Queensland. In this role, he initiates and leads partnerships with industry, government, employers, unions, educators, trainers and associations to develop initiatives and programs to grow the skills base and capacity of Queensland's building and construction industry workforce.

Mr Schimming has qualifications in education, business and public policy, with many years of experience managing training and education organisations. He has served on multiple state and national committees and company boards, and is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

Mr Schimming is Queensland's representative on the Australian Industry Skills Committee.

OUR BOARD (CONTINUED)

ROBERT SCHWARTEN - *Appointed 1 December 2019*

Mr Schwarten was Minister for Public Works and Housing from 1998 until 2009, with Information and Communication Technology added to his portfolio in 2006. He retired as Minister for Public Works and Information and Communication Technology in 2011 and from Parliament at the 2012 Queensland election.

Mr Schwarten took over responsibility for the then Queensland Building Services Authority in 2001.

As Minister for Public Works and Housing, he had responsibility for the construction industry for more than a decade.

He commenced his working life in the construction industry, working for his building contractor father before completing an education degree.

He holds the honorific, The Honourable, vested in him by the Governor in Council following his retirement from the ministry and was awarded an honorary doctorate by Central Queensland University in 2006.

Mr Schwarten was the member representing Rockhampton for more than 20 years.

DEBRA JOHNSON - *Appointed 1 December 2019*

Ms Johnson is a licensed builder and building designer in Queensland. In 1987 she established a design, building and consultancy business on the Sunshine Coast which she successfully operates today.

Her passion for the business, her community and the development industry has been evident throughout her career.

Joining the Housing Industry Association (HIA) 20 years ago, she became heavily involved in various regional and national committees and was appointed the Queensland President of HIA in 2013. Since then, Ms Johnson has chaired HIA's National Planning Committee and been appointed a Fellow with the Australian Institute of Company Directors and an Adjunct Industry Fellow within the School of Social Science at the University of the Sunshine Coast.

In 2016, Ms Johnson was invited to join the Board of Architects in Queensland, and in 2017 was elected as a Company Director on HIA's National Board, where she currently chairs the Board's Policy Committee and is the Board representative on the HIA National Technical Committee.

CATH BROKENBOROUGH - *Appointed 1 December 2019*

BA, Dip WHS, Dip Environmental Construction Management, TAE Workplace Training and Assessment, GAICD

Ms Brokenborough is a proud Wiradjuri woman living on Quandamooka Country in the Southern Moreton Bay Islands. She has 30 years of construction and property industry management experience, including construction, risk, environment, heritage and safety management, construction skills course development, management and delivery, and mentoring women and Indigenous business people in these industries.

Ms Brokenborough is the Chair of the Australian Indigenous Leadership Centre and has previous board experience with the NSW Government Building and Construction Industry Long Service Leave Corporation.

She also leads the Elevate Reconciliation Action Plan and Indigenous Engagement at Lendlease, where she provides strategic direction and advice to the Lendlease Leadership Teams and Australian businesses.

MEG FRISBY - *Appointed 1 December 2019*

LLB

Ms Frisby is a lawyer by profession and is the Director of Meg Frisby Consulting, a stakeholder relations and business development consultancy based in north Queensland.

She specialises in working with local councils, Indigenous organisations and SME's in relation to social responsibility programs, business and policy development, and community and stakeholder engagement.

Ms Frisby has extensive private and public sector experience, having worked in the legal field as a lawyer, a Chief of Staff in state and local government, and in the resources sector as a Stakeholder Relations Specialist.

Ms Frisby has also served on boards of not-for-profit organisations, predominantly in the legal and social services sector.

JENNIFER ROBERTSON - *Appointed 1 December 2016*

LLB, GradCertBus, FAICD, FGIA

Ms Robertson is an experienced Company Director, governance consultant at Board Matters and practising lawyer. In 2018, she was appointed as Deputy Chair of the Building Industry Fairness Reform Panel to review the impact of the Building Industry Fairness Act reform. She also holds several directorships in other organisations.

Ms Robertson was an active Board member of the QBCC in 2019-2020, however, did not seek reappointment at the end of her term on 30 November 2019.

OUR REACH ACROSS QUEENSLAND

The QBCC offers customer, regulatory services and corporate services through eight service centres located across Queensland, and two Brisbane offices located in West End.

WHERE TO FIND US IN THE REGIONS

GOLD COAST

Robina Super Centre, Suite 26,
86 Robina Town Centre Drive, Robina Qld 4226

Manager: Shane Murphy

Active QBCC licensees: 11,262

TOOWOOMBA

200 Hume Street,
Toowoomba Qld 4350

Manager: Jenny Phillips

Active QBCC licensees: 5,715

SUNSHINE COAST

6 Pikki Street,
Maroochydore Qld 4558

Manager: Paul Riches

Active QBCC licensees: 10,095

MARYBOROUGH

302 Alice Street,
Maryborough Qld 4650

Manager: Daniel Stephensen

Active QBCC licensees: 3,799

ROCKHAMPTON

194 Alma Street,
Rockhampton Qld 4700

Manager: Edward Goodsall

Active QBCC licensees: 2,730

MACKAY

Tenancy 2, 42 East Gordon Street,
Mackay Qld 4740

Manager: Peter Graham

Active QBCC licensees: 2,547

TOWNSVILLE

Unit 2, 22 Hervey Range Road,
Thuringowa Central Qld 4817

Manager: William Piper

Active QBCC licensees: 3,776

CAIRNS

181 Aumüller Street,
Westcourt Qld 4870

Manager: William Courtney

Active QBCC licensees: 5,131

OUR PERFORMANCE

The following section highlights our performance against the four objectives within the QBCC Strategic Plan 2019-2023.

OBJECTIVE 1: PROMOTE QUALITY, SAFETY, SECURITY OF PAYMENT AND LICENSEE SUSTAINABILITY

Company insolvencies, non-payment of subcontractors, illegal phoenixing activities, safety incidents at worksites and at pools, along with potential harm from non-conforming building products, pose significant threats to the confidence of the building and construction industry. This objective seeks to deal with these issues through the delivery of four strategies. These are:

- Early detection – we use insights and risk-based regulatory models to focus on the greatest risk areas for the sector.
- Responding effectively – we will mobilise our resources to respond appropriately.
- Work collaboratively – we work with other regulators and agencies to help maintain the probity and integrity of the sector.
- Industry awareness – we deliver sector-wide education and engagement activities.

TABLE 1 | OBJECTIVE 1 SUCCESS MEASURES

Supporting measures	Target	Actual	Comments
Result area: Results of regulatory operational activities			
Qualitative statement	The QBCC's activities around its regulatory activities are described in this chapter.		
Result area: Industry awareness, understanding of, and willing compliance with the law			
Qualitative statement	The QBCC's activities to communicate and engage with industry to raise awareness of, and willing compliance with the law are described in this chapter.		

SECURITY OF PAYMENT FOR SUBCONTRACTORS

In 2019-2020, the QBCC continued its implementation of key programs which help to ensure subcontractors can be confident they will be paid for the work they do. These included:

- requiring licensees to provide their financial statements under the Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018. This helps to ensure building contractors who operate in Queensland have a financially healthy business with a sufficient level of working capital.
- financial audits to ensure that licensees comply with minimum financial requirements and monies-owed investigations to help QBCC-licensed contractors who have not been paid for work they have done.

Activities under the Minimum Financial Requirements Regulation

As at 30 June 2020, 100 per cent of category 4-7 licensees lodged financial reports with the QBCC under the new annual reporting requirements. The QBCC issued 272 show cause notices for suspected non-compliance with minimum financial requirements, 52 licence suspensions and 18 licence cancellations. The QBCC also imposed licence conditions on 26 licensees.

Approximately 76 per cent of licensees belonging to self-certifying category 1, self-certifying category 2 and categories 1-3 lodged their financial reports as at 30 June 2020. The QBCC issued 447 show cause notices for suspected non-compliance with minimum financial requirements, 83 licence suspensions, 42 licence cancellations and imposed licence conditions on 289 licensees.

The QBCC's activities to date under the annual reporting requirements have resulted in the net tangible asset positions of category 4-7 licensees in Queensland improving by over \$1.2 billion.

Financial audits and monies-owed investigations

During the financial year, the QBCC undertook 165 financial audits of licensees. The QBCC also conducted 522 non-payment of debts investigations, leading to 67 licence cancellations and 153 licences being suspended. Four licences were immediately suspended for breaching minimum financial requirements.

The QBCC assisted creditors to recover approximately \$5.9 million in outstanding debts in the reporting period. The cumulative amount recovered since the commencement of the minimum financial requirements policy on 10 October 2014 to 30 June 2020 was approximately \$35 million.

The QBCC Act establishes a framework for excluding individuals from holding a contractor's licence, nominee supervisor's licence or being in an influential role in a licensed company where the individual has been involved (in specified circumstances) with a financial failure. The QBCC excluded 281 individuals due to their involvement in a financial failure during the financial year. Of this number, 112 were licensees who had their licence cancelled. There were also 28 individuals permanently excluded due to their involvement in a second financial failure.

The QBCC may also exclude a company from holding a contractor's licence if it has an excluded individual who is a Director of, Secretary of, or an influential person for the company. There were 95 companies excluded from holding a licence during the financial year.

REPORTING ON THE *BUILDING INDUSTRY FAIRNESS (SECURITY OF PAYMENT) ACT 2017* SECTION 76 AND SECTION 90

Section 157 of the *Building Industry Fairness (Security of Payment) Act 2017* (BIF Act) provides that the Commissioner must report on the effectiveness of Chapter 3 of that Act. Sections 76 (Responding to payment claim) and 90 (Respondent required to pay adjudicated amount) of the BIF Act sit within Chapter 3. Section 104A of the QBCC Act provides our investigators with powers to investigate, monitor and enforce compliance with the BIF Act.

In 2019-2020, the QBCC initiated 81 cases for breaches of Section 76 and closed 92 cases, including cases carried over from the previous year. Fifty-five cases were opened for breaches of Section 90 and we closed 57 cases. The QBCC issued 12 penalty infringement notices for contraventions of Section 76 and 14 for contraventions of Section 90. Twelve warnings were issued.

ADJUDICATION REGISTRY

The Adjudication Registry (Registry) is established under the BIF Act. The main purpose of the BIF Act is to assist people working in the building and construction industry to be paid for the work they do. Adjudication contributes to achieving this purpose by providing a quick and cost-effective means of dispute resolution.

Adjudication applications

The table below outlines the total number of adjudication applications received by the Registrar for the period 1 July 2019 to 30 June 2020.

TABLE 2 | NUMBER OF ADJUDICATION APPLICATIONS RECEIVED FOR 2019-2020

Adjudication application type	Total
Standard (less than \$750,000)	385
Complex (greater than \$750,000)	36
Total number of applications	421

The table below outlines the total amount claimed from the 421 adjudication applications received by the Registrar for the period 1 July 2019 to 30 June 2020.

TABLE 3 | ADJUDICATION CLAIMED AMOUNT FOR 2019-2020

Total value of claims	\$414,690,998
Maximum claim	\$219,300,696
Minimum claim	\$264
Average claim	\$985,014

Adjudication decisions

A registered adjudicator is an independent person qualified to determine payment disputes under the BIF Act. The table below sets out adjudicator registration and renewal applications for the period 1 July 2019 to 30 June 2020.

TABLE 4 | ADJUDICATOR REGISTRATIONS AND RENEWAL APPLICATIONS FOR THE PERIOD 1 JULY 2019 TO 30 JUNE 2020

Application type	Number	Fees paid
Registration	15	\$12,221
Renewal	49	\$39,920

Of the 421 adjudication applications received, a total of 344 were referred to an independent registered adjudicator for determination. The table below sets out the number of adjudication decisions released by registered adjudicators for the period 1 July 2019 to 30 June 2020.

TABLE 5 | NUMBER OF ADJUDICATION DECISIONS RELEASED BY REGISTERED ADJUDICATORS IN 2019-2020

Decision type	Total
Standard (less than \$750,000)	238
Complex (greater than \$750,000)	32
Total number of decisions released	270

The table below sets out the total amounts awarded by adjudication decisions released for the period 1 July 2019 to 30 June 2020.

TABLE 6 | ADJUDICATION DECISIONS RELEASED

Total value of claims - decisions released	\$169,941,533
Maximum claim value - decision released	\$48,000,721
Minimum claim value - decision released	\$743
Average claim value - decisions released	\$629,413
Total value of adjudicated amount - decisions released	\$64,030,857

The table below sets out the total amounts awarded by adjudication decisions released for the period 1 July 2019 to 30 June 2020 broken down by region.

TABLE 7 | TOTAL AMOUNTS AWARDED BY ADJUDICATION DECISIONS RELEASED IN 2019-2020 BROKEN DOWN BY REGION

Decisions by region	Number of applications received by the Registrar	Total value of claims	Number of decisions released	Total value of adjudicated amount
Brisbane	248	\$285,257,936	144	\$12,265,624
Cairns	16	\$29,382,562	14	\$1,565,635
Gold Coast	62	\$16,365,765	33	\$4,059,459
Mackay	7	\$4,939,324	5	\$6,559,097
Maryborough	8	\$1,626,201	8	\$1,431,651
Rockhampton	9	\$2,065,270	6	\$1,220,418
Sunshine Coast	36	\$6,725,369	28	\$2,085,973
Toowoomba	20	\$10,356,912	18	\$7,775,248
Townsville	15	\$57,971,660	14	\$27,067,752
Total	421	\$414,690,998	270	\$64,030,857

The table below sets out the average number of business days from application to decision for the period 1 July 2019 to 30 June 2020.

TABLE 8 | AVERAGE NUMBER OF BUSINESS DAYS FROM APPLICATION TO DECISION

	Standard	Complex
Maximum	52	90
Minimum	4	14
Average	21	44

Adjudication application fees

Under the BIF Act, an application for adjudication must be accompanied by the prescribed fee. For the period 1 July 2019 to 30 June 2020, the prescribed application fee ranged from \$58.65 for payment claims of no more than \$10,000 to a percentage of the claimed amount for payment claims of more than \$1,089,576 (capped at \$5,866.70). The total value of adjudication application fees for applications lodged between 1 July 2019 and 30 June 2020 was \$161,984.19.

The table below sets out the adjudication application fee and also represents the fee as a percentage of the average total claimed amount for the period 1 July 2019 and 30 June 2020.

TABLE 9 | ADJUDICATION APPLICATION FEES

Claim value	Number of applications received by Registrar	Average total claimed amount	Average application fee as a percentage of average total claimed amount
\$0 - \$10,000	137	\$5,358	1.09%
\$10,000 - \$50,000	128	\$23,554	0.75%
\$50,000 - \$100,000	47	\$72,684	0.40%
\$100,000 - \$250,000	34	\$170,090	0.24%
\$250,000 - \$500,000	23	\$366,519	0.14%
\$500,000 - \$750,000	16	\$616,775	0.10%
\$750,000 - \$1,089,576	7	\$930,368	0.08%
Greater than \$1,089,576	29	\$12,997,650	0.02%

Adjudicator fees

Under the BIF Act, maximum fees and expenses are prescribed for progress payments of no more than \$25,000. For progress payments over \$25,000, fees and expenses are to be agreed between the adjudicator and the parties. In the absence of agreement, an adjudicator is entitled to an amount that is reasonable, having regard to the work done and expenses incurred.

The table below sets out the average adjudicator fee as a percentage of the average total claimed amount for the period 1 July 2019 to 30 June 2020.

TABLE 10 | AVERAGE ADJUDICATOR FEE AS A PERCENTAGE OF THE AVERAGE TOTAL CLAIMED AMOUNT

Claim value	Number of decisions received by adjudicators	Average total claimed amount	Average adjudicator fees	Average adjudicator fees as a percentage of average total claimed amount
\$0 - \$10,000	69	\$5,273	\$752	14.26%
\$10,000 - \$50,000	87	\$24,967	\$2,291	9.18%
\$50,000 - \$100,000	24	\$73,388	\$5,585	7.61%
\$100,000 - \$250,000	27	\$175,736	\$10,112	5.75%
\$250,000 - \$500,000	17	\$362,962	\$15,003	4.13%
\$500,000 - \$750,000	14	\$618,849	\$18,257	2.95%
\$750,000 - \$1,089,576	5	\$910,600	\$20,755	2.28%
Greater than \$1,089,576	27	\$5,241,191	\$44,185	0.84%

Advisory service

The Adjudication Registry provides an advisory service to further educate consumers about the role of the Registry and the adjudication process. Through the advisory service, stakeholders are connected directly to Registry staff for timely information about the adjudication process. The advisory service enhances awareness about payment rights and obligations. For the previous 2018-2019 financial year, the Registry resolved a total of 1,877 enquiries. For the period 1 July 2019 to 30 June 2020, the Registry increased the number of enquiries it resolved to 2,066.

Annual review of adjudicator grading

Section 22(1) of the Building Industry Fairness (Security of Payment) Regulation 2019 (BIF Regulation) provides for the review of adjudicator grading at least once every 12 months. Pursuant to Section 20(a) of the BIF Regulation, an adjudicator is eligible to be a grade 2 adjudicator if the adjudicator has:

- decided at least 10 adjudication applications
- at least five of those applications relate to a progress payment of more than \$25,000.

Pursuant to Section 20(b) of the BIF Regulation, an adjudicator is eligible to a grade 2 registration if the Registrar considers the person's experience is equivalent to meeting the requirements set out above.

In respect of the adjudicator grade review for the period 1 July 2019 to 30 June 2020, there were nine grade 1 adjudicators assessed as eligible for grade 2 registration.

Continuing professional development

Pursuant to Section 165 of the BIF Act, it is a condition of registration that adjudicators complete continuing professional development (CPD) prescribed by regulation. The BIF Regulation provides that an adjudicator must accumulate CPD points in each CPD year through the completion of CPD activities. At the commencement of the reporting period for the CPD year there were 145 registered adjudicators.

TABLE 11 | OUTCOMES PERTAINING TO THE 2019-2020 CPD YEAR

CPD records provided	137
Cancelled registrations (BIF Act Section 171)	2
Surrendered registrations	5
No record required (BIF Regulation Section 30)	1

Forecast of registry operations

With the implementation of the BIF Act in December 2018 and the anticipated introduction of the Building Industry Fairness (Security of Payment) and Other Legislation Amendment Bill 2020, the Registry continues to conduct a review of all systems and processes to ensure maximum efficiency in meeting its statutory mandate.

For the 2020-2021 financial year, increased workload for the Registry in respect of some functions is anticipated, including:

- implementation of the legislative reform agenda
- meeting the demand for consumer advisory services
- augmenting education and engagement with the sector and registered adjudicators.

LICENCE CANCELLATIONS AND SUSPENSIONS

The QBCC Act allows for the cancellation or suspension of a licence on certain grounds. The below table provides data on the grounds for these cancellations and suspensions.

TABLE 12 | LICENCES CANCELLED AND SUSPENDED UNDER SECTION 48 OF THE QBCC ACT IN 2019-2020

Reason for cancellation	Cancellation	Suspension
Breach of minimum financial requirements (other than 'monies-owed')	36	85
Failure to pay debts ('monies-owed')	67	157
Failure to comply with a financial audit	25	44
Breach of licence condition (including if company licensee is deregistered)	57	13
Licensee not fit and proper to hold a licence	4	1
Licensee company ceases to have a nominee	58	144
Tribunal order	N/A	1
Serious risk to health and safety	N/A	3
Total	247	448

The QBCC may immediately suspend a licence if it reasonably believes there is a real likelihood that serious financial loss or other serious harm will happen to other licensees, employees of other licensees, consumers or suppliers of building materials or services. In 2019-2020, the QBCC immediately suspended the licences of six licensees. In two cases, the immediate suspensions arose out of concerns that if the licensee was allowed to continue to trade, they would pose a serious risk of harm to others in the industry as a result of a lack of proper safety standards through an ineffective safety management system. In the remaining four cases, the licensees were immediately suspended because there was a real likelihood that serious financial loss would have occurred if this regulatory action was not taken.

LICENSING ACTIONS TO ENSURE SAFE SYSTEMS OF WORK

The QBCC Act allows for the cancellation, suspension, or for conditions to be imposed on a licence if building or other work on a building site under the licensee's control may have caused a person's death, grievous bodily harm to a person or involved a serious risk to the health or safety of a person.

Our collaborative relationship with Workplace Health and Safety Queensland ensures a structured and appropriately focused regulatory approach to mitigating safety risks in the sector.

In 2019-2020, the QBCC immediately suspended the licence of two licensees due to concerns that they did not have a safe system of work in place and there was a real likelihood of serious risk of harm to industry participants and consumers. The QBCC also imposed conditions on eight licences where building or other work on a site under the licensee's control involved a serious risk to the health and safety of a person. The QBCC investigated a further 49 reported safety incidents to ensure the licensee was implementing an appropriate safety management system to ensure proper standards were being maintained.

NON-CONFORMING BUILDING PRODUCTS

The QBCC has continued to enforce its powers under the non-conforming building products laws. These laws establish a chain of responsibility, placing obligations on supply-chain participants at all stages, to ensure building products used in Queensland are safe, compliant and capable of performing to the standard that they are represented to perform.

For the period 1 July 2019 to 30 June 2020, the QBCC received 126 enquiries and complaints in relation to non-conforming building products. We finalised 108 cases and 45 cases are ongoing. The number of cases received and cases finalised is not equal as cases can be carried over from previous financial years.

The scope of finalised cases included 13 proactively raised by the QBCC into high-risk products and responses to public enquires on 43 product families, 33 specific sites and 19 general cases.

Of the 108 cases that were finalised, 49 required full investigation, with five determinations of non-conforming building products and the remainder receiving specific targeted education. Three of the five instances of non-conforming building products also required regulated action by the QBCC. The remainder of cases were identified through triage and preliminary assessment as being suitable for resolution by the provision of general industry and public education.

Through these actions, the QBCC has strengthened the knowledge and awareness of non-conforming building product legislation within industry and the general public, taking regulatory action where necessary. This decreases the risk of unsafe building products being installed in Queensland buildings.

SAFER BUILDINGS PROGRAM

In 2018, regulation came into effect to help identify buildings in Queensland that may have potentially combustible cladding. As part of the Safer Buildings program, certain building owners were required to register their building and undertake the combustible cladding checklist. The combustible cladding checklist is an online system that is divided into three parts with buildings exiting at each part of the process. The QBCC received over 20,000 registrations and, as at 30 June 2020, 13,816 registrations had exited at Part 1 and 2,834 registrations had exited at Part 2. The remaining registrations are required to complete Part 3 of the combustible cladding checklist by the 3 May 2021 deadline. This includes 1,109 registrations who did not complete Part 1, Part 2 or Part 3A by the relevant legislated timeframe. The QBCC continues to engage building owners as appropriate to ensure completion of the checklist. The QBCC also continues to engage with Registered Professional Engineer of Queensland Fire Engineers in order to monitor their capacity to assist building owners meet their obligations.

COMPLIANCE AND ENFORCEMENT ACTIVITIES

The QBCC also uses its powers provided by the law to investigate complaints made by consumers, contractors and other industry participants to support an equitable environment for Queensland licensees by identifying and penalising unlawful operations. We also carry out proactive audits and investigations to detect unlicensed contracting and other breaches of legislative requirements. From time to time, the QBCC conducts joint operations with other regulators to target specific risks.

During 2019-2020, the top five offences as listed below made up 72 per cent of all investigations:

- Unlicensed contracting: 25 per cent
- Schedule 1B (domestic building contracts) offences: 23 per cent
- Insurance offences: 12 per cent
- Security of payments (Section 76 and Section 90 of BIF Act): 7 per cent
- Advertising: 5 per cent.

TABLE 13 | NUMBER OF INVESTIGATIONS OPENED AND CLOSED

	2018-2019	2019-2020
Unlicensed contracting	520	585
Schedule 1B (domestic contracts)	462	542
Insurance	235	268
Security of payments	22	149
Advertising	132	90

In the latter part of this financial year, the QBCC established a dedicated team to proactively investigate unlicensed contracting and advertising offences. This involved examining advertising on various internet platforms and cross-referencing with the QBCC's own databases to identify potential breaches. This use of the QBCC's Compliance Intelligence Dashboard technology was primarily focused on the plumbing and drainage industry. For a summary of results, please refer to the plumbing complaints, investigations and disciplinary actions section in this Annual Report.

CONTRACTUAL INVESTIGATIONS

The QBCC examines suspected breaches of the QBCC Act and, when required, takes appropriate action including issuing an infringement notice under:

- Schedule 1B of the QBCC Act which regulates contracts for domestic building work between contractors and home owners
- Part 4A of the QBCC Act which regulates subcontracts between contractors and builders and commercial contracts.

Where there are reasonable concerns that a licensee has not been complying with the requirements of the QBCC Act, we may conduct investigations requiring the licensee to produce all contracts for review. Our key focus is on domestic contracts due to the need to better protect home owners who may only rarely deal with the building and construction industry.

TABLE 14 | CONTRACTUAL INVESTIGATIONS OVER THE PAST YEAR

	2018-2019		2019-2020	
	Domestic contract	QBCC Act Part 4A	Domestic contract	QBCC Act Part 4A
Investigations	485	35	473	19
Warnings issued	186	16	128	8
Contractors issued with an infringement notice	273	6	206	3
Infringement notices issued	287	6	211	3

While the QBCC continues to investigate complaints and take enforcement action against contractors who do not comply with the legislation, we are moving to a more risk-based regulatory approach. The QBCC uses a range of enforcement actions, such as warnings and infringement notices, to find a balance between protecting home owners and educating and motivating contractors to comply with the legislation.

DEMERIT POINTS ISSUED TO CONTRACTORS FOR BREACHES OF LEGISLATION

The table below shows the demerit points issued to contractors in 2019-2020.

TABLE 15 | DEMERIT POINTS ISSUED OVER THE PAST YEAR

	2018-2019	2019-2020
Demerit points issued for unsatisfied judgment debts	40	70
Demerit points issued for contractual offences	2,110	1,584
Demerit points issued for failure to rectify	1,696	1,862
Demerit points issued for failing to pay insurance premium	362	386
Demerit points issued for carrying out work without a nominee	0	8
Demerit points – other	222	156
Total demerit points issued	4,430	4,066
Contractors issued with demerit points	457	515

The total demerit points issued are correlated to the number of investigations held in the year.

CERTIFIER COMPLIANCE

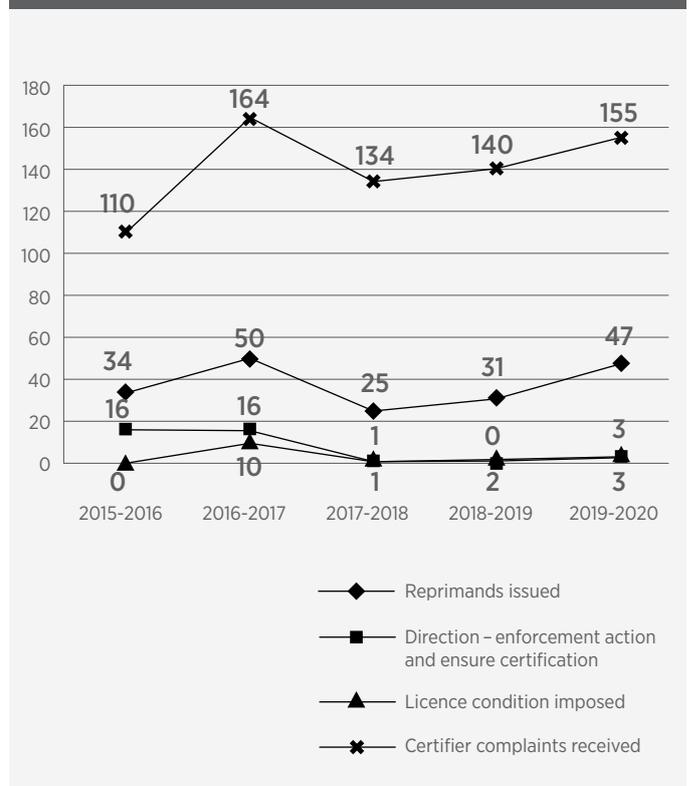
As at 30 June 2020, there were 474 licensed building certifiers.

At the start of the reporting period, the QBCC had 89 open certifier complaints. An additional 155 complaints were received during 2019-2020. During the reporting period, we finalised 190 complaints. As at 30 June 2020, 54 remain open.

At the start of the reporting period, the QBCC had six technical audits and 135 assessment audits open. During the reporting period, we commenced 39 technical audits and 133 assessment audits. We finalised 36 technical audits and 66 assessment audits over the 12 months. As at 30 June 2020, there were nine technical audits and 202 assessment audits still underway.

Of the 292 completed investigations, including complaints, technical and assessment audits undertaken in 2019-2020, 50 findings of unsatisfactory certifier conduct were found. No certifiers were found to have engaged in professional misconduct, 82 complaints were either withdrawn or closed due to insufficient evidence, and in 131 cases the certifier's conduct was found to be satisfactory. Thirteen cases were duplicates. Sixteen assessment audits did not proceed as the licensee was currently not practising.

CERTIFIER COMPLIANCE AND COMPLAINTS RECEIVED OVER THE PAST FIVE YEARS



PROACTIVE BUILDING INSPECTIONS

The QBCC proactively audits building works under construction to assess compliance against the National Construction Code and relevant Australian Standards. We encourage builders to rectify defective work to avoid the need for further action by the QBCC in the event of non-compliance being found.

In 2019-2020, audits of multi-residential buildings (both townhouses and high-rise constructions) uncovered a variety of concerns such as:

- inadequate installation of fire rated sealants in many junctions of lightweight fire separating wall junctions to floors, slab soffits and columns
- non-compliant installation of metal wall framing systems
- inadequate fixing of fire door frames into wall frames
- non-existent acoustic insulation where required in separating wall constructions.

The QBCC also performed audits on single detached dwellings. A variety of issues were found, including:

- lack of or inadequate height step-downs onto external waterproofed balconies
- lack of temporary downpipes during construction
- excessive overhang of bottom plates over slab edge.

PLUMBING COMPLAINTS, INVESTIGATIONS AND DISCIPLINARY ACTIONS

To ensure public health and safety, the QBCC investigates complaints about plumbing and/or drainage work that does not comply with the *Plumbing and Drainage Act 2018* (PD Act).

In 2019-2020, 166 investigations were closed, including outstanding investigations carried over from 2018-2019. The table below compares enforcement actions across the past two years.

TABLE 16 | PLUMBING DISCIPLINARY ACTIONS OVER THE PAST YEAR

	2018-2019	2019-2020
Disciplinary orders issued to licensees	19 orders amounting to \$23,352	12 orders amounting to \$10,770
Penalty infringement notices	41 penalty infringement notices amounting to \$42,920	25 penalty infringement notices amounting to \$33,059

In March 2020, the QBCC began a program of work that focused on people unlawfully advertising for plumbing or drainage work using popular internet sites. By the end of the year, 116 individuals or entities were identified as breaching advertising provisions within the QBCC Act. A total of 64

individuals or entities were found to have had an appropriate licence but failed to display their licence number, and subsequently were issued a warning. The remaining 52 are to undergo further investigation for potential regulatory action. We have developed a digital process to continue identifying unlicensed individuals which will enhance our investigative efforts. This is another step towards becoming a more insights driven regulator.

In addition to receiving and investigating complaints about plumbing and drainage work, the QBCC's other functions included assessing information received as part of the approved audit program for notifiable work, analysing data on the number of hot water heaters being installed in Queensland and responding to general enquiries about plumbing and drainage. Responding to enquiries is particularly important to promote industry engagement and raise awareness of compliance matters. A greater percentage of these enquiries were from licensees seeking information about notifiable work.

To improve the standards of plumbing and drainage work undertaken by licensed plumbers and drainers and to increase compliance with the PD Act, we were also involved in preparing a number of webinars and tutorials about plumbing and drainage work. These are to be published throughout the remainder of 2020 and into 2021. In addition to these webinars and tutorials, we engaged with major plumbing retailers and arranged to have in-store signage installed throughout Queensland, advising consumers of the need to engage appropriately licensed plumbers when undertaking plumbing work.

NOTIFIABLE WORK - FORM 4/4A

For some types of plumbing and drainage work, QBCC licensed plumbers and drainers must register details about the work through a Form 4/4A - Notifiable Work to the QBCC. In 2019-2020, there were 103,955 Form 4/4As registered, an 11.7 per cent increase over the previous financial year. The QBCC conducts an audit program to ensure plumbers are adhering to their responsibilities and maintaining high standards in plumbing and drainage work. In 2019-2020, the QBCC opened a total of 550 audits of contracting plumbers and drainers. As well as receiving education about their obligations, licensees found to have poor compliance were referred for further investigation and potential regulatory action.

In the second half of the year, the QBCC also commenced a pilot project to proactively assess the level of compliance relating to the installation of hot water heaters, which should be registered as notifiable work in some circumstances. The project obtained sample sales data for analysis with respect to the QBCC's records. This initiative could also expose plumbing work performed illegally by unlicensed persons.

The QBCC engages with local governments throughout Queensland to facilitate their auditing of completed notifiable work. This year, in response to feedback received, we offered a new, improved formal arrangement to local governments for reimbursement of their notifiable work audit inspection costs.

It updated the operational arrangements and introduced an automatic annual increase in payments, ensuring a more equitable distribution of the revenue from notifiable work registration. Across Queensland, 49 local governments entered into the agreement, covering approximately 94 per cent of the Queensland population. This uptake helps assure plumbing and drainage work is kept to a high standard throughout the State, though the COVID-19 circumstances in the last quarter impacted the inspection rates by some local government authorities.

POOL SAFETY

Pool safety laws require swimming pools to be registered and barriers to comply with the pool safety standard. The QBCC maintains a register of regulated pools and pool safety inspectors (PSI) who issue pool safety certificates. As at 30 June 2020, there were 400,746 pools on the pools register and 593 PSIs.

The QBCC approves continuing professional development (CPD) activities for PSIs and allocates CPD points for those activities. The QBCC also investigates complaints and takes disciplinary action against PSIs. In 2019-2020, the following investigations were conducted:

- 34 complaints received regarding the conduct of PSIs
- 65 complaints against PSIs were finalised
- five complaints against PSIs were withdrawn
- three cases were closed without further investigation when allegations could not be validated
- 14 complaints had no grounds for disciplinary action
- 43 investigations established grounds for disciplinary action
- two instances where no further action was required
- 41 cases where disciplinary actions were taken, including monetary penalties, reprimands and requirements to refund inspection fees.

Two PSIs sought review of disciplinary action decisions by the QBCC's Internal Review Unit. One complainant sought review of another decision where there were no grounds for action. None of those parties subsequently applied to the Queensland Civil and Administrative Tribunal (QCAT) for review of the Internal Review Unit's decision.

No clear trends are emerging in the types of disciplinary action taken against PSIs, except that the number of monetary penalties in the past year doubled when compared with the previous year.

Continuing into the next year, we are developing a newsletter and other educational materials for PSIs based on the insights gained during these investigations to minimise errors by PSIs, increase rates of pool safety compliance and reduce complaints.

In 2019-2020, 14 investigations were opened into pool owners who were alleged not to have obtained certificates or to have failed to give the QBCC notice of no certificate

when required. Nineteen investigations of pool owners were finalised, and of those, four resulted in the issuing of an infringement notice and seven resulted in the issuing of a warning notice.

IMMERSION INCIDENT REPORTING

The QBCC receives reports periodically of immersion incidents involving young children. These reports are provided by Queensland Health, following notification by health professionals including the Queensland Ambulance Service. In 2019-2020, the QBCC received 83 reports of immersion incidents. These reports are also provided to the relevant local government, which is required to inspect the site of the immersion. If the local government inspection raises any concerns about the pool fence at the site of the immersion, the local government takes the necessary enforcement action to ensure the pool complies. If the local government inspection suggests a breach by a PSI, the local government refers it to the QBCC for action and we follow up with the relevant PSI.

In 2019-2020, one investigation finalised against a PSI was based on information obtained following an immersion incident notice received during the previous financial year. The investigation found grounds for disciplinary action, but the PSI was one of those who sought review by the Internal Review Unit, which overturned the original decision and found no grounds for disciplinary action. Three of the investigations finalised against pool owners were based on information obtained following immersion incident notices. Two of those pool owners were issued with warning notices.

POOL OWNER COMPLIANCE AND ENFORCEMENT

The QBCC monitors and enforces the requirement for pool owners to obtain certificates and refers unsafe pools to local governments, which are required to inspect and may take enforcement action.

As at 30 June 2020, 37,748 pool safety certificates were issued in the reporting period which included 30,592 for non-shared pools and 7,156 for shared pools. Twenty-four properties were referred to different local governments in 2019-2020.

To promote pool owner compliance, we provided the Real Estate Institute of Queensland with an article for their industry publication to educate real estate agents and property managers about the requirement for pool safety certificates upon the sale or lease of a property.

Two full-day seminars for local governments were also delivered to enhance our collaboration in the co-regulation of pool safety in Queensland.

EDUCATION AND ENGAGEMENT

Education and engagement is a regulatory requirement under our enabling legislation and fundamental to encouraging compliance, supporting safe practices and raising awareness of legislative changes. The QBCC provides education and engagement through a variety of mediums to home owners, licensees and other industry participants. In 2019-2020, key engagement activities included those outlined below:

Tradie Tour

- a State-wide Tradie Tour which included 11 face-to-face events incorporating two sessions. Session 1 covered the topic of metal roofing. Session 2, which addressed illegal phoenixing activity, was a multi-agency effort between the QBCC and federal industry regulators, the Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC). There were 942 people who attended the face-to-face sessions and a webinar on the metal roofing topic attracted a further 236 attendees. The Net Promoter Score (NPS) result for this Tradie Tour was 43, which indicates survey respondents were very satisfied and highly motivated to recommend the Tradie Tour to others.

Raising awareness of financial requirements and mechanical services licensing

- a State-wide financial requirements roadshow incorporating 10 general information sessions and 10 information for accountants sessions
- 51 individual financial requirements one-on-one sessions across the State
- four minimum financial requirements and annual reporting webinars
- three mechanical services licensing amendments webinars
- two guest speaker opportunities at industry stakeholder hosted mechanical services licensing information sessions
- engagement with 26 industry stakeholder groups ensuring awareness of impending mechanical services licensing legislative changes.

Presentations and info sessions

- two TAFE sessions to third and fourth year apprentices
- a session at the Queensland University of Technology reaching 400 construction management students
- two home owner information sessions about the building and renovating process
- a regional engagement with the Department of Aboriginal and Torres Strait Islander Partnerships on QBCC licensing requirements and assistance available to Indigenous construction businesses
- eight proactive site visits and breakfast events to discuss QBCC requirements with workers, trade managers and project managers

- three sessions to educate waterproofing contractors on common defects and best practice
- four Master Plumbers' Association of Queensland industry forums and webinars discussing topics including compliance and audit activities, notifiable work lodgement forms and defective work
- 21 Master Builders Queensland regional access events, which provided information to members on the features and benefits of registering for QBCC's digital service centre "myQBCC"
- two National Association of Women in Construction "Women on Tools" events, which provide opportunity to advise tradeswomen and apprentices on QBCC licensing requirements and promote the QBCC as an employer of choice in the Queensland building and construction industry
- two pool safety information sessions for local government stakeholders
- two plumbing and drainage information sessions for local government stakeholders
- 21 industry and stakeholder engagements to address the issue of building quality in Queensland
- 16 Non-Conforming Building Products Audit Taskforce engagements.

Expos

- two Brisbane home show events generating more than 800 enquiries
- one Brisbane reno home show event generating more than 140 enquiries
- one Mitre 10 trade expo event generating more than 180 enquiries.

OBJECTIVE 2: DELIVER REGULATORY AND INSURANCE SERVICES THAT ARE TIMELY, ACCURATE, FAIR AND TRANSPARENT

As a regulator, the QBCC plays an integral part in ensuring only qualified contractors and tradespeople are working in the industry. We recognise that we cannot do this on our own – we need to engage with other stakeholders and partners to achieve our goals. We also recognise that building work may not always be completed in accordance with standards, and the QBCC plays a unique role in administering an insurance fund for home owners in these situations. This objective articulates our desire to deliver our services efficiently and

effectively. We have two high-level strategies to help us achieve this. These are:

- Engagement – we engage with stakeholders and consumers in an open and transparent manner.
- Service excellence – we ensure regulatory and insurance systems, policies and procedures enable timely, accurate, consistent, fair and transparent service delivery.

TABLE 17 | OBJECTIVE 2 SUCCESS MEASURES

Supporting measures	Target	Actual	Comments
Result area: Perception of fairness in decision-making			
Perception of fairness in decision-making: percentage of survey respondents agree the final decision was fair*	65%	55.8%	Feedback surveys are completed after closure of matters in Licensing, Early Dispute Resolution, Resolution Services, Insurance Claims (Approved), Insurance Claims (Declined) and Internal Review. The overall perception of fairness rating is taken from these surveys and responses correlate strongly with stakeholder expectations of a favourable decision. As a result, responses are affected by negative outcomes for stakeholders.
Result area: Quality of decision-making			
Qualitative statements	<ul style="list-style-type: none"> • A Quality Assurance Framework to maintain and improve the quality of decision-making processes was implemented. This better supports our people in making decisions. • Risk criteria to assess the likelihood of a product posing an unacceptable risk of harm to the Queensland community has been developed. • Process redesigns, including updating and improving existing manuals and procedures, have been occurring throughout the year to ensure consistency in decision-making. • All State compliance officers undertook specifically tailored training to ensure consistency in understanding and application of enforcement options and procedural fairness. 		
Percentage of internal review decisions overturned by the Queensland Civil and Administrative Tribunal	10%	0%	
Result area: Timely decisions and services delivered			
Perception of fairness in decision-making: percentage of survey respondents agree the final decision was fair*	65%	55.8%	See commentary above
Percentage of decisions overturned by the Queensland Civil and Administrative Tribunal*	4%	6.5%	The number of decisions overturned by the Queensland Civil and Administrative Tribunal (QCAT) in 2019-2020 was 14 out of 213 matters. This is an improvement from the previous financial year. Of those decisions overturned by the QCAT, three related to a decision to decline an insurance claim, three related to excluded individual decisions and the remaining eight related to decisions to either issue or not issue a direction to rectify for defective building work.

CONTINUED - TABLE 17 | OBJECTIVE 2 SUCCESS MEASURES

Supporting measures	Target	Actual	Comments
Cost of recovering \$1.00 of funds owed to creditors*	\$0.70	\$0.44	
Percentage of early dispute resolution cases finalised within 28 days*	80%	83%	
Average number of days to process licence applications*	30 days	17 days	
Percentage of owner builder permits approved within 15 working days*	90%	100%	
Percentage of adjudication applications referred to an adjudicator within 4 business days*	100%	100%	
Percentage of insurance claims for defective work assessed and response provided within 35 business days*	50%	55%	
Average processing time for an early dispute resolution case*	28 working days	18 working days	
Average approval time for defects claims less than \$20,000*	35 working days	36 working days	
Percentage of internal review applicants contacted within 2 business days*	95%	95.9%	

* This is a 2019-2020 Service Delivery Statement Service Standard.

CUSTOMER SERVICE

The QBCC's customer contact centre is trained in providing general advice and aims to resolve matters at the first point of contact. Over 2019-2020, we focused on improving the customer experience through evolving our data and analytics capability, enabling more digital services and optimising our workforce planning. Some key activities included:

- redesigning our Interactive Voice Response to be more customer-centric and to better triage calls to specially trained officers
- making more services available to customers through our digital portal, myQBCC, and optimising the user experience to support self-service transactions
- recalibrating our key performance indicators to better align to customer expectations and aligning workforce planning accordingly
- improving our response to seasonal peak periods of demand when increased workload is generated
- upskilling our staff to better support the resolution of customer enquiries across all our business line queues
- implementing a new framework for recording enquiry trends within our Customer Relationship Management system.

As a result of the Minimum Financial Requirements Annual Reporting campaign, the call centre experienced a 25 per cent increase in the number of calls. The QBCC website was also viewed more than 12,933,326 times in 2019-2020.

TABLE 18 | CUSTOMER CONTACT CENTRE STATISTICS OVER THE PAST YEAR

	2018-2019	2019-2020
Customer phone calls	200,677	250,245
Customer emails	13,011	15,217

LICENSING

The QBCC Act establishes a licensing system for individuals and companies carrying out building work regulated under the Act. The table below shows the number of individuals and companies licensed under the QBCC Act by licence type as at 30 June 2020.

TABLE 19 | QBCC ACT LICENSEES BY LICENCE TYPE AS AT 30 JUNE 2020

	Individual	Company	Total
Builder	26,624	8,802	35,426
Builder restricted	2,141	659	2,800
Contractor	40,231	10,703	50,934
Occupational	1,600	N/A	1,600
Total	70,596	20,164	90,760

In 2019-2020, the QBCC processed 682 mutual recognition applications. Mutual recognition applications are received from Australian citizens in other states and territories and New Zealand citizens, and are processed under the *Trans-Tasman Mutual Recognition Act 1997*.

OWNER BUILDER PERMITS

The QBCC administers the granting of owner builder permits under the QBCC Act. An owner builder permit allows the permittee to carry out building work on the permittee's land for a building used for residential purposes. This does not include:

- work on a building with multiple dwellings
- building work for which an occupational licence is required, unless the work is carried out by a person who holds the appropriate licence.

As at 30 June 2020, there were 1,841 owner builder permits granted by the QBCC.

The QBCC is ensuring home owners undertaking building work on properties built before 1990 have a better understanding of the harms associated with asbestos. This is by requiring them to complete awareness training on managing this building product that has the potential for serious health concerns through airborne exposure. In addition, the QBCC requires home owners undertaking building work to meet the requirements of the *Work Health and Safety Act 2011*, to ensure both the home owner and those they engage have the same level of expected safety as on any building site.

PLUMBER AND DRAINER LICENSING

The QBCC administers Queensland's licensing system for plumbers and drainers under the PD Act. The table below shows the number of licensees as at 30 June 2020. This number includes endorsements. A licensee may hold multiple licence classes.

TABLE 20 | PD ACT LICENSEES BY LICENCE TYPE AS AT 30 JUNE 2020

Occupational licence type	Classes of licence
Provisional plumber	1,308
Provisional drainer	1,283
Plumber	12,231
Drainer	12,392
Restricted licences	1,814
Total	29,028^a

MECHANICAL SERVICES LICENSING

On 1 January 2020, a new mechanical services framework commenced. Mechanical services work involves the construction, installation, replacement, repair, alteration, maintenance, testing or commissioning of a mechanical heating or cooling system in commercial and residential buildings.

There are three specialist streams recognised under the framework:

- medical gas
- mechanical plumbing
- refrigeration and air-conditioning.

The below table shows the number of licensees under each stream as at 30 June 2020.

TABLE 21 | MECHANICAL SERVICES LICENSEES BY LICENCE TYPE AS AT 30 JUNE 2020

Licence type	Number of licensees
Medical gas	89
Mechanical plumbing	344
Refrigeration and air-conditioning	2,830

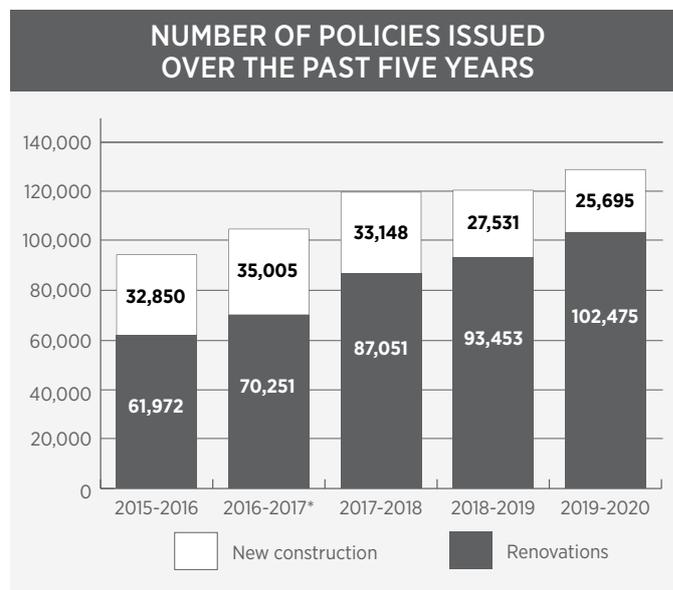
The introduction of mechanical services licensing will boost safety standards by ensuring people dealing with mechanical work are appropriately qualified and regulated.

^a Number includes plumbers and drainers holding occupational plumbing/drainage licences under the PD Act who may also hold plumbing/drainage contractor licences under the QBCC Act.

QUEENSLAND HOME WARRANTY SCHEME

The QBCC administers a home warranty scheme that provides insurance cover for residential construction work in Queensland.

During 2019-2020, the QBCC processed 128,170 insurance policies. The breakdown of residential construction work carried out during the period was approximately 80 per cent renovations compared to 20 per cent new home construction.

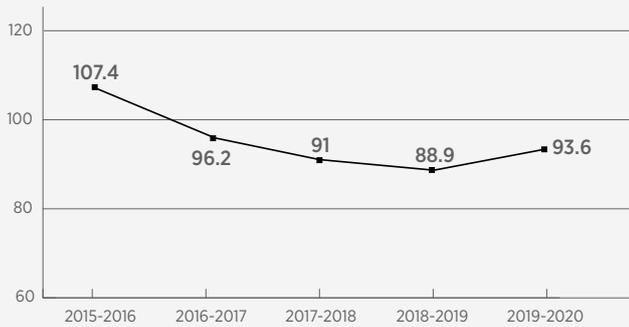


*As at 28 October 2016, the type of work covered by the Queensland Home Warranty Scheme was expanded. The introduction of cover for manufactured homes, which was previously excluded, resulted in an increase in policies covered under the "New construction" data. The introduction of cover for swimming pools and additional work within the envelope of the building resulted in an increase in policies covered under the "Renovations" data.

New build activity has been in decline since late 2017 and was very subdued throughout 2019-2020. Concerns relating to COVID-19 saw activity decrease by 20 per cent in mid-March 2020 for four weeks, before returning to pre-COVID-19 levels. Activity increased by 30 per cent in June, likely due to the announced economic stimulus package. Renovations were very strong in 2019-2020, with activity dropping for two weeks in early April, and increasing thereafter.

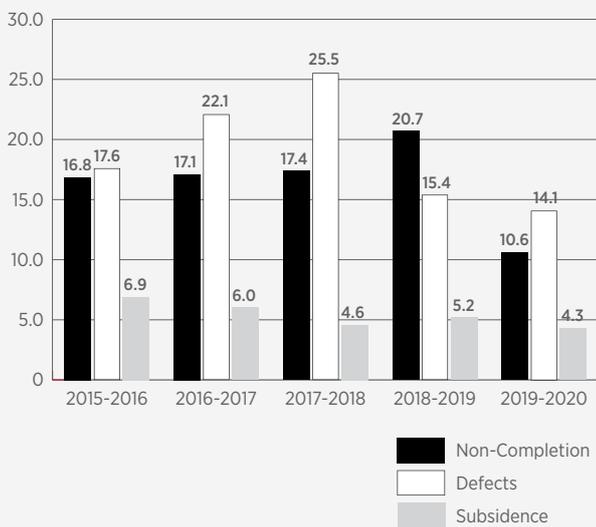
In 2019-2020, the QBCC received \$93.6 million in insurance premiums compared to \$88.9 million in 2018-2019. The premium revenue reflects the number and value of contracts signed in 2019-2020, and the 3.85 per cent increase in premiums charged which took effect from 1 August 2019.

INSURANCE PREMIUMS (\$m)



The QBCC approved a total of \$29 million in insurance claim costs during 2019-2020. This included \$14.1 million for defects claims, \$10.6 million for non-completion claims and \$4.3 million for subsidence claims.

INSURANCE CLAIM APPROVALS BY TYPE OVER THE PAST FIVE YEAR (\$M)



The decrease in non-completion claims is due to the lower number of new builds in the preceding two years. While lower than 2018-2019, subsidence claims were higher than expected during 2019-2020, and investigations into causes are ongoing. The continued decrease in defect claims is pleasing.

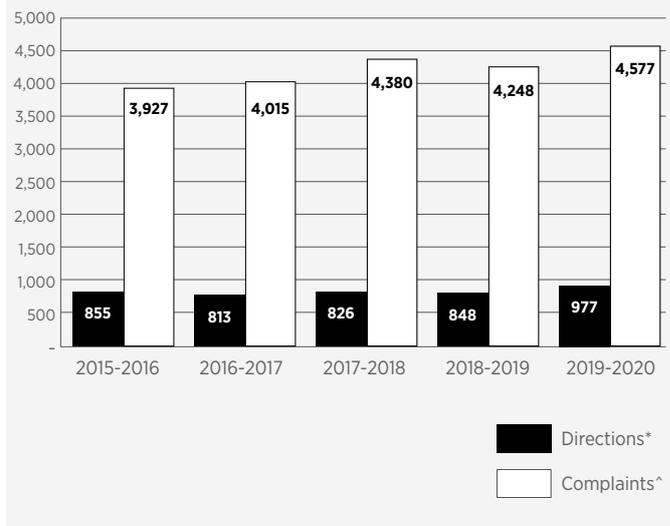
The QBCC holds licensees responsible for monies-owed as a result of claims made against the Queensland Home Warranty Scheme. While most of the claims made against the Scheme are unrecoverable due to builder insolvency, where possible, the QBCC will attempt to recover the money owed. We recovered close to \$1.5 million in 2019-2020 for the Queensland Home Warranty Scheme.

To ensure a solid financial framework for its insurance operations, the QBCC has continued to comply with various Australian Prudential Regulatory Authority (APRA) standards that apply to general insurers to the extent that it is reasonable and prudent for the QBCC to do so. This includes a prudential margin loading in relation to projected future claims to achieve the APRA requirement of a 75 per cent confidence level that the outstanding claims provisions will be adequate.

BUILDING COMPLAINTS AND DISPUTES

The QBCC may be able to help resolve building disputes between home owners and principal contractors. During 2019-2020, these types of building disputes totalled 5,148, of which 4,577 related to works after construction was completed and 571 which were during the construction process. This represented a decrease of 10 per cent from 2018-2019 which totalled 5,726 building disputes. The number of directions to rectify issued in 2019-2020 has not increased significantly from 2018-2019.

COMPLAINTS AND DIRECTIONS OVER THE PAST FIVE YEARS



*These include total number of directions issued in the reporting period.

^These relate to complaints related to works after construction was completed.

EARLY DISPUTE RESOLUTION

The QBCC offers a free Early Dispute Resolution (EDR) service for domestic building work valued in excess of \$3,300, where issues arise between QBCC principal contractors and home owners before completion of the contract. Defective building work, non-completion and contractual disputes are handled in the EDR process.

During 2019-2020, the QBCC received 571 EDR cases, with 629 finalised during the reporting period. The number of cases received and cases finalised is not equal as cases can be carried over from previous financial years. The number of cases received in 2019-2020 represents a 61 per cent decrease compared to 2018-2019, when 1,478 cases were received. The decrease in EDR cases is directly linked to the changes brought in since 11 July 2019, where complaints are lodged online, and changes were made to the complaint form and websites to manage customer expectations.

INTERNAL REVIEW

The QBCC offers a free and independent internal review service to reduce the number of administrative reviews made through QCAT, in accordance with the QBCC Act.

During 2019-2020, we opened 831 internal review cases. 835 internal review cases were closed during the reporting period. We also processed cases from previous financial years.

As a result of the internal reviews completed during 2019-2020:

- 466 (55.8 per cent) original decisions were upheld
- 107 (12.8 per cent) original decisions were overturned
- 86 (10.3 per cent) original decisions were varied
- 176 (21 per cent) matters were discontinued.

The QBCC discontinued 176 matters because:

- 62 of those matters were outside jurisdiction, as the applications did not relate to a 'reviewable decision' or the applicant had also applied to QCAT for external review
- in relation to 10 of the original decisions purportedly under review, the decision had not yet been made
- applications concerning 42 decisions were withdrawn by the applicant
- 13 applications were closed with no further action taken, for reasons including mistakenly referred correspondence taken to be an application, or the matter was already in or decided by QCAT
- 49 applications were not accepted as they were outside the legislated timeframe.

As at 30 June 2020, 52 cases remained open. On average, it took 24 days to process an internal review case in the reporting period.

CUSTOMER FEEDBACK POLICY

The QBCC's Customer Feedback Framework provides for the capture and management of service complaints in line with the Queensland Government's policy under Section 219A in the *Public Service Act 2008*. It also complies with the Australian Standard (AS/NZS 10002:2014) about complaint handling, while accommodating additional recommendations of the Office of the Queensland Ombudsman.

TABLE 22 | CUSTOMER FEEDBACK STATISTICS COMPARED TO THE PAST YEAR

	2018-2019	2019-2020	Percentage change from the previous year
Suggestions	1,074	751	30% decrease
Compliments	237	98	59% decrease
Service complaints	1,782	1,174	34% decrease

The substantial decrease in feedback cases reflects a change in the way we record customer satisfaction survey results to more accurately reflect the definition of customer complaints. Prompt action was taken in relation to the majority of feedback received. All service complaints were assessed and investigated in accordance with the Customer Feedback Policy, and steps were taken to improve communications and address the concerns where appropriate. Suggestions provided by our customers were also reviewed and actioned, where appropriate.

SERVICE AND ADMINISTRATIVE PROCESS COMPLAINTS

Service and administrative complaints about the conduct of QBCC staff are referred to the Integrity and Complaints Branch (ICB) within the QBCC. In the 2019-2020 period, the ICB received 77 referrals of complaints, of which 65 were deemed suitable for managerial action and 12 were referred for investigation. The Queensland Public Service Commission benchmark for completion of matters suitable for managerial action is set at 75 per cent of matters finalised within 51 days. Of the 65 matters, 92 per cent were finalised within the benchmark. The benchmark for matters requiring investigation is set at 139 days. Of the 12 matters referred for investigation, 92 per cent were completed under the benchmark. Four matters required disciplinary intervention.

IMPLEMENTING THE HUMAN RIGHTS ACT 2019 IN THE QBCC

The QBCC formed a Human Rights Steering Committee to identify and address the broader impacts the Human Rights Act will have on clients of the QBCC as a result of carrying out its regulatory functions.

Since 1 January 2020, the QBCC included provisions to capture human rights complaints within our complaints management system and two complaints were assessed as potential human rights complaints. The outcomes from complaint assessment were that the complaints did not meet the requirements to be considered a human rights complaint and therefore no further action was taken.

We continue to address the systemic review of all QBCC policies to ensure we meet our obligations, including:

- to act and make decisions in a way that is compatible with human rights
- to give proper consideration to relevant human rights when making decisions.

OBJECTIVE 3: PUT OUR PEOPLE FIRST, AND SUPPORT AND VALUE THEM

The QBCC's people are our greatest asset. As is stated in the Strategic Plan, "Our people matter because we can only achieve what we set out to do through our people." This objective articulates our desire to look after and develop our people. Four strategies have been developed towards this objective. These are:

- Recruit and develop great people – we attract and retain a diverse workforce with the right skills to deliver our mandate.

- Performance matters – we recognise and reward high performance and seek continuous improvement.
- Culture – we celebrate shared values that promote a positive and productive working environment.
- Wellness – we support and mentor our staff.

The QBCC is also committed to respecting, protecting and promoting human rights in our everyday decisions.

TABLE 23 | OBJECTIVE 3 SUCCESS MEASURES

Supporting measures	Target	Actual	Comments
Result area: employee engagement and satisfaction			
Agency engagement score from the Working for Queensland survey	85%	82%	
Agency participation rate in the Working for Queensland survey	Over 90%	90%	
Result area: employee retention			
Percentage of staff turnover	20%	13.79%	
Result area: workplace diversity			
Overall QBCC gender parity	50%/50%	45%(M)/55%(F)	
Gender parity – Senior Leadership Team and Directors	50%/50%	54%(M)/46%(F)	
Gender pay gap	13%	12.51%	
Result area: employee wellness			
Lost time injury frequency rate	Less than 2%	0	
Average days lost due to absenteeism	10 days or less	10.08 days	

WORKFORCE PROFILE

As at 30 June 2020, the QBCC employed 529.1 (509.1 active) full-time equivalent (FTE) staff across professional, technical and administrative roles against a target of 534.4 FTE, with 86.1¹ per cent of our staff providing frontline services.

TABLE 24 | WORKPLACE PROFILE AS AT 30 JUNE 2020 COMPARED TO THE PREVIOUS YEAR

Equal Employment Opportunity (EEO) target groups	2018-2019	2019-2020
Women	272	299
Aboriginal and/or Torres Strait Islander	4	5
People with a disability	18	20
Non-English speaking background	59	59

¹ In 2017-2018, the QBCC adjusted its definition of frontline services to better align with the rest of the Queensland Government.

TABLE 25 | WORKFORCE DIVERSITY AS AT 30 JUNE 2020 (BASED ON SUBSTANTIVE POSITION)

Level	Male	Female	Total	EEO target groups*
Administrative A01-A03	30	45	75	21
Administrative A04-A05	58	140	198	34
Middle management A06-A08	140	102	242	28
Executive management SO	11	4	15	0
Executive management SES	3	7	10	1
Percentage of total staff	45%	55%	100%	15.5%

*The numbers in this column represent the Aboriginal and/or Torres Strait Islander peoples, people with a disability and people from a non-English speaking background EEO target groups.

ATTRACTING AND RETAINING OUR WORKFORCE

In 2019-2020, the QBCC continued its commitment to attract and retain a skilled and capable workforce. We continued our Employee Value Proposition and introduced key supporting initiatives including:

- dedicating resources to assist staff in managing organisational change in the workplace
- introducing a workplace Health and Wellness Strategy
- establishing a Staff Wellbeing and Engagement Committee to drive the employee experience
- providing Director and Senior Leadership Team leadership programs to support continued capability uplift
- continuing our Future of Work project to optimise processes for greater effectiveness and efficiency, locating opportunities to better distribute workloads across the QBCC staff across the State, and creating a new procedural framework to ensure staff working across the State have consistent working instructions.

These initiatives, in addition to continuing initiatives already in place, such as Flexible Work Policy, Staff Engagement Strategy, Reward and Recognition procedures and Talent Management Framework, are intended to promote diversity within our workforce and aid long-term succession planning.

The QBCC's 2019-2020 permanent separation rate was 8.5 per cent.

KEEPING OUR STAFF SAFE AND HEALTHY

Health and safety are important at the QBCC. In 2019-2020, we took steps to ensure that:

- staff were supported and trained to manage challenging interactions with our customers, de-escalate situations and build resilience
- Health and Safety representatives continued to support and fully represent work groups
- the Wellness strategy developed in 2019 continues to be a foundation for improving the safety and wellness of our employees
- sufficient office space was available for staff as a result of our expanding responsibilities
- the Work Health and Safety Committee adequately trained all members
- Work Health and Safety issues were recorded, investigated and actioned appropriately
- Annual Safety Management Plan activities were carried out in full
- Toolbox Talks covering a variety of short safety topics were held
- risk management activities were implemented, including health and safety hazard inspections across all office locations
- sufficient first aid officers were available in all office locations

- each office location had adequately trained emergency control members
- staff had access to rehabilitation for work and non-work related injuries or illnesses
- staff had access to the Employee Assistance Program which provides confidential counselling and wellbeing support to all staff and their immediate family members
- flu vaccinations and hepatitis injections were made available to QBCC staff
- prior to COVID-19, approximately 37 per cent of staff had access to variable working hours and work from home arrangements. During COVID-19, approximately 90 per cent of our workforce were able to work from home. The Change4theBetter survey undertaken in April 2020 indicated that 95 per cent of our staff felt that we met, exceeded or far exceeded their support needs during this time.

KEEPING OUR STAFF ENGAGED

The QBCC participated in the 2019 Working for Queensland survey which is used by other Queensland public service agencies to measure employee perceptions of the workplace climate. The 2019 staff engagement results saw a positive increase, with 82 per cent of our staff reporting a positive or neutral rating compared to the 2018 result which was 79 per cent. Our 2019 staff participation rate was 90 per cent compared to 92 per cent completion in 2018. The survey yielded valuable information on what could be improved, and resulted in an action plan to continue to enhance the employee experience.

PROFESSIONAL DEVELOPMENT AND CAREER PATHS

The QBCC maintains a Performance Development Framework to guide the development of staff and ensure the achievement of organisational strategies, business plans and performance outcomes of work teams and individual staff members. Individual performance is reviewed regularly. Formal checkpoints are scheduled every quarter when individual performance is recorded in Performance Development Plans. The QBCC's final checkpoint is at 90 per cent completion rate which is above our target of 80 per cent.

The QBCC is committed to encouraging lifelong learning. This is demonstrated through our Study and Research Assistance Scheme (SARAS). It provides support for our staff seeking to gain qualifications to support their work and careers. Twenty-four staff members accessed SARAS in 2019-2020. In addition, three staff members are utilising Study Leave only and five staff members are being funded through their own business unit's budgets.

The QBCC Leadership Capability Framework helps define and guide leadership expectations and standards. This incorporates our Emerging Leaders Program that seeks to help individuals develop competencies required of a senior leader, and to enhance succession planning for future leaders. Currently, five staff members are attending the Emerging Leaders Program 2020-2021, which is expected to be completed in June 2021.

The QBCC's Talent Management Framework supports the development of all staff across the organisation. In 2019-2020, the QBCC's Learning and Development team developed, organised and delivered 159 courses (eLearning, workshops and webinars). This achieved an 88 per cent attendance rate for face-to-face sessions, and 87 per cent completion rate for mandatory e-learning modules. We noted a drop-off in attendance in December 2019 and January 2020 due to the Christmas break and staff annual leave. March 2020 attendance rates dropped to 79 per cent due to COVID-19, however once webinars were put in place, attendance in April and May increased to 91 per cent.

CORPORATE SOCIAL RESPONSIBILITY

The QBCC is committed to promoting positive outcomes throughout our sphere of influence. In 2019-2020, we took part in several corporate social responsibility activities. These included individual staff donations to:

- the Vinnies CEO Sleepout which aims to raise awareness of the growing issue of homelessness and to raise funds to combat the issue
- the RSPCA to support work preventing animal cruelty, including an opportunity for staff to cuddle dogs and puppies as a wellness initiative
- the Share the Dignity campaign #itsinthebag which helps the homeless, at-risk and those experiencing domestic violence
- the Salvation Army's Christmas Appeal 2019 to provide gifts to children and families in need
- drought-stricken farmers.

DIVERSITY AND INCLUSION

The QBCC is committed to promoting an inclusive work culture and environment for our staff, and enhancing their understanding of diversity. Led by our REDI (Respect, Equity, Diversity and Inclusion) Squad, we acknowledge and celebrate a number of significant dates each year. In 2019-2020 we participated in:

- NAIDOC Week, National Reconciliation Week, National Sorry Day and Mabo Day by reflecting, acknowledging and celebrating the history, culture and achievements of Aboriginal and/or Torres Strait Islander peoples
- Multicultural Queensland Month to celebrate diversity and its benefits, linking to the theme 'We all belong'
- the International Day of the World's Indigenous Peoples
- International Women's Day with Dr Nora Amath (Statewide Coordinator of Community Action for a Multicultural Society, Refugee Settlement National Manager for the Islamic Women's Association of Australia and Adjunct Research Fellow at Griffith University) sharing her story with staff
- International Men's Day with Mal Weir (President of Queensland Regional Men's Network Inc. and Board Director of Men's Shed Australia Ltd) speaking with staff

- ANZAC Day by reflecting on shared stories and history
- International Day of People with a Disability, through showings of the 12th Annual Wide Angle Film Festival hosted by Bardic Studio.

Throughout this past financial year, the QBCC championed a number of new initiatives supporting diversity and inclusion across our business.

In July 2019, we published the QBCC's Gender Equity Strategy 2019-2021 to challenge myths, such as the definition of merit, assumptions and gender stereotypes, and to ensure people regardless of their gender, enjoy the same opportunities to shape and influence their own lives and careers.

On 26 February 2020, we celebrated the launch of our inaugural Reflect Reconciliation Action Plan. Through this and future Reconciliation Action Plans, we aim to deepen our understanding, respect and support for Aboriginal and/or Torres Strait Islander peoples in our communities.

The QBCC also:

- welcomed two new Indigenous trainees to our Regional Offices
- introduced our first QBCC Indigenous Liaison Officer
- launched our first Inclusive Language Guideline to support our staff and encourage the use of inclusive language in and out of the workplace
- updated our family and religious/cultural facilities to make them more easily accessible
- hosted our first 'bring your kid to work day' under our Gender Equity Strategy
- updated our translating services to continue to provide support to people who we come in contact with who identify as culturally and/or linguistically diverse.

EARLY RETIREMENT, REDUNDANCY AND RETRENCHMENT

During the period, one employee received a redundancy package at a cost of \$217,978.

INDUSTRIAL AND EMPLOYEE RELATIONS

The QBCC has an ongoing positive relationship with the Together Union. Agency Consultative Committee meetings are held every six weeks and are attended by Together Union and the QBCC's management representatives. We work collaboratively with the Union to ensure an effective public sector, delivering quality services to Queenslanders. We also ensured Human Resources policies reflected current industrial instruments and consistency with the *Industrial Relations Act 2016*.

During 2019-2020, the QBCC undertook local negotiations for the Core Employees Certified Agreement 2019 with a specific schedule for the QBCC. The schedule provides for the adoption of Chapter 6 of the Public Service Act and development of clear Performance Management and Disciplinary Process Policies and Procedures.

OBJECTIVE 4: BE EFFICIENT AND FINANCIALLY SUSTAINABLE

To remain financially stable, the QBCC endeavours to operate productively while achieving our goals. We need to embrace and use appropriate technology and the ingenuity of our people to overcome obstacles and challenges in the pursuit and achievement of our goals. We also recognise our fiduciary duty as a public sector organisation to properly manage and be accountable for the use of data, information and public funds, in delivering on the work set out by the government. This objective captures that goal. Our strategies include:

- financial management – we manage our finances responsibly
- operational excellence – we are efficient with our governance controls
- information and technology enabled – we use information and technology to improve everything we do.

TABLE 26 | OBJECTIVE 4 SUCCESS MEASURES

Supporting measures	Target	Actual	Comments
Result area: financial health			
Financial targets are met or exceeded	See Financial Performance section in the Annual Report on page 41.		
Result area: satisfaction with IT services			
Post release satisfaction	80%	100%	
Help desk satisfaction	85%	96.9%	

INSIGHTS-DRIVEN REGULATOR

In 2018, the QBCC began its journey to be a more insights-driven organisation, to support becoming a more risk-based regulator. Through insights and early detection, we will be able to anticipate problems and mobilise resources swiftly and effectively. We have been building our capabilities by developing the necessary infrastructure to enable better data interrogation and reporting capabilities. In 2019-2020, the QBCC started development of its Early Warning System, which seeks to provide us with greater visibility of contractor financial practices, indicators of financial distress, and opportunities to protect the financial interests of licensees. It will also ensure the effective and efficient use of QBCC resources to administer new laws, and help deliver fairness and security of payment in the building and construction sector.

RISK AND ISSUE MANAGEMENT

The QBCC is progressing towards its vision of becoming an insights-driven, risk-based regulator and is in the process of more effectively utilising data, trends and analytics to inform our regulatory activities.

A new strategic risk approach has been implemented, focusing on:

- regulatory risk which mitigates industry non-compliance and insurance fund management issues
- corporate risk which supports actions of the regulatory divisions - covering human resources, systems and data, governance, reputation and financial management, and sustainability issues.

The formation of the Risk and Governance Committee during 2019-2020 provided the Executive Team with a valuable forum to undertake collaborative quarterly risk assessment and risk-based decision making. Quarterly risk assessment reporting through the Risk and Governance Committee to the QBC Board and the Finance, Audit and Risk Committee, continued in the 2019-2020 reporting period.

In 2019-2020, the QBCC reviewed the strategic risks and the risk appetite by considering the internal and external environmental scan as part of the strategic planning process. This process supported the QBCC to identify emerging risks, manage risks against organisational objectives and realise opportunities which would enhance service delivery.

The QBCC continued to strengthen its commitment to the prevention of fraud and corruption through extensive fraud awareness training and the continuation of fraud and corruption risk assessments and reporting.

INTERNAL AND EXTERNAL AUDITS

Over the 2019-2020 reporting period, the QBCC's internal auditors, OCM, undertook seven internal audits, in the areas of Adjudication Registry, Records Management, Payroll, Right to Information and Information Privacy, Accounts Payable and Accounts Receivable, and Project Governance.

The Queensland Audit Office (QAO) is the QBCC's external auditor under the terms of the *Financial Accountability Act 2009*.

PRUDENT INVESTMENT MANAGEMENT

The Finance, Audit and Risk Committee is responsible for monitoring the performance of its fund managers, Queensland Investment Corporation and Queensland Treasury Corporation. The Committee monitors performance through advice from the QBCC's fund managers, the QBCC's Executive Team and economic information from other relevant sources.

The QBCC's Investment Policy was reviewed and approved in November 2019. As a minimum, the policy is reviewed annually. Our investment powers are governed by the *Statutory Bodies Financial Arrangements Act 1982*.

RIGHT TO INFORMATION AND INFORMATION PRIVACY

The QBCC is committed to compliance with the objects of the *Right to Information Act 2009* (RTI Act) and the *Information Privacy Act 2009* (IP Act). To do this, the QBCC has a stand-alone permanent unit of officers, including independent decision makers.

In 2019-2020, we finalised 216 applications under the RTI and IP Acts with 103,263 pages and 147 audios assessed. Of the documents assessed, 93,173 pages and audios were released in full and 5,689 were partially released with 130 audios released in full and eight partially released to QBCC applicants. There was also one IP Amendment application finalised.

The QBCC Administrative Access (AA) Policy supports the proactive disclosure of information. This allows us to give access to certain types of information, as a matter of course that is not considered contrary to the public interest, without the need for a formal application. We finalised 189 AA requests in 2019-2020 releasing 5,297 pages and 10 audios to QBCC customers.

Chapter 5 of the IP Act enables an individual to make a complaint about an agency's breach of the privacy principles within 12 months of the alleged breach. A privacy complaint form is available on our website. Three privacy complaints were received in the reporting period.

OPEN DATA

The QBCC is required to publish certain annual report content through the Queensland Government's Open Data portal at <https://data.qld.gov.au>. The information published relates to:

- consultancies
- overseas travel
- Queensland Language Service Policy.

RECORDS MANAGEMENT

During the reporting period, the QBCC migrated 350,000 records from its legacy hardcopy system into its Enterprise Content Management (ECM) system, which saw the QBCC take yet another step forward in its journey towards digital recordkeeping. We continued to work on the interoperability of our core systems to facilitate the auto-ingestion of customer records into ECM for storage and management, which has resulted in an automatic system capture rate of 56 per cent and an annual capture of 2.5 million records into ECM.

In terms of records governance, the Records Management Policy and Procedural Framework was again strengthened with the inclusion of an email management procedure, a security and access control procedure and a revised records management procedure. The latter part of this reporting cycle also saw a significant shift towards a primarily digital working arrangement as a result of COVID-19 which caused several business processes and approvals to go digital through ECM. Lastly, the records management establishment was augmented to feature a digital archivist and a dedicated ECM administrator to further lead the way towards a digital records management platform.

CORPORATE GOVERNANCE

The following section highlights the responsibilities and practices that are used by the QBCC to provide direction, manage risks and use resources responsibly.

ROLE AND RESPONSIBILITIES OF THE BOARD

As at 30 June 2020, there were 10 independent, non-executive members on the Board. Board members are appointed by the Governor in Council under the QBCC Act for a three-year term.

At the highest level of governance, the Board carries out its duties in accordance with:

- the *Queensland Building and Construction Commission Act 1991*
- the Queensland Building and Construction Board Charter
- the Queensland Cabinet Handbook
- the highest levels of ethics and corporate governance.

Board meetings

Ordinary meetings of the Board are scheduled monthly. Recognising the need to be flexible and adapt to changing environments and circumstances, the Board can consider routine matters out of session by flying minute or by way of an extraordinary Board meeting where the matter is complex or requires fulsome discussion.

A summary of attendance of Board members at ordinary and extraordinary Board meetings is set out in Table 27.

COMMITTEE MEETINGS

To facilitate its efficient operation, the Board has five committees:

- Finance, Audit and Risk Committee
- Regulatory and Resolution Committee
- People and Culture Committee
- Insurance Committee
- Stakeholder Advisory Committee.

Each committee operates to a charter which outlines its purpose, duties, responsibilities, membership, authority and meeting requirements.

TABLE 27 | BOARD MEMBER ATTENDANCE AND REMUNERATION 2019-2020

Queensland Building and Construction Board					
Act or instrument	<i>Queensland Building and Construction Commission Act 1991</i>				
Functions	Governing body of the Queensland Building and Construction Commission				
Achievements	<ul style="list-style-type: none"> • Endorsed and supported internal redesign efforts to achieve meaningful improvements in service delivery and culture, including the functional realignment of the QBCC • Provided oversight of the performance and operations of the QBCC. 				
Financial reporting	Transactions of the entity are accounted for in the financial statements.				
REMUNERATION					
Position	Name	Meetings/ sessions/ attendance	Approved annual, sessional or daily fee ²	Approved sub- committee fees if applicable	Actual fees received ³
Chair	R. L. Williams	26	\$50,000 pa	N/A	\$55,000
Deputy Chair	Michelle James	20	\$25,000 pa	N/A	\$27,000
Member	Lesley Anderson	21	\$25,000 pa	N/A	\$27,000
Member	Andrew Hickman	13	\$25,000 pa	N/A	\$27,000
Member	Jade Ingham	13	\$25,000 pa	N/A	\$27,000
Member	Brett Schimming	24	\$25,000 pa	N/A	\$27,000
Member	Robert Schwarten ¹	10	\$25,000 pa	N/A	\$27,000
Member	Debra Johnson [†]	8	\$25,000 pa	N/A	\$16,000
Member	Cath Brokenborough [†]	11	\$25,000 pa	N/A	\$16,000
Member	Meg Frisby [†]	8	\$25,000 pa	N/A	\$16,000
Member	Yvonne Pengilly [^]	0	\$25,000 pa	N/A	\$2,000
Member	Jennifer Robertson [*]	9	\$25,000 pa	N/A	\$12,000
No. scheduled meetings/ sessions	R. L. Williams - 28 Michelle James - 20 Lesley Anderson - 21 Andrew Hickman - 15 Jade Ingham - 16 Brett Schimming - 25		Robert Schwarten ¹ - 13 Debra Johnson [†] - 8 Cath Brokenborough [†] - 11 Meg Frisby [†] - 8 Yvonne Pengilly [^] - 0 Jennifer Robertson [*] - 10		
Total out of pocket expenses	\$0. Other operational costs totalled \$69,234.				

¹ Mr Schwarten was temporarily away from active participation until 9 September 2019.

[†] Ms Johnson, Ms Brokenborough and Ms Frisby were appointed to the QBC Board on 1 December 2019, and specified Committees on 12 December 2019.

[^] Ms Pengilly resigned from the QBC Board effective 24 July 2019.

^{*} Ms Robertson declined reappointment at the end of her term on 30 November 2019.

² Approved fees do not include superannuation amounts.

³ Actual fees include superannuation amounts.

Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee provides independent comment, advice and counsel to the Board on the suitability of the QBCC's accountability and control framework, including audit and audit-related findings, financial planning and reporting, the risk management framework and associated policies.

The Committee comprised Lesley Anderson (Committee Chair), Michelle James¹, Brett Schimming and R. L. Williams.

The Committee observed the terms of its charter and had due regard to Queensland Treasury's Audit Committee Guidelines. The Committee's core duties are to:

- provide independent advice to the Board on the adequacy, timeliness and reliability of the QBCC's operations and systems, including audit planning processes, corporate governance, internal audit, compliance with legislation and statutory obligations and ethical conduct and probity
- consider matters related to the QBCC's financial affairs
- review and evaluate the QBCC's risk management framework and procedures, including contingency planning.

In 2019-2020, the Committee met five# times and conducted the following activities:

- reviewed and monitored the QBCC's internal and external audit activities
- reviewed and monitored the monthly financial results and variations in the budget
- ensured the financial report is completed within legislated timeframes
- reviewed and monitored the preparation of the 2020-2021 annual budget.

Regulatory and Resolution Committee

The Regulatory and Resolution Committee supports the Board by overseeing and advising on the QBCC's licensing regulatory framework and systems.

The Committee comprised Michelle James (Committee Chair)², Jennifer Robertson³, Meg Frisby¹, Andrew Hickman, Debra Johnson¹, Robert Schwarten⁷ and R. L. Williams.

The Committee was responsible for providing support to the Board by overseeing and providing advice on issues relating to:

- ensuring the licensing regulatory framework continues to meet the needs of the industry and practices in the training industry
- ensuring the licensing regulatory framework adds value to the building industry and continues to protect consumers and industry
- ensuring appropriate resolution systems are in place to handle disputes fairly and equitably
- ensuring appropriate mechanisms are in place to educate contractors on their legal rights and responsibilities

- providing advice to the Board on dispute resolution, compliance mechanisms, contractual and security of payment issues.

People and Culture Committee

The People and Culture Committee ensures that the QBCC establishes appropriate people and culture strategies and policies consistent with business requirements.

The Committee also embeds a culture of accountability, participation, customers and community, creativity, delivering value and safety.

The Committee comprised Cath Brokenborough⁴ (Committee Chair), Michelle James⁵, Yvonne Pengilly⁶, Jade Ingham, Brett Schimming and R. L. Williams.

The Committee is charged with advisory and decision-making functions, and duties in the following areas:

- nominations and appointments for senior leadership roles
- remuneration and evaluation
- succession plans
- organisational structure
- organisational change
- workplace health and safety.

Insurance Committee

The Insurance Committee provides advice to the Board on the performance and issues relating to the Home Warranty Scheme.

The Committee comprised Brett Schimming (Committee Chair), Lesley Anderson, Cath Brokenborough¹, Yvonne Pengilly⁶ and R. L. Williams.

The Committee's duties and responsibilities include:

- monitoring and reporting to the Board on the performance of the Scheme
- reviewing the Scheme in the context of the economic and environmental climate conditions
- ensuring substantial compliance with APRA standards in accordance with the QBCC's Risk Management Framework
- ensuring that the QBCC is effective in responding to insolvency events in the domestic building sector
- monitoring the QBCC's claims administration to ensure that efficient results are being achieved
- monitoring underwriting principles to make sure the Scheme achieves sound results
- collaborating with reinsurers in the performance of the Scheme and monitoring reinsurance agreements
- monitoring and reporting to the Board with regards to the actuarial assessment of the Scheme on any action required to ensure that the Scheme remains viable and effective.

Stakeholder Advisory Committee

The Stakeholder Advisory Committee was established to enhance the operational efficiency of the QBCC by obtaining stakeholder feedback and making recommendations to the Board, allowing feedback to be addressed in a timely and appropriate manner.

The Committee comprised Robert Schwarten⁷ (Committee Chair), Michelle James⁸, Meg Frisby¹, Debra Johnson¹, Yvonne Pengilly⁶, R. L. Williams and over 30 key external stakeholders.

The Committee fulfils the following functions:

- providing a forum where views about the conduct of operational matters can be aired, examined, debated and recommendations developed
- encouraging stakeholder feedback, whether negative or positive, to allow for a timely organisational response that respects confidentiality and addresses the issue to the satisfaction of the Committee
- identifying and developing a clear channel of communication that offers committee members the opportunity to bring forward issues to relevant officers of the QBCC in-between meeting dates
- welcoming new ideas and initiatives that will enhance the operational efficiency of the QBCC and strengthen the service delivery of the organisation.

Notes for this section on Committees:

¹ QBCC Board members Ms James, Ms Brokenborough, Ms Frisby and Ms Johnson appointed to specified Committees on 12 December 2019.

² Ms James appointed Regulatory and Resolution Committee Chair on 12 December 2019.

³ Ms Robertson ceased as Regulatory and Resolution Committee Chair at the end of her term on 30 November 2019.

⁴ Ms Brokenborough appointed People and Culture Committee Chair on 12 December 2019.

⁵ Ms James ceased as People and Culture Committee Chair and the People and Culture Committee on 12 December 2019.

⁶ Ms Pengilly resigned from the QBCC Board effective 24 July 2019.

⁷ Mr Schwarten temporarily away from active participation until 9 September 2019.

⁸ Ms James was Acting Stakeholder Advisory Committee Chair until 9 September 2019, and ceased the Stakeholder Advisory Committee on 12 December 2019.

[#] The frequency of meetings convened is reported in line with the Annual Report Requirements.

SERVICE TRADES COUNCIL

The Council consists of members appointed through a Governor in Council process for a four-year term. Under Section 106 of the PD Act, the Council has the following functions:

- a) conferring on national policy development and implementation for the plumbing and drainage trade
- b) reporting to the Minister on any issue relating to the plumbing and drainage trade:
 - i. the Minister refers to the Council or

- ii. any issue the Council considers the Minister should know about
- c) making recommendations to the Commissioner about the performance of the Commissioner's functions under the PD Act
 - d) establishing a panel of the Council to assist the Commissioner to effectively and efficiently perform the Commissioner's functions under Part 2, Divisions 1 to 7 of the PD Act
 - e) establishing other panels to assist the Council to effectively and efficiently perform its functions
 - f) reviewing decisions of the Commissioner made under Section 51 of the PD Act
- (Note:
The Council reviews decisions under the QBCC Act, Section 86C as an internal reviewer.)
- g) performing other functions relating to the plumbing and drainage trade given to the Council under the PD Act or another Act.

In 2019-2020, in accordance with its functions under the PD Act, the Council has:

- established an On-site Sewage Treatment Panel to investigate and report on on-site sewage treatment concerns
- written to the Minister to report on the following issues:
 - » on-site sewage compliance issues
 - » proposed legislative amendments to allow persons licensed under the PD Act to perform work for relatives without needing a contractor's licence under the QBCC Act
- made recommendations to the Commissioner in relation to:
 - » qualifications for plumbers and drainers licences
 - » equivalency of qualifications
 - » support for development of a central repository of data for plumbing and drainage plans
 - » compliance concerns relating to non-conforming plumbing products
- delivered two forums for members of the industry in the Sunshine Coast and Toowoomba
- published five editions of the Service Trades Council Pipeline Newsletter to provide information about legislation, licensing requirements and other industry matters to plumbing, drainage, fire protection and mechanical services licensees
- conducted a survey of licensees to identify industry trends and issues
- responded to enquiries from licensees about issues affecting the plumbing and drainage trade.

TABLE 28 | SERVICE TRADES COUNCIL MEMBER ATTENDANCE AND REMUNERATION 2019-2020

Service Trades Council					
Act or instrument	<i>Plumbing and Drainage Act 2018</i>				
Functions	Advisory body				
Achievements	<ul style="list-style-type: none"> Acting as the internal review mechanism for licensees who have received disciplinary action under the <i>Plumbing and Drainage Act 2018</i> Reporting to the Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport, and making recommendations to the Commissioner of the QBCC about matters relevant to the plumbing and drainage trade. 				
Financial reporting	Transactions of the entity are accounted for in the Financial Statements.				
REMUNERATION					
Position	Name	Meetings/ sessions attendance	Approved annual, sessional or daily fee	Approved sub-committee fees if applicable	Actual fees received
Chair	Penny Cornah	6	\$390	N/A	\$0
Deputy Chair	Janet Cumming	6	N/A	N/A	\$0
Deputy member	William Watson	0	\$300	N/A	\$0
Member	Sharon Simmers	6	N/A	N/A	\$0
Deputy member	Christopher McKenzie	0	N/A	N/A	\$0
Deputy member	Greg Jackson	0	N/A	N/A	\$0
Member	Graham MacKrill	1	\$300	N/A	\$0
Member	Linda Bradley	4	N/A	N/A	\$0
Member	Robert Thomas	3	\$300	N/A	\$0
Deputy member	Wayne Smith	0	\$300	N/A	\$0
Member	Catherine McCahon	2	N/A	N/A	\$0
Deputy member	Lindsay Walker	3	N/A	N/A	\$0
Member	Bradley Hodgkinson	6	N/A	N/A	\$0
Deputy member	Allan Hazell	0	N/A	N/A	\$0
Member	Gary O'Halloran	2	\$300	N/A	\$0
Deputy member	Glen Chatterton	2	\$300	N/A	\$0
Member	Ray Smith	6	N/A	N/A	\$0
Deputy member	Eddie Denman	0	N/A	N/A	\$0
Deputy member	Stephen Jennison	0	N/A	N/A	\$0
Deputy member	Tracy Barkham	0	\$300	N/A	\$0
Member	Assistant Commissioner, Service Trades and Regulatory, QBCC	6	N/A	N/A	\$0
No. scheduled meetings/sessions	6				
Total out of pocket expenses	\$0. Other operational costs totalled \$4,015.				

BUILDING PRODUCTS ADVISORY COMMITTEE

The Building Products Advisory Committee is made up of representatives from the QBCC and other government agencies. Under Section 20B of the QBCC Act, the Committee has a primary function of giving the Minister, the Commissioner and the Board advice about potential non-conforming building and construction products.

EXECUTIVE TEAM

The QBCC's Executive Team is led by the Commissioner and is responsible for implementing the QBCC's strategy and day-to-day operations. The team met regularly in 2019-2020 to discuss and approve a range of strategic and operational matters with the purpose of achieving the objectives set out in our strategic and operational plans.

ACTING ETHICALLY AND RESPONSIBLY

Public Sector Ethics Act 1994 and the Code of Conduct

The QBCC follows the principles and values of the *Public Sector Ethics Act 1994* as well as our corporate behaviours. Board members, associated advisory committees and QBCC staff are expected to maintain the highest ethical standards in discharging their responsibilities and duties. All existing employees and new starters are required to complete mandatory training across key integrity e-learning modules in:

- code of conduct
- fraud and corruption
- public interest disclosure awareness
- privacy awareness and managing public records
- workplace bullying and harassment
- workplace health and safety – induction, wellbeing and awareness
- customer feedback policy and unreasonable conduct, disengagement and social media.

Integrity matters and declarations

The QBCC maintains a Conflict of Interest Policy and Procedure that applies to all staff, external contractors and Board members. The purpose of the policy is to raise awareness and provide a consistent framework for the identification, management and reporting of all conflicts of interest and potential conflicts of interest with the QBCC.

Each quarter, we publish on our website, a reportable gifts and benefits register arising from declarations made by our employees.

The policy details staff obligations and declares perceived or actual conflicts of interest along with where and when they can occur. The Commissioner is responsible for managing this policy.

Corrupt conduct and public interest disclosures

The QBCC maintains a policy that establishes procedures for the effective reporting of corrupt conduct and the effective administration of public interest disclosures. Of the 77 conduct cases received, suspected corrupt conduct was identified in nine cases and all have been subsequently closed. There were 10 cases that involved an employee making a public interest disclosure.

The Commissioner must refer all complaints to the Crime and Corruption Commission (CCC) where the Commissioner suspects corrupt conduct. The QBCC has no power to deal with such matters unless they are assessed by the CCC and referred back to us from the CCC for action, which may include ongoing monitoring by the CCC.

The Commissioner has a duty to report all cases assessed as a public interest disclosure. Public interest disclosures are reported to the Queensland Ombudsman via the public interest disclosure database.

EXTERNAL SCRUTINY

The QAO conducted a performance audit to assess whether the QBCC effectively regulates the building and construction industry by issuing and managing licences in a fair and balanced way.

The QAO released its audit report (Report 16: Licensing builders and building trades) on 23 June 2020, making 11 recommendations 'to help the QBCC become a stronger and more effective regulator'.

The recommendations include 'strengthening controls and improving planning and reporting, and highlight the critical need for QBCC to commit resources and build capability as it moves to become a risk-focused, insights-driven regulator.'

The QBCC provided a formal response to the QAO about their findings and have accepted and support all 11 recommendations.

Some of these recommendations are already being implemented at the QBCC. Our planning to implement the remainder is well underway, with all 11 scheduled, at this stage, to be in place in accordance with the timeframes in the report.

FINANCIAL PERFORMANCE

The following pages provide details around the QBCC's financial performance in 2019-2020.

SUMMARY OF FINANCIAL PERFORMANCE

The QBCC returned a surplus of \$1.81 million in 2019-2020 and has a strong net asset position of \$134.08 million.

Total income was \$196.28 million, 12.1 per cent lower than 2018-2019. Income was lower due to the impact of COVID-19 on investment markets, and a reduction in recoveries from reinsurers resulting from lower than expected claims under the Queensland Home Warranty Scheme.

Total expenditure was \$194.47 million, 5.83 per cent lower than 2018-2019. The decrease was primarily due to lower than expected claims under the Queensland Home Warranty Scheme, and a decrease in provisions for expected future claims based on actuarial assessment. Provisions for doubtful debts reduced, due to an increase in write-offs of unrecoverable claim debts.

The QBCC's regulatory functions increased, resulting in an increase in staff numbers from 480 to 529 and an associated increase in employee expenses.

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QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

OPERATING RESULT	Notes	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance*	2019 Actual \$'000
INCOME FROM CONTINUING OPERATIONS					
Licence revenue	B1-1	37 121	39 611	(2 490)	39 279
Premium revenue	B1-2	76 109	79 785	(3 676)	74 043
Insurance administration fees revenue	B1-3	28 077	30 040	(1 963)	26 608
Reinsurance and other recoveries revenue	B1-4	41 654	77 390	(35 737)	56 178
Investment revenue	B1-5	(1 808)	8 269	(10 078)	14 635
Other revenue	B1-6	15 093	9 858	5 236	12 440
Total revenue		196 246	244 954	(48 708)	223 183
Gains on disposals/revaluation of assets		38	1 058	(1 021)	41
TOTAL INCOME FROM CONTINUING OPERATIONS		196 284	246 012	(49 728)	223 224
EXPENSES FROM CONTINUING OPERATIONS					
Outward reinsurance	B2-1	48 361	49 371	(1 011)	39 644
Claims approved and charged	B2-2	10 998	61 964	(50 966)	24 950
Employee expenses	B2-4	64 133	71 636	(7 503)	52 567
Supplies and services	B2-5	28 019	33 126	(5 106)	29 928
Depreciation and amortisation	B2-6	6 801	6 530	272	2 739
Impairment losses on financial assets	B2-7 & C2-1	34 707	50 955	(16 248)	55 628
Finance/borrowing costs	B2-8	421	743	(323)	-
Other expenses	B2-9	1 031	512	520	1 047
TOTAL EXPENSES FROM CONTINUING OPERATIONS		194 472	274 838	(80 366)	206 503
OPERATING RESULT FROM CONTINUING OPERATIONS		1 812	(28 826)	30 638	16 721
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		1 812	(28 826)	30 638	16 721

*An explanation of major variances is included in Note E1

The accompanying notes form part of these financial statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Notes	2020 Actual	2020 Original Budget	Budget Variance*	2019 Actual
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	C1	26 669	(2 146)	28 815	11 278
Receivables	C2	17 147	19 754	(2 607)	15 013
Reinsurance receivables	C3	21 976	30 908	(8 932)	26 007
Other financial assets	D1-2	277 448	272 396	5 052	293 536
Other current assets	C4	19 970	20 095	(125)	18 191
TOTAL CURRENT ASSETS		363 210	341 007	22 202	364 025
NON-CURRENT ASSETS					
Reinsurance receivables	C3	66 906	90 783	(23 877)	74 669
Intangible assets	C5	4 122	4 318	(196)	5 991
Property, plant and equipment	C6	3 500	3 746	(246)	3 319
Right-of-use assets	C13	23 092	20 493	2 599	-
TOTAL NON-CURRENT ASSETS		97 621	119 340	(21 719)	83 979
TOTAL ASSETS		460 830	460 347	483	448 004
CURRENT LIABILITIES					
Payables	C7	29 488	40 289	(10 801)	28 528
Lease liabilities	C13	3 477	3 492	(15)	-
Accrued employee benefits	C8	6 891	6 426	465	5 212
Provisions	C9	160	50	110	109
Unearned income liability	C10	37 490	60 281	(22 791)	51 678
Future claims and associated costs	C11	51 557	54 267	(2 710)	58 064
TOTAL CURRENT LIABILITIES		129 062	164 805	(35 742)	143 591
NON-CURRENT LIABILITIES					
Accrued employee benefits	C8	8 008	6 202	1 806	6 602
Lease liabilities	C13	21 354	18 142	3 212	-
Provisions	C9	644	804	(160)	778
Unearned income liability	C10	-	19 816	(19 816)	23 794
Future claims and associated costs	C11	167 679	218 647	(50 968)	177 428
TOTAL NON-CURRENT LIABILITIES		197 685	263 611	(65 926)	208 602
TOTAL LIABILITIES		326 747	428 416	(101 667)	352 193
NET ASSETS		134 083	31 931	102 150	95 811
EQUITY					
Contributed equity		395			395
Accumulated surplus	F6-1	133 688			95 416
TOTAL EQUITY		134 083	-	-	95 811

*An explanation of major variances is included in Note E1
The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Contributed Equity \$'000	Accumulated Surplus \$'000	Total Equity \$'000
BALANCE AS AT 1 JULY 2018	395	78 695	79 090
Total comprehensive income for the year	-	16 721	16 721
BALANCE AT 30 JUNE 2019	395	95 416	95 811
Net effect of changes in accounting policies (Note F6)	-	36 460	36 460
BALANCE AT 1 JULY 2019	395	131 876	132 271
Total comprehensive income for the year	-	1 812	1 812
BALANCE AT 30 JUNE 2020	395	133 688	134 083

The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	2020 Actual	2020 Original Budget	Budget Variance*	2019 Actual
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
INFLOWS				
Received from licence fees	36 928	29 668	7 260	44 096
Received from insurance administration fees	28 070	30 039	(1 969)	26 608
Received from interest	310	8 269	(7 959)	438
GST input tax credits from ATO	6 503	10 689	(4 186)	5 978
GST collected from customers	9 177	10 880	(1 703)	8 643
Received from other revenue	15 282	9 858	5 424	11 899
	96 271	99 403	(3 133)	97 662
OUTFLOWS				
Payments to employees	(54 737)	(71 008)	16 271	(45 984)
Payments to suppliers	(35 907)	(34 067)	(1 840)	(36 258)
Finance/borrowing costs	(421)	(743)	322	-
GST paid to suppliers	(6 632)	(10 160)	3 528	(5 957)
GST remitted to ATO	(9 042)	(11 409)	2 367	(8 723)
	(106 739)	(127 387)	20 648	(96 922)
	(10 469)	(27 984)	17 515	740
INSURANCE				
Received from premiums	77 810	79 784	(1 974)	71 121
Payments to reinsurers	(48 618)	(38 250)	(10 368)	(38 708)
Claims paid	(32 081)	(61 965)	29 884	(45 638)
Received from reinsurers and other recoveries	19 460	35 796	(16 336)	20 882
	16 571	15 365	1 206	7 657
NET CASH PROVIDED BY OPERATING ACTIVITIES	CF-1	6 101	(12 619)	8 397
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for plant, equipment and intangibles	(1 258)	(383)	(875)	(2 044)
Investment in other financial assets	-	17 059	(17 059)	(27 500)
Payments for investments	-	(8 143)	8 143	-
Investments redeemed	13 971	-	13 971	4 913
NET CASH USED IN INVESTING ACTIVITIES	12 713	8 533	4 180	(24 631)
CASH FLOWS FROM FINANCING ACTIVITIES				
Lease payments	(3 422)	(3 865)	443	-
NET CASH USED IN FINANCING ACTIVITIES	(3 422)	(3 865)	443	(24 631)
Net increase/(decrease) in cash and cash equivalents	15 392	(7 951)	23 343	(16 234)
Cash and cash equivalents - opening balance	11 278	5 805	5 473	27 512
Cash and cash equivalents - closing balance	26 669	(2 146)	28 816	11 278

*An explanation of major variances is included in Note E1
The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

NOTES TO THE STATEMENT OF CASH FLOW

CF-1 RECONCILIATION OF OPERATING RESULT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2020	2019
	\$'000	\$'000
Operating surplus/(deficit)	1 812	16 721
Non-Cash items included in operating result:		
Depreciation and amortisation expense	6 801	2 739
Net (gains)/losses on disposal of property, plant and equipment	(38)	(41)
Movement in impairment losses	(48 200)	(5 921)
Changes in net market value of investments	2 118	(14 197)
Changes in assets and liabilities		
(Increase)/decrease in receivables	57 860	28 059
(Increase)/decrease in other current assets	(772)	(53)
(Increase)/decrease in prepayments - outward reinsurance	(1 007)	1 383
Increase/(decrease) in payables	2 057	(8 965)
Increase/(decrease) in accrued employee benefits	3 085	1 356
Increase/(decrease) in provisions	(50)	(11)
Increase/(decrease) in unearned income liability	(1 308)	4 789
Increase/(decrease) in future claims	(16 256)	(17 461)
Net Cash Provided by Operating Activities	6 101	8 397

CF-2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Opening balance	Non-cash changes		Cash flows		Closing balance
		New leases acquired	Other	Cash received	Cash repayments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	26 994	-	1 258	-	(3 422)	24 831
Total	26 994	-	1 258	-	(3 422)	24 831

Accounting Policy - Cash flows are included in the Statement of Cash Flows on a gross basis with the Goods and Services Tax (GST) components of the cash flows shown as separate line items. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Refer to Note C1.

SECTION 1 HOW WE OPERATE - OUR OBJECTIVES AND ACTIVITIES

A1. BASIS OF FINANCIAL STATEMENT PREPARATION

GENERAL INFORMATION

This financial report represents the financial statements for the consolidated entity of the Queensland Building and Construction Commission (QBCC), consisting of the parent entity, the QBCC, and its controlled entity, the Queensland Building and Construction Employing Office (QBCEO). The consolidated financial statements include the value of all assets, liabilities, equity, revenues and expenses of the QBCC.

The QBCC is comprised of a General Statutory Fund and an Insurance Fund as stipulated by sections 25 and 26 of the *Queensland Building and Construction Commission Act 1991* (the *QBCC Act*). The QBCC's financial statements have been prepared as a consolidation of both funds. The balances and effects of transactions between the funds included in the consolidated financial statements have been eliminated.

THE REPORTING ENTITY

This financial report does not separately disclose the QBCC's financial statements due to the immaterial differences between the consolidated and parent entity's financial statements. These immaterial differences are listed in Note F5.

The QBCC is a statutory body established under the *QBCC Act*.

The QBCEO is also a statutory body established under the *QBCC Act*, and is controlled by the QBCC. The QBCEO, through its employees, provides the skilled labour required to deliver the services provided by the QBCC.

The principal place of business of the QBCC is 299 Montague Road, West End, QLD 4101.

BASIS OF CONSOLIDATION

In order to provide enhanced disclosure, the QBCC has adopted the principles outlined in Australian Accounting Standard AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interest in Other Entities*. This is considered appropriate as it reflects the relationship between the QBCC core business activities and those of the QBCEO. In reporting on the QBCC as a single economic entity, all internal transactions and balances have been eliminated.

STATEMENT OF COMPLIANCE

The QBCC has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*.

The QBCC is a not-for-profit entity and these are general purpose financial statements prepared on an accrual basis (except for the Statement of Cash flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the year beginning 1 July 2019, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the QBCC has applied those requirements applicable to not-for-profit entities. Except where stated, the historical cost convention is used.

A1. BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

PRESENTATION MATTERS

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where the amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Amounts shown in these financial statements may not add up to the correct sub-totals or total due to rounding.

Comparatives

Comparative information reflects the audited 2018-19 financial statements. There has been no material restatement of prior period amounts.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the QBCC does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Commissioner and the Chair of the Board at the date of signing the Management Certificate.

A2. OBJECTIVES AND PRINCIPAL ACTIVITIES OF THE QBCC

The QBCC's objectives include:

- promote quality, safety, security of payment and licensee sustainability;
- deliver regulatory and insurance services that are timely, accurate, fair and transparent;
- put our people first, and support and value them; and
- be efficient and financially sustainable.

The QBCC's principal activities are:

- licensing
- dispute resolution
- home warranty insurance
- compliance and enforcement.

Our supporting business activities are:

- education and awareness campaigns
- payment dispute resolution.

The QBCC and the QBCEO are self-funded statutory bodies within the portfolio of the Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport.

A3. INSURANCE CONTRACTS RISK MANAGEMENT

The QBCC is responsible for the management of a statutory insurance scheme called the Queensland Home Warranty Scheme ("Scheme"). The Scheme's insurance product meets the definition of an insurance contract (a contract under which one party, the insurer, accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contain embedded derivatives or are required to be unbundled.

The Scheme provides Queensland consumers with "first resort" home warranty protection. The scheme provides protection:

- where a contractor defaults on an obligation to complete residential construction work or fails to rectify defective residential construction work;
- for theft, vandalism or damage caused by fire, storm or tempest to incomplete standing works where a claim is made for completion of work;
- for damage caused by subsidence or settlement, even if the cause is defective design by an engineer or incorrect site classification.

As a statutory provider of home warranty insurance the QBCC insures all eligible residential construction work throughout Queensland and does not have the ability to be selective with its acceptance of risk.

To ensure the Scheme remains sustainable and continues to provide comprehensive cover which is reasonably priced, the QBCC is committed to a dedicated risk management framework.

The QBCC's exposure to concentration of insurance risk relates to:

- where there is a single large builder failure;
- extreme losses from single defects; or
- losses from a large scale downturn in the building industry.

These risks have been considered in order to estimate a Probable Maximum Loss for the QBCC.

A3. INSURANCE CONTRACTS RISK MANAGEMENT (continued)

Risk is managed through several mechanisms.

Reinsurance

As part of the risk management strategy, the QBCC ensures that the reinsurance program meets the business needs by the maintenance of a Reinsurance Management Strategy (REMS). The REMS is a high-level strategic document which provides a framework for the placement of reinsurance and the acceptance of reinsurers for the QBCC's business. The strategy is reviewed and approved by the Board each financial year.

The level of reinsurance is approved by the QBC Board, on advice from QBCC's appointed reinsurance broker, the Scheme Actuary, the Commissioner and the Director Insurance Services. The level of reinsurance must ensure that at all times the QBCC will have sufficient capacity to meet its obligations as they fall due.

Reinsurers must be approved by the Board, upon management's recommendations.

Risk mitigation

Any insurance or warranty activity primarily involves the underwriting of risk and the management of claims. The QBCC manages its insurance business on the basis of strict risk management protocols and avoids premium volume/cash flow underwriting principles.

Underwriting - risk acceptance

As a statutory insurer the QBCC must accept all risks as presented. Underwriting of risk commences with an entity's application to hold or renew a contractor licence.

Under QBCC's Minimum Financial Requirements, an entity wishing to hold a contractor licence to perform residential construction work in Queensland must hold certain qualifications or their equivalent, and meet financial and managerial requirements. Currently these requirements allow a contractor to perform a stated maximum amount of work each year depending on their net tangible assets, provided they maintain a current ratio of 1 or more.

Once an entity has been granted a licence to perform residential construction work, eligibility to the Scheme is automatic. The *QBCC Act* provides that any contract for residential construction work entered into by an appropriately licensed person is deemed covered by the Scheme whether or not the premium was paid.

Risk pricing

The QBCC reviews premium prices annually to ensure the Scheme is managed in accordance with actuarially sustainable principles. Statistical modelling, based on historical and projected building industry and economic information as well as policy and claims data, ensures the pricing is adequate. Recommendations for adjustments to premiums are developed in conjunction with the Scheme Actuary to ensure adequacy prior to ministerial approval.

Warranty terms of cover

The terms of cover, including limitations and exclusions, set the cover provided and level of risk accepted by the Scheme. Structural defects are covered for six and a half years' duration for a single premium payment, and the claim must be lodged within three months of noticing the defect. Non-structural defects are covered if the consumer becomes aware, or ought reasonably to have become aware, of the defect within six months after the day the work is completed. The claim must be lodged within seven months of the completion date. As a statutory provider the terms and conditions of cover are not negotiable and are called up in legislation.

A3. INSURANCE CONTRACTS RISK MANAGEMENT (continued)

Claims management

Some claims management functions are outsourced to Sedgwick Building Consultants who are responsible for preparing scopes, calling for tenders and managing rectification works.

To assist in managing operational risk, claims are audited by the QBCC's internal quality assurance team to ensure policies and procedures are adhered to.

Investment management

The Scheme's assets are invested in accordance with the Board's investment policy. Investments are monitored to ensure an effective match to the anticipated pattern of claim payments with sufficient assets held in reserve to meet calculated future claims liabilities.

Regulatory risk

As a statutory insurer the QBCC is not regulated by the Australian Prudential Regulatory Authority (APRA). However, the QBCC elects to comply with relevant APRA Prudential Standards. This is on the basis that management could determine a need to materially differ with those standards by virtue of compliance with Queensland state regulation, good business, economic reasons or other reasons, provided the reasons have been reported to the Insurance Committee and/or the Board.

Claims development

The Scheme Actuary values future claims and associated costs. The actuary uses historical claims, underwriting data and expert models to arrive at a value.

The Scheme is classed as "long-tail" insurance business. This means the claims may develop several years after the premium is paid.

The Scheme provides cover against non-completion of contracted works, defects in contracted works and subsidence or movement in contracted works. Each of these claim types has a distinct development pattern, non-completion claims being approved principally in the first two development years, defects being approved up to the ninth development year and subsidence up to the 10th and 11th development years.

As part of the QBCC's management of the Scheme, the Scheme Actuary reviews claims development patterns as part of the bi-annual Scheme performance review and calculates the outstanding claim liability.

The QBCC has adopted the accounting standard AASB 1023 'General Insurance Contracts' for the calculation and preparation of the financial statements. The calculation of the outstanding claims provision meets this accounting standard.

**SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE**

B1. REVENUE

	Notes	2020 \$'000	2019 \$'000
B1-1 LICENCE REVENUE			
Renewal fees		32 334	34 848
Application fees		4 787	4 431
		37 121	39 279

Accounting Policy - Upon application for a licence, new entrants pay both an application fee (for assessing and processing the application) and a renewal fee (for maintaining a licence over the selected period). Revenue is recognised when the licence is issued. The QBCC applies AASB 15's revenue recognition requirements to all licence fees. Refer to Note F6-1.

B1-2 PREMIUM REVENUE

Premiums	B2-3	91 155	85 936
Movement in unearned premiums		(15 046)	(11 893)
		76 109	74 043

Accounting Policy - Premium revenue is the amounts charged to policyholders for insurance contracts. Premium revenue is earned from the date of notification (generally this is similar to the date of contract) over the period of the contract in accordance with the pattern of the incidence of risk expected. This period is thirteen months from the date of notification. The unearned portion of premium is recognised as an unearned income liability in the Statement of Financial Position. Refer to Note C10.

B1-3 INSURANCE ADMINISTRATION FEES REVENUE

Administration fees received from policyholders		6	26
Exchange commission fees received from reinsurers		28 071	26 582
		28 077	26 608

Accounting Policy - Administration fees are the amounts charged to policyholders to cover administration costs for insurance contracts. For insurance contracts dated on or after the 28th October 2016, the fee is no longer charged to the policyholder. An exchange commission fee is now charged to the reinsurers for insurance contracts dated on or after 28th October 2016, to cover administration costs for insurance contracts. The QBCC continues to charge administration fees for insurance contracts dated prior to 28th October 2016 for residential construction work deemed covered by the Scheme. Insurance administration fees revenue is recognised once the policy has been issued.

B1. REVENUE (continued)

Notes	2020	2019
	\$'000	\$'000
B1-4 REINSURANCE AND OTHER RECOVERIES REVENUE		
Reinsurers' share of claims approved	15 484	21 793
Reinsurers' share of future claims movement	(11 794)	(16 599)
Reinsurers' share of claims management fee	1 063	1 345
Recovery revenue	36 901	49 639
	41 654	56 178

Accounting Policy - The recovery revenue is the claims recoverable from licensees found at fault and are recognised when a claim paid to a consumer is finalised.

Reinsurers' share of claims approved is recognised at the time the claim is approved based on the level of reinsurance applicable to the policy. The reinsurers' share of future claims movement relates to the movement in the actuarial assessment of the future claims and the level of reinsurance. The QBCC is entitled to recover its external claims management costs from our reinsurers in some circumstances.

B1-5 INVESTMENT REVENUE

Interest	309	438
Distributions	5 427	9 940
Changes in fair value of investments	(7 544)	4 257
	(1 808)	14 635

Accounting Policy - Changes in the net market value of investments are recognised as revenue or expenses in the Statement of Comprehensive Income. Income derived from investments is brought to account when earned.

B1-6 OTHER REVENUE

Infringements and court fines awarded	1 798	1 837
Notifiable works	2 992	2 644
Non-recurrent funding from Department Housing & Public Works	7 605	5 326
Pool safety certificate fees	1 516	1 433
Owner-builder fees	827	803
Adjudication application fees	162	179
Certificate fees	89	100
Search fees	73	67
Other	31	51
	15 093	12 440

Accounting Policy - Fines are recognised when issued, awarded or when convictions are recorded in favour of the QBCC. All other revenue is recognised when goods or services are provided.

B2. EXPENSES

	Notes	2020 \$'000	2019 \$'000
B2-1 OUTWARD REINSURANCE			
Reinsurers' share of premium		45 572	42 979
Reinsurers' share of recovery		2 789	(3 335)
		48 361	39 644

Accounting Policy - Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a prepayment and presented as other current asset expense on the Statement of Financial Position at the reporting date. Refer to Note C4.

B2-2 CLAIMS APPROVED AND CHARGED

Claims approved		29 428	41 614
Movement in provision for future claims processing cost	C11	2 499	3 918
Movement in provision for future claims	C11	(18 755)	(21 378)
Movement in unexpired risk	C10	(2 174)	796
		10 998	24 950

Accounting Policy - Claims approved, the movement in future claims and processing costs are recognised in respect of direct insurance business. The expense for claims approved is recognised when a home warranty insurance claim is approved by the QBCC. The QBCC also provides for claims reported but not yet approved, incurred but not reported, incurred but not enough reported. Refer to Note C11.

The QBCC incurs Goods and Services Tax (GST) for which it is currently unable to claim a decreasing adjustment, in accordance with Division 78 of *A New Tax System (Goods and Services Tax) Act 1999*, on all claim settlements.

B2-3 PROFIT/(LOSS) ON UNDERWRITING

	Notes		
Premiums received	B1-2	91 155	85 936
Less: Outward reinsurance premium expense	B2-1	(45 572)	(42 979)
QBCC's share of premiums		45 584	42 957
Less: Unearned premiums at the end of year	C10	(14 872)	(13 862)
Total premiums received and earned during the year		30 711	29 095
Add: Unearned premiums at the beginning of the year	C10	13 862	15 260
Less: Exchange commission		(14 035)	(13 291)
Earned premiums		30 537	31 063
Claims approved and charged	B2-2	10 998	24 950
Less: Reinsurance and other recoveries		(4 844)	(4 244)
Net claims		6 154	20 706
Profit/(Loss) on underwriting		24 383	10 357

Participation in the Insurance Scheme

Date	QBCC	Brokers/ Reinsurers
Pre - 01/07/91	10.0%	90.0%
01/07/91 - 30/06/98	25.0%	75.0%
01/07/98 - 30/09/99	30.0%	70.0%
01/10/99 - 30/06/03	25.0%	75.0%
01/07/03 - 30/06/04	32.5%	67.5%
01/07/04 - 30/06/08	25.0%	75.0%
01/07/08 - 30/06/10	20.0%	80.0%
01/07/10 - 30/06/15	30.0%	70.0%
01/07/15 - 30/06/20	50.0%	50.0%

B2. EXPENSES (continued)

B2-4 EMPLOYEE EXPENSE	Notes	2020	2019
		\$'000	\$'000
EMPLOYEE BENEFITS			
Wages and salaries*		47 601	39 152
Employer superannuation contributions		5 886	4 873
Annual leave expense		4 685	3 989
Long service leave expense		1 872	1 497
Termination benefits		181	-
Less: capitalised cost		(253)	(436)
EMPLOYEE-RELATED EXPENSES			
Workers' compensation premium		333	239
Payroll tax		2 736	2 238
Fringe benefits tax		178	182
Training		530	569
Recruitment		212	114
Other employee related expenses		175	154
		64 133	52 567
* Wages and salaries includes \$0.625 million of \$1,250 one-off, pro-rata payments for 509 full-time equivalent employees (announced in September 2019).			
Full-Time Equivalent Employees		529	480

Accounting Policy - Employee Expense

Employer superannuation contributions, annual leave entitlements and long service leave entitlements are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing staff, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. The QBCC pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Accounting Policy - Wages and Salaries

Wages and salaries due but unpaid at reporting date are recognised at current salary rates. As the QBCC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Refer to Note C8.

Accounting Policy - Annual Leave and Long Service Leave

Annual Leave and Long Service Leave are accrued based on award entitlement. Refer to Note C8.

Accounting Policy - Sick Leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Key management personnel and remuneration disclosures are detailed in Note F1.

B2. EXPENSES (continued)

	Notes	2020	2019
		\$'000	\$'000
B2-5 SUPPLIES AND SERVICES			
Consultants and contractors		10 002	9 819
Property lease expenses		1 129	4 314
Property maintenance		1 474	1 392
Information system maintenance, equipment and furniture		5 941	5 035
Legal cost		3 623	3 991
Communications and marketing		3 587	3 121
Bank fees and charges		1 416	1 332
Motor vehicles operating cost		232	288
Printing and stationery		381	284
Travel		234	352
		28 019	29 928

Accounting Policy - The QBCC recognises expenses when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Lease expenses includes lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note C-13 for breakdown of lease expenses and other lease disclosures.

B2-6 DEPRECIATION AND AMORTISATION

Depreciation - property plant and equipment	C6	630	612
Depreciation - right-of-use assets	C13	3 815	-
Amortisation - intangibles	C5	2 356	2 127
		6 801	2 739

B2-7 IMPAIRMENT LOSSES

Sundry receivables		34 707	55 628
		34 707	55 628

Accounting Policy - Impairment losses may arise on assets held by the QBCC from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:

Receivables - Note C2-1
Intangible Assets - Note C5-1

B2. EXPENSES (continued)

Notes	2020	2019
	\$'000	\$'000
B2-8. FINANCE/BORROWING COSTS		
Interest on lease liabilities	421	-
	421	-

Accounting Policy - Finance costs are recognised as an expense in the period in which they are incurred. Refer to Note C13 for further detail on lease expenses.

B2-9. OTHER EXPENSES

Internal audit ⁽¹⁾	163	243
External audit fees ⁽²⁾	107	93
Board members' fees and costs ⁽³⁾	342	341
Insurance Premiums ⁽⁴⁾	363	308
Special payments ⁽⁵⁾		
Ex-gratia payments	57	62
	1 031	1 047

Disclosures Relating to Other Expenses

- (1) The amount disclosed for Internal audit only includes expenditure for external sources.
- (2) Total audit fees paid to the Queensland Audit Office relating to the 2019-20 financial statements are estimated to be \$106,800 (2019: \$93,000). There are no non-audit services included in this amount.
- (3) The amount disclosed includes the costs for the Board members fees, travel, industry events, meeting costs and professional development.
- (4) The QBCC's non-current physical assets and other risks are insured through private insurance companies with premiums paid on a risk assessment basis.
- (5) Special payments represent ex gratia expenditure and other expenditure that the QBCC is not contractually or legally obliged to make to other parties. The QBCC made two special payments during 2019-20 above \$5,000. One payment was to an ex-QBCC employee as part of a contract termination and the other is for a payment due to defective administration.

**SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION**

C1. CASH AND CASH EQUIVALENTS

	Notes	2020 \$'000	2019 \$'000
Cash		990	1 205
Deposits at call		25 679	10 073
		26 669	11 278

The QBCC Act requires the cash and cash equivalents of the General Statutory Fund and Insurance Fund to remain separate. The cash and cash equivalent balance of the funds held by the QBCC as at 30 June 2020 are:

General Statutory Fund

Cash	311	528
Deposits at call	5 008	3 836
	5 319	4 364

Insurance Fund

Cash	678	676
Deposits at call	20 672	6 238
	21 350	6 914

Total	26 669	11 278
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Accounting Policy - Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked as at 30 June, as well as deposits at call with financial institutions.

Excess cash balances as defined in QBCC's Investment Policy in the QBCC's General and Insurance Funds' bank accounts are cleared to Queensland Treasury Corporation's (QTC) Cash Fund daily to maximise investment returns.

C2. RECEIVABLES

Notes	2020	2019
	\$'000	\$'000
Sundry debtors	69 594	115 660
Less: Loss allowance	(52 447)	(100 647)
	17 147	15 013

Accounting Policy - Receivables

Sundry debtors are recognised at amounts due at the time of service delivery.

C2-1. Impairment of Receivables

Accounting Policy - Impairment of Receivables

The loss allowance for sundry debtors reflects lifetime expected credit losses. The method for calculating any loss allowance is to review each debt based on past experience for certain receivables such as fines and costs awarded by courts. In the case of recovery of insurance claims, each case was examined and assessed for potential impairment on a regular basis in light of the circumstances surrounding the creation of the receivable and subsequent recovery attempts. Most losses occur in the area of recovery of insurance claims paid from at fault builders, who in the majority of cases ceased to trade due to bankruptcy or insolvency. The QBCC recognised this facet of its business. This risk is provided for in premiums charged for insurance.

Impairment loss expense for the current year regarding the QBCC's receivables is disclosed in Note B2-7.

Disclosure - Credit Risk Exposure of receivables

The carrying amount of receivables disclosed above represents the maximum exposure to credit risk from these items.

The QBCC has determined three material groupings for measuring expected credit losses. One group for General Fund measures expected credit losses determined using a provision matrix. The calculation for the provision matrix is based on historical observed default rates calculated using credit losses experienced during the past five years preceding 30 June 2020. The second General Fund group measures expected credit loss based on legislated license payment timeframes and individual assessment.

The Insurance Fund group is assessed individually for impairment.

C2. RECEIVABLES (continued)

C2-1. Impairment of Receivables (continued)

Set out below is the credit risk exposure on the QBCC's sundry debtors broken down by the groupings and ageing band.

General Fund Group - infringements and magistrates orders sundry debtors

	2020			2019		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Loss rate	Expected credit losses
Ageing	\$'000	%	\$'000	\$'000	\$'000	\$'000
1 to 30 days overdue	177	81%	143	182	81%	147
31 to 60 days overdue	143	79%	113	177	79%	141
61 to 90 days overdue	18	98%	18	101	79%	80
> 90 days overdue	7 574	84%	6 352	7 176	83%	5 933
Total	7 912		6 626	7 637		6 301

General Fund Group -other sundry debtors

	2020			2019		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Loss rate	Expected credit losses
Ageing	\$'000	%	\$'000	\$'000	\$'000	\$'000
1 to 30 days overdue	1,750	0%	0	1,609	0%	3
31 to 60 days overdue	796	0%	1	899	0%	-
61 to 90 days overdue	244	99%	242	279	76%	212
> 90 days overdue	1 979	93%	1 845	1 656	60%	992
Total	4 768		2 088	4 444		1 206

Insurance Fund Group

	2020			2019		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Loss rate	Expected credit losses
Ageing	\$'000	%	\$'000	\$'000	\$'000	\$'000
1 to 30 days overdue	7,495	22%	1 645	5,666	50%	2 815
31 to 60 days overdue	2,274	87%	1 982	4,357	87%	3 811
61 to 90 days overdue	4,158	46%	1 905	3,179	92%	2 918
> 90 days overdue	42 986	89%	38 201	90 378	92%	83 596
Total	56 914		43 733	103 580		93 140

Movements in loss allowance for sundry debtors

	2020	2019
	\$'000	\$'000
Loss allowance as at 1 July	100 647	106 568
Increase/(decrease) in allowance recognised in operating result	34 707	55 628
Amounts written-off during the year	(82 907)	(61 549)
Loss allowance as at 30 June	52 447	100 647

The decrease in the loss allowance is due to a significant decrease in gross sundry receivables for recoverable insurance claims which were deemed uncollectable in 2019-20 and written off.

C3. REINSURANCE RECEIVABLES

	2020	2019
	\$'000	\$'000
Current		
Reinsurers' share of future claims provision	21 976	26 007
	21 976	26 007
Non-Current		
Reinsurers' share of future claims provision	66 906	74 669
	66 906	74 669
Represented by		
Expected future recoveries	90 140	103 904
Less discount to present value	(17 179)	(21 247)
	72 961	82 657
Risk margin	15 921	18 020
	88 882	100 676
Reconciliation of movement during the year		
Balance at 1 July	100 676	117 275
Provisions made	21 705	25 886
Payments made	(16 947)	(22 618)
Effects of changes in assumptions to prior year provisions	(16 552)	(19 866)
Balance at 30 June	88 882	100 676

Accounting Policy - Reinsurance Receivables

Reinsurance receivables on reported claims not yet approved, incurred but not reported, incurred but not enough reported are recognised as revenue. Reinsurance receivables are assessed and calculated in a manner similar to the assessment of outstanding claims. Reinsurance receivables in relation to "long-tail" classes are measured at the present value of expected future receipts.

Disclosure - Credit Risk Exposure

QBCC is exposed to credit risk for reinsurance receivables as follows:

Category		
Financial assets		
Reinsurance receivables	88 882	100 676
Total	88 882	100 676

No collateral is held as security by the QBCC.

The QBCC engages with reinsurers to limit the risk of the Scheme. There is a concentration of risk regarding the amount of receivables for the reinsurers. However, this risk is being managed by QBCC agreements with the reinsurers. The agreements allow for net settlement of receivables and payables monthly and specify the terms of settlement, thereby reducing the credit risk exposure for receivables.

C4. OTHER CURRENT ASSETS

Prepayments	3 082	2 310
Prepayments - outward reinsurance on unearned premium liability	16 844	15 837
Other - refundable bond	44	44
	19 970	18 191

C5. INTANGIBLES

C5-1 Accounting Policies

Recognition and Measurement of Intangibles

Intangible assets comprising purchased software and internally developed software with a cost or other value equal to or greater than \$100,000 are recognised in the Statement of Financial Position. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the QBCC. The residual value is zero for all of the QBCC's intangible assets.

It has been determined that there is not an active market for any of the QBCC's intangible assets. As such, the assets are recognised and carried at a cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Amortisation Expense

The purchase cost of software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the QBCC, namely three to five years.

Costs associated with the development of computer software, including internal staff cost, have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the QBCC, namely three to ten years.

Research and development expensed during the period is included in 'Employee Expenses' and 'Supplies and Services' as it was conducted by staff and contractors.

The following amortisation rates are used:

Software purchased	20-30%
Software Internally Generated	10-34%

Impairment of intangible assets

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the QBCC determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the QBCC, including discontinuing the use of the software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

C5. INTANGIBLES (continued)

C5-2 Balances and Reconciliation of Carrying Amount

	2020	2019
	\$'000	\$'000
Software purchased : At cost		
Gross	548	955
Less: Accumulated amortisation	(548)	(955)
	-	-
Software internally generated : At cost		
Gross	19 639	18 510
Less: Accumulated amortisation	(15 517)	(13 161)
	4 122	5 349
Software work in progress : At cost		
Gross	-	642
	-	642
Total	4 122	5 991

	Software internally generated	Software Work in Progress	Total
	\$'000	\$'000	\$'000
2019-20			
Carrying amount at 1 July 2019	5 349	642	5 991
Acquisitions	-	487	487
Transfer from WIP	1129	(1 129)	-
Amortisation	(2 356)	-	(2 356)
Carrying amount at 30 June 2020	4 122	-	4 122

2018-19			
Carrying amount at 1 July 2018	6 802	167	6 969
Acquisitions	-	1 149	1 149
Transfer from WIP	674	(674)	-
Amortisation	(2 128)	-	(2 128)
Carrying amount at 30 June 2019	5 349	642	5 991

C6. PROPERTY, PLANT AND EQUIPMENT

C6-1 Accounting Policies

Property Plant and Equipment

Recognition Thresholds for Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of \$5,000 are recognised for financial reporting purposes in the year of acquisition.

Items with a lesser value are expensed in the year of acquisition.

Acquisition of Assets

Actual cost is used for the initial recording of all property, plant and equipment acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Items comprising the QBCC technical library are expensed on acquisition.

Depreciation of Property, Plant and Equipment

Property, plant and equipment is depreciated on a straight line basis so as to allocate the net cost progressively over its estimated useful life to the Commission. For each class of depreciable assets, the following depreciation rates are used:

Class	Rate
Plant and equipment:	
Motor vehicles	15-33%
IT equipment	20-33%
Other equipment	3-17%
Leasehold improvements	3-33%

Impairment of non-current assets

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the QBCC determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

C6. PROPERTY, PLANT AND EQUIPMENT (continued)

C6-2 Balances and Reconciliation of Carrying Amount

	Notes	2020	2019
		\$'000	\$'000
Plant and equipment			
Gross		3 115	3 241
Less: Accumulated depreciation		(1 001)	(1 488)
		2 114	1 753
Leasehold improvements			
Gross		9 068	9 160
Less: Accumulated depreciation		(7 682)	(7 594)
		1 386	1 566
Total		3 500	3 319

Property, plant and equipment reconciliation

	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
2019-20			
Carrying amount at 1 July 2019	1 566	1 753	3 319
Acquisitions	41	1 067	1 108
Disposals	(22)	(275)	(297)
Depreciation expense	(199)	(430)	(630)
Carrying amount at 30 June 2020	1 386	2 114	3 500
2018-19			
Carrying amount at 1 July 2018	1 782	1 213	2 995
Acquisitions	-	1 158	1 158
Disposals	(4)	(218)	(222)
Depreciation expense	(212)	(400)	(612)
Carrying amount at 30 June 2019	1 566	1 753	3 319

C7. PAYABLES

Notes	2020	2019
	\$'000	\$'000
Sundry creditors	7 490	6 306
Accruals	2 464	1 945
Claims approved but not yet paid	12 073	14 670
Reinsurers' share of recoveries provision	7 382	5 517
	29 409	28 438
GST payable	940	805
GST receivable	(861)	(715)
	79	90
Total	29 488	28 528

Accounting Policy - Payables

Sundry creditors are recognised upon receipt of the goods and services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

The QBCC is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation, with the exception of Fringe Benefits Tax (FBT) and GST. FBT and GST are the only taxes accounted for by the QBCC. GST credits receivable from and GST payable to the Australian Taxation Office (ATO), are recognised.

Receivables and payables are recognised inclusive of the amount of GST that is receivable or payable. An allowance for GST payable on future claims has been included in the provision for future claims.

Claims

The claims approved but not yet paid liability covers claims approved but not yet paid. Claims outstanding are assessed and estimated changes in the ultimate cost of settling claims.

C8. ACCRUED EMPLOYEE BENEFITS

Current

Wages and salaries outstanding	433	11
Annual leave provision	5 683	4 511
Long service leave provision	687	622
Time off in lieu provision	88	68
	6 891	5 212

Non-Current

Long service leave provision	8 008	6 602
	8 008	6 602

Accounting Policy - Accrued Employee Benefits

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the QBCC resulting from employees' services provided up to the balance date.

Wages and salaries due but unpaid at reporting date are recognised at current salary rates. As the QBCC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

C8. ACCRUED EMPLOYEE BENEFITS (continued)

Liabilities for employee entitlements which are not expected to be settled within 12 months are recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the QBCC's experience with staff separations. Related on-costs have also been included in the liability.

The long service leave provision also takes into account employees' prior service in other state, local or federal government entities.

Superannuation contributions by the QBCC are made to an employee superannuation scheme and to other funds on behalf of its Board members as required under award legislation. Contributions are expensed in the period in which they are paid or payable. The QBCC has no obligation to cover any shortfall in any of the funds' obligations to provide benefits to employees or Board members on retirement. Therefore, no liability is recognised for accruing superannuation benefits in the QBCC's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

C9. PROVISIONS

	Notes	2020 \$'000	2019 \$'000
Current			
Leasehold restoration		160	98
Lease incentive	F6-2	-	11
		160	109
Non-Current			
Leasehold restoration		644	755
Lease incentive	F6-2	-	23
		644	778

Accounting Policy - Provisions

Provisions are recorded when the QBCC has a present obligation, either legal or constructive, as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

Provision for leasehold restoration

QBCC leases nine properties in regional Queensland. This item provides for the future cost of restoring the properties to their original state. The provision has been calculated by an estimated rate per square metre, based on historical trends at current rates.

Provision for leasehold incentive

Due to the adoption of AASB 16 *Leases*, the leasehold incentives were de-recognised effective 1 July 2019. Refer Note F6-2.

C10. UNEARNED INCOME LIABILITY

	Notes	2020 \$'000	2019 \$'000
Current			
Unearned income			
Licence income	F6-1	-	13 919
Other income		-	112
		-	14 031
Unearned premium liability			
QBCC's share		14 872	13 862
Unexpired risk liability		5 774	7 947
Reinsurers' share		16 844	15 838
		37 490	37 647
Total		37 490	51 678
Non-current			
Unearned income			
Licence income	F6-1	-	23 794
		-	23 794

Accounting Policy - Unearned income

Unearned licence income

The QBCC no longer recognises unearned licence renewal as a result of the adoption of AASB 15 *Revenue from Contracts with Customers*. Refer to Note F6-1.

Unearned premium liability

The QBCC recognises premium revenue from the date of notification over a period in accordance with the pattern of incidence of expected risk. Any unearned portion is recognised as an unearned premium liability.

Liability adequacy test

The liability adequacy test is an assessment of the amount of the unearned premium liability and is conducted at each reporting date. If the current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance policies, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability, then the unearned premium liability is deemed to be deficient. Any deficiency is recognised in the Statement of Comprehensive Income with the corresponding impact on the Statement of Financial Position recognised as an unexpired risk liability.

The conduct of the liability adequacy test as at 30 June 2020 identified a deficiency for the insurance scheme.

For the purpose of the liability adequacy test, the premium liability provision required is \$20.65 million (2019 \$21.81 million), including a risk margin of \$2.953 million (2019 \$3.125 million). The unearned premium liability in the account totalled \$14.872 million (2019 \$13.862 million) and the deficiency of \$5.773 million (2019 \$7.947 million) has been recorded as an unexpired risk liability.

C11. FUTURE CLAIMS AND ASSOCIATED COSTS

	Notes	2020 \$'000	2019 \$'000
Current		51 557	58 064
Non-current		167 679	177 428
		219 236	235 492

Represented by

Expected future claims payments		222 731	243 709
Claims handling provision		41 985	37 668
		264 716	281 377
Less discount to present value		(76 399)	(80 348)
		188 317	201 028
Risk margin		30 918	34 463
Liability for outstanding claims		219 236	235 492

Reconciliation of movement during the year

Gross Liability

Balance at 1 July		235 492	252 952
Provisions made		56 371	65 462
Payments made		(47 583)	(60 349)
Effects of changes in assumptions to prior year provisions		(25 045)	(22 574)
Balance at 30 June		219 236	235 492

Accounting Policy - Future claims and associated costs

The liability covers claims reported but not yet paid, incurred but not reported, incurred but not enough reported and the anticipated direct and indirect cost of settling claims, and settlement costs using statistics based on past experience and trends. All outstanding claims, including "long-tail" classes, are subject to independent actuarial assessment. "Long-tail" classes refer to claims not settled within one year of the incidence of risk.

The estimate of the QBCC's liability for future claims and associated costs is influenced by the effects of inflation and the discount rate used to obtain the present value of those estimated future costs. The discount rate is the projected "risk free" rate as at 30 June 2020.

The liability for outstanding claims for "long-tail" classes is measured at the present value of expected future payments. Payments are estimated on the basis of the ultimate cost for settling claims, including factors such as inflation. Such estimates are subject to uncertainty due to variations, which may affect components of the estimates. The expected future payments are discounted to present value at the balance date using market determined, risk-free discount rates.

The liability for outstanding claims is calculated using a "best estimate" methodology, which is a central estimate of likely future claim payments. This central estimate is intended to be neither optimistic nor pessimistic about future claims.

Refer to Note D1 for more details.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION

Notes to the Financial Statements for the year ended 30 June 2020

C11. FUTURE CLAIMS AND ASSOCIATED COSTS (continued)

Claims Development

The following table shows the development of net undiscounted outstanding claims for each underwriting year relative to the ultimate expected claims.

Underwriting year	2010 \$	2011 \$	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$	Total \$
Estimate of ultimate claims cost:												
At end of underwriting year					22,603,731	16,506,499	29,640,378	27,003,441	28,189,318	24,612,480	21,680,438	
One year later			18,240,647	18,451,612	15,107,838	18,961,852	25,817,769	27,838,578	26,177,202	17,628,599		
Two years later		15,397,116	14,011,560	11,357,807	13,842,436	20,025,080	27,289,236	25,389,310	21,019,056			
Three years later			12,565,405	10,555,862	13,464,079	19,386,944	24,183,647	23,388,914				
Four years later	12,562,758	12,005,540	11,904,706	9,770,627	13,648,380	17,234,916	22,315,526					
Five years later	11,652,047	10,225,203	11,904,706	10,425,045	12,008,208	16,377,701						
Six years later	11,109,427	10,113,384	11,830,714	9,163,340	11,801,909							
Seven years later	11,086,052	10,182,276	10,597,756	8,686,681								
Eight years later	11,264,752	9,210,594	10,449,324									
Nine years later	10,682,028	9,040,874										
Ten years later	10,657,903											
Current estimate of cumulative claims cost	10,657,903	9,040,874	10,449,324	8,686,681	11,801,909	16,377,701	22,315,526	23,388,914	21,019,056	17,628,599	21,680,438	173,046,927
Cumulative payments	10,431,168	8,689,943	9,695,436	7,658,278	9,424,612	12,021,222	13,680,609	13,112,693	8,741,246	2,729,838	473,813	96,658,859
Undiscounted outstanding claims	226,735	350,931	753,888	1,028,403	2,377,297	4,356,479	8,634,917	10,276,221	12,277,810	14,898,761	21,206,625	76,388,068
Undiscounted outstanding claims for prior underwriting years												250,154
Claims handling expenses												51,344,803
Event Claims (large claims)												5,357,692
Non-reinsurance recoveries												4,993,251
Central estimate of outstanding claims												138,333,968
Discount												(2,331,958)
Discounted central estimate												136,002,009
Risk margin												14,997,238
Net insurance liability												150,999,247
Premium Liability												20,646,046
Outstanding Claims Liability												130,353,201

C11. FUTURE CLAIMS AND ASSOCIATED COSTS (cont.)

Reinsurance receivables and future claims cost and associated cost

Reinsurance receivables and future claims cost and associated cost

The QBCC relies on the Scheme Actuary to value reinsurance receivables and future claims and associated cost. The Scheme Actuary uses historical claims trends, the new business issued and expert models to arrive at a value.

The QBCC engaged the Scheme Actuary to prepare the insurance liabilities valuation as at 30 June 2020. The philosophy adopted in this review is similar to the previous year.

The Scheme Actuary incorporated a prudential margin loading of 16.7% in relation to projected future claims in order to achieve a 75% confidence level that the outstanding claims provision would be adequate. No additional contingency margin was incorporated.

The table below sets out the adopted risk margin by claims type, after allowance for diversification benefits.

	Risk Margin	
	2020	2019
Defects	16.7%	16.7%
Non-Completion	17.7%	17.7%
Subsidence	16.8%	16.8%
Professional Fees	17.3%	17.4%
Total	16.7%	16.7%

To determine the appropriate risk margin the Scheme Actuary applied the approach recommended in "A Framework for Assessing Risk Margins", a paper prepared by a taskforce of the Institute of Actuaries of Australia. That approach requires estimates of coefficients of variation (standard deviation as a proportion of the mean) and various correlations. To determine the assumptions the Scheme Actuary applied some high level statistical tests on QBCC's claims experience, however, a considerable element of judgement is also required when selecting the assumptions.

The Scheme Actuary uses a number of methods to estimate the amount of undiscounted outstanding claims for each claim type. They are:

- Chain Ladder Method (in relation to claim numbers and payments)
- Payments Per Claim incurred Method
- Bornhuetter-Ferguson Method.

The analysis was undertaken on an underwriting year basis with the adopted liabilities typically being a mix of the three methods. Notification delays for some claim types means that it is not possible to rely on the emerging experience for recent underwriting years. Generally, in these cases the Scheme Actuary relied more heavily on the Bornhuetter-Ferguson method, which produces results based on long term average claim frequency and severities.

The QBCC enters into agreements for reinsurance with external reinsurance companies. The rate of reinsurance is stated in the agreements and the rates are listed in Note B2-3. The reinsurance receivable amount is calculated based on the future claim cost and the rate of reinsurance at the time the policy was issued.

The key assumptions which are used to determine the Scheme's performance and the outstanding claims provisions are:

- various claims frequencies and average sizes (by claim type)
- external claims management cost from outsourced service provider
- inflation of claim costs
- discounting of projected future cash flows to allow for the time value of money
- event claims for claims relating to a single large event, such as builder insolvency
- claims handling expense which are the QBCC costs of managing claims.

C11. FUTURE CLAIMS AND ASSOCIATED COSTS (cont.)

Reinsurance receivables and future claims cost and associated cost (continued)

The following average inflation rates and discount rates were used in measurement of the outstanding claims:

	2020	2019
Inflation rate	2.00%	3.00%
Discount rate (first year)	0.10%	1.00%

The weighted average time until liabilities are expected to be approved is estimated to be 3.2 years.

Sensitivity testing

As part of the bi-annual reporting, the Scheme Actuary performs sensitivity analysis to measure the impact of changes and quantify the Scheme's exposure through application of the following variables:

- inflation rate
- discount rate
- 2% super-imposed inflation for defects
- risk margin increased to 22.5%
- cessation of non-reinsurance recoveries (recoveries and costs)
- The QBCC is advised of defect "event" which will result in \$10 million in claim costs.

Impact of changes in valuation on Gross and Net Outstanding Claims Provision:

June 2020

Gross Outstanding Claims Provision	Net Outstanding Claims Provision
\$m	\$m
219.236	130.353

Change to Valuation	Change in Gross Provision \$m	Difference	Change in Net Provision \$m	Difference
2% Super-Imposed Inflation for Defects	3.140	1.4%	1.845	1.4%
QBCC are advised of a defect "event" which will result in a \$10 million claim costs	12.178	5.6%	4.502	3.5%
1% increase in inflation rate	7.315	3.3%	4.266	3.3%
1% decrease in inflation rate	(7.025)	(3.2%)	(4.096)	(3.1%)
1% increase in discount rates	(6.647)	(3.0%)	(4.090)	(3.1%)
1% decrease in discount rates	7.060	3.2%	4.353	3.3%
Risk Margin increased to 22.5%	9.310	4.2%	4.494	3.4%
Cessation of non-RI Recoveries (recoveries and costs)	3.615	1.6%	(4.271)	(3.3%)
Claims Handling Expense rate of 30%	8.943	4.1%	8.943	6.9%
Claims Handling Expense rate of 20%	(5.962)	(2.7%)	(5.962)	(4.6%)
Adopted claims frequencies increase 10%	18.708	8.5%	9.031	6.9%
Adopted average claims sizes increase 10%	18.708	8.5%	9.031	6.9%

C11. FUTURE CLAIMS AND ASSOCIATED COSTS (cont.)

Impact of changes in valuation on Gross and Net Outstanding Claims Provision (cont.)

June 2019	Gross Outstanding Claims Provision		Net Outstanding Claims Provision	
	\$m		\$m	
	235.492		134.815	

Change to Valuation	Change in Gross Provision \$m	Difference	Change in Net Provision \$m	Difference
2% Super-Imposed Inflation for Defects	3.559	1.5%	2.012	1.5%
QBCC are advised of a defect "event" which will result in a \$10 million claim costs	13.583	5.8%	4.916	3.6%
1% increase in inflation rate	7.465	3.2%	4.223	3.1%
1% decrease in inflation rate	(7.173)	(3.0%)	(4.055)	(3.0%)
1% increase in discount rates	(7.058)	(3.0%)	(4.218)	(3.1%)
1% decrease in discount rates	7.495	3.2%	4.490	3.3%
Risk Margin increased to 22.5%	10.286	4.4%	4.871	3.6%
Cessation of non-RI Recoveries (recoveries and costs)	3.956	1.7%	(4.852)	(3.6%)
Claims Handling Expense rate of 25%	9.724	4.1%	9.724	7.2%
Claims Handling Expense rate of 15%	(6.757)	(2.9%)	(6.757)	(5.0%)
Adopted claims frequencies increase 10%	23.945	10.2%	12.996	9.6%
Adopted average claims sizes increase 10%	23.945	10.2%	12.996	9.6%

C12. NET CLAIMS INCURRED

Current period claims related to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in the previous reporting period.

	2019-20			2018-19		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses - undiscounted	65 962	(48 159)	17 803	80 642	(56 311)	24 332
Reinsurance and other recoveries - undiscounted	(22 857)	12 802	(10 055)	(29 059)	26 411	(2 648)
Net claims incurred - undiscounted	43 105	(35 357)	7 748	51 584	(29 900)	21 684
Discount and discount movement - gross claims incurred	(1 263)	6 418	5 155	(2 850)	16 819	13 969
Discount and discount movement - reinsurance and other recoveries	434	4 073	4 507	1 013	(7 956)	(6 943)
Net discount movement	(829)	10 491	9 662	(1 837)	8 863	7 026
Total discounted net incurred claims	42 276	(24 866)	17 410	49 746	(21 037)	28 710

	2020 \$'000	2019 \$'000
Other recoveries undiscounted		
Claims recoverable from licensees	36 893	49 639
Allowance for impaired receivables	(32 950)	(53 924)
	3 943	(4 285)
Reinsurers' portion	(2 789)	3 336
Total undiscounted recoveries	1 154	(950)
Total discounted net incurred claims	7 309	19 756
Add: other recoveries undiscounted	(1 162)	950
Underwriting claims	6 146	20 706

C13. RIGHT OF USE ASSETS AND LEASE LIABILITIES

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to the QBCC's accounting for leases for which it is lessee. The transitional impacts of the new standard are disclosed in Note F6-2.

Right-of-use assets

	Buildings \$'000	Total \$'000
2019-20		
Opening balance at 1 July	25 652	25 652
Acquisitions	-	-
Disposals / derecognition	(21)	(21)
Depreciation expense	(3 815)	(3 815)
Other adjustments	1 276	1 276
Closing balance at 30 June	23 092	23 092
Lease liabilities	2020	2019
Current	\$'000	\$'000
Lease liabilities	3 477	-
Non-current		
Lease liabilities	21 354	-
Total lease liabilities	24 831	-

Accounting Policy - Leases

The QBCC measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

The QBCC has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses as and when they occur. An asset is considered low value where it is expected to cost less than \$10,000 when new.

When measuring the lease liability, the QBCC uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all QBCC's leases. To determine the incremental borrowing rate, the QBCC uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Disclosures - Leases

(i) Details of leasing arrangements

Property leases

The QBCC has eight external property leases that have been recognised as right-of-use assets and lease liabilities on the balance sheet effective 1st July 2019.

C13. RIGHT OF USE ASSETS AND LEASE LIABILITIES (cont)

Disclosures - Leases (cont)

(ii) Office accommodation

The Department of Housing and Public Works (DHPW) provides the QBCC with access to office accommodation under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The QBCC has one office accommodation under this framework and the expenses are included in Note B2-5.

(iii) Amounts recognised in profit or loss

	2020	2019
	\$'000	\$'000
Depreciation expense for right of use assets	3 815	-
Interest expense on lease liabilities	421	-
Breakdown of 'Property lease expenses' included in Note B2-5.		
- Expenses relating to office accommodation provided by DHPW	1 095	-
- Expenses relating to short-term leases	34	-
(iv) Total cash outflow for leases	3 422	

2018-19 disclosures under AASB 117

	2019
	\$'000
Operating lease commitments at 30 June 2019	
Not later than one year	5 419
Later than one year and not later than five years	18 853
Later than five years	10 857
	35 129

SECTION 4
NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1. FAIR VALUE MEASUREMENT

D1-1. Accounting Policies and Basis for Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the QBCC include, but are not limited to, share prices, inflation rate, interest rate, and government bond rates.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liability being valued. Significant unobservable inputs used by the QBCC include, but are not limited to, average claim size, ultimate claims rate, large claims loading, and claims handling expense ratio. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

All assets and liabilities of the QBCC for which fair value is measured or disclosed in the financial statements are categorised by the rankings below, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within Level 1) that are observable, either directly or indirectly
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

There were no transfers of assets between fair value hierarchy levels during the period.

D1. FAIR VALUE MEASUREMENT (continued)

D1-2. Hierarchy of Assets and Liabilities Measured at Fair Value

The following table presents the QBCC's assets and liabilities measured and recognised at fair value at 30 June 2020. There have been no transfers between Level 1 and Level 2 during the current financial period.

As at 30 June 2020

	Classification according to fair value hierarchy			Total Carrying Amount
	Level 1	Level 2	Level 3	2020
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Investments with QTC	-	25 679	-	25 679
Investments with QIC	-	277 448	-	277 448
Total	-	303 127	-	303 127

As at 30 June 2019

	Classification according to fair value hierarchy			Total Carrying Amount
	Level 1	Level 2	Level 3	2019
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Investments with QTC	-	10 073	-	10 073
Investments with QIC	-	293 536	-	293 536
Total	-	303 610	-	303 610

Valuation Techniques

Investments

Investments are with Queensland Treasury Corporation (QTC) and Queensland Investment Corporation Limited (QIC) and measured at fair value based on the current redemption value of the funds as advised by the respective organisation. The QBCC invests in the following funds:

- QTC capital guaranteed cash fund
- QIC cash enhanced fund
- QIC long term diversified fund.

D2. FINANCIAL RISK DISCLOSURES

D2-1. Financial Instrument Categories

The QBCC has the following categories of financial assets and financial liabilities:

Category	Notes	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	C1	26 669	11 278
Receivables	C2	17 147	15 013
Investments	D1-2	277 448	293 536
Total		321 263	319 827
Financial liabilities			
Payables	C7	29 488	28 528
Total		29 488	28 528

D2-2. Financial Risk Management

The QBCC's activities expose it to a variety of financial risks - credit risk, liquidity risk and market risk.

Financial risk management was implemented pursuant to Queensland Government and policies approved by the Board. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the QBCC.

All financial risk is managed by the Financial Services Division under policies approved by the Board. The Board provided written principles for overall risk management, as well as policies covering specific areas.

The QBCC measures risk exposure using a variety of methods:

Risk Exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate risk and price risk

Credit Risk Exposure

Credit risk exposure refers to the situation where the QBCC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets (disclosed in Note C2 and D1-2) was the gross carrying amount of those assets inclusive of any provision for impairment.

The QBCC manages credit risk through the use of a credit management strategy. This strategy aims to reduce exposure to credit default by ensuring that the QBCC invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

D2. FINANCIAL RISK DISCLOSURES (continued)

D2-2. Financial Risk Management (continued)

Market Risk

The QBCC does not trade in foreign currency and is not materially exposed to commodity price changes. The QBCC is exposed to interest rate risk and price risk through its investments with Queensland Treasury Corporation (QTC), Queensland Investment Corporation (QIC) and cash deposited in interest bearing accounts.

Interest Rate Sensitivity Analysis

The QBCC has cash and cash equivalents as well as investments that are impacted by interest rate risk. The impact of this is not material to disclose a sensitivity analysis.

Price Risk

Price risk relates to QBCC's investments in funds managed by QTC and QIC. The QBCC currently invests in the QTC capital guaranteed cash fund, QIC cash enhanced fund and QIC growth fund in accordance with the QBCC investment powers under the *Statutory Bodies Financial Arrangements Act 1982*. The fund most impacted by price risk is the QIC growth fund. The price risk is actively managed by QIC by diversifying the investment mix. The fund currently invests in the following areas:

- Global real estate
- Global infrastructure
- Other alternatives
- Global private equity and
- Global fixed interest and cash.

D2-3. Liquidity Risk - Contractual Maturity of Financial Liabilities

Liquidity risk refers to the situation where the QBCC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by cash or another financial asset.

The QBCC is exposed to liquidity risk in respect of its payables.

The QBCC manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the QBCC has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved through a daily examination of cash requirements to ensure various bank accounts hold the minimum cash requirements for immediate use and that medium-term requirements are held with QTC in order to maximise opportunity gains. Long-term requirements are invested in various QIC products.

	2020 Payable in		
	<1 year \$'000	>1 years \$'000	Total \$'000
Financial liabilities			
Payables	29 488	-	29 488
Total	29 488	-	29 488

	2019 Payable in		
	<1 year \$'000	>1 years \$'000	Total \$'000
Financial liabilities			
Payables	28 528	-	28 528
Total	28 528	-	28 528

D3. COMMITMENTS

Capital Expenditure Commitments

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2020	2019
	\$'000	\$'000
Major Plant and Equipment		
Not later than one year	-	219
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	219

D4. CONTINGENT LIABILITIES

The QBCC currently manages building disputes which, once resolved, may result in litigation against the QBCC. At this stage it is not possible to determine the outcome to disputes or to quantify if any liability exists.

Financial Guarantees and Associated Credit Risk

The QBCC has one guarantee as security for lease of office premises, totalling \$932,843. The guarantee is not recognised in the Statement of Financial Position as it is not expected that the guarantee will be called upon.

D5. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events that have arisen subsequent to the reporting date that may significantly affect the operation of the QBCC.

D6. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the QBCC's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. As the QBCC does not provide service concession arrangements there will be no impact on the QBCC.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the QBCC's activities, or have no material impact on the QBCC.

D7. COVID-19 PANDEMIC

QBCC have considered the impact of COVID-19 on each of its significant accounting judgements and estimates. The principal source of uncertainty continues to be in relation to the fair value measurement of investments, and the provision for future claims. This has been discussed further below.

Fair Value Measurement of Investments

Per note D1-2, there was a reduction in the fair value of investments held for the QIC Long Term Diversified fund due to the negative impacts on economic activity contributed by the COVID-19 pandemic. The inputs applied in arriving at the current redemption value of QBCC's investments held is reflective of the current market volatility.

Outstanding Claims Liability

Expected future claims are inherently uncertain, particularly as the economic impact of COVID-19 continues to evolve. As explained in note C11, the estimate of QBCC's liability for future claims and associated costs are influenced by the effects of inflation and the discount rate used to obtain the present value of those estimated future costs. Due to changes in global economic conditions, there has been a revision and associated reduction to the inflation rate and discount rate economic assumptions applied in measuring the outstanding liability at year-end. Given the impact of COVID-19 is extremely uncertain and the potential impact on the scheme could be either positive or negative, there has been no explicit allowance for the impact of COVID-19 in the determination of the outstanding claims liability at year-end. The scheme actuary will continue to monitor the situation and review estimates accordingly.

Impairment of Receivables

Based on currently available information, QBCC deem the COVID-19 pandemic not to have a material impact on the determination of the loss allowance for sundry debtors. The method for calculating any loss allowance remains consistent with what is described in note C2-1.

No further significant estimates have been identified or materially impacted as a result of COVID-19. To date, QBCC's financial position remains stable and the impact on our business from a financial condition or liquidity perspective has not been significant to date. We will continue to monitor the impact on operational and financial performance.

D8. GOING CONCERN

The consolidated financial statements have been prepared on the assumption that QBCC will continue as a going concern.

The COVID-19 pandemic has had widespread economic impacts. Although these impacts continue to evolve, management remains confident that QBCC will be able to continue as a going concern. This assumes QBCC will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements. In determining this position, management have considered the following factors:

- Operating surplus from continuing operations of \$1,812,000 (2019: \$16,721,000)
- Net current asset position of \$234,147,000 (2019: \$220,435,000)
- Net cash provided from operating activities of \$6,101,000 (2019: \$8,397,000)

As a result of the above, management conclude that QBCC's financial position is stable, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements.

SECTION 5 - NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES AND SIGNIFICANT FINANCIAL IMPACTS FROM COVID-19

This section contains explanations of major variances between the QBCC's actual 2019-20 financial results and the original budget presented to Parliament.

SIGNIFICANT FINANCIAL IMPACTS - COVID-19 PANDEMIC

The only significant financial impact on the QBCC was the performance of the Queensland Investment Corporation Long Term Diversified Fund. The Fund has returned -2.09% over the financial year, driven by the drawdown in equity markets and the corresponding broadbased weakness across most asset classes. Positive contributions from fixed interest, cash and private equity have partially offset losses. The financial impact is unable to be quantified.

E1-1 EXPLANATIONS OF MAJOR VARIANCES - Statement of Comprehensive Income

<i>Reinsurance and other recoveries revenue</i>	The decrease in reinsurance and other recoveries revenue is due to a decrease in claims approved during the financial year which has led to a decrease in claims recoveries from responsible contractors and the reinsurers share of claims approved.
<i>Investment revenue</i>	The decrease in investment revenue is due to the investment performance of a negative return of 2.09% in the QIC long term diversified fund as a result of COVID-19.
<i>Other revenue</i>	The increase in other revenue is due to one-off funding from the Department of Housing and Public Works for the Insights Driven Regulator program and Queensland Building Plan reforms.
<i>Claims approved and charged</i>	The decrease in claims approved and charged is due to a decrease in the provision for future claims as a result of an actuarial assessment at end of the financial year.
<i>Employee expenses</i>	The decrease in employee expenses is due to delays in expected costs for some Queensland Building Plan reforms.
<i>Supplies and services</i>	The decrease in supplies and services is due to delays in expected costs for some Queensland Building Plan reforms including legal and facilities costs.
<i>Impairment losses on financial assets</i>	The decrease in impairment losses on financial assets is due to the reversal of claim debt provisions due to increased write-offs.

E1-2 EXPLANATIONS OF MAJOR VARIANCES - Statement of Financial Position

<i>Cash and cash equivalents</i>	The increase in cash and cash equivalents is due to the QBCC holding additional funds to meet short term commitments.
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E1 BUDGETARY REPORTING DISCLOSURES (continued)

E1-2 EXPLANATIONS OF MAJOR VARIANCES - Statement of Financial Position (continued)

<i>Receivables</i>	The decrease in receivables is due to increased write-off of claims recoveries debts.
<i>Reinsurance receivables</i>	The decrease in reinsurance receivables is due to a decrease in the provision for reinsurers' share of future claims as a result of an actuarial assessment at end of the financial year.
<i>Payables</i>	The decrease in payables is due to a lower claims approved outstanding liability as a result of lower claims approvals in the year compared to the budget and a decrease in the reinsurers share of recovery provision as a result of the decrease in the outstanding claims debts.
<i>Unearned income liability (current and non-current)</i>	The decrease in unearned income liability is due to the implementation of AASB 15 <i>Revenue from Contracts with Customers</i> which resulted in the de-recognition of the unearned licence renewal income.
<i>Future claims and associated costs</i>	The decrease in future claims and associated costs is due to a decrease in the provision for future claims as a result of an actuarial assessment at end of the financial year.

E1-3 EXPLANATIONS OF MAJOR VARIANCES - Statement of Cash Flows

<i>Received from licence fees</i>	The increase in received from licence fees is due to the original budget including a reduction in the unearned income liability for licence renewals income which was de-recognised as a result of AASB 15 <i>Revenue from Contracts with Customers</i> .
<i>Received from interest</i>	The decrease in received from interest is due to lower than expected distributions from investments with QIC as a result of COVID-19.
<i>Received from other revenue</i>	The increase in other revenue is due to one-off funding from the Department of Housing and Public Works for the Insights Driven Regulator program and the Queensland Building Plan reforms.
<i>Payments to employees</i>	The decrease in payments to employees is due to delays in expected costs for some Queensland Building Plan reforms.
<i>Payments to reinsurers</i>	The increase in payment to reinsurers is due to the increased reinsurer share of premiums received.
<i>Claims paid</i>	The decrease in claims paid is due to a lower than budget amount of claims approved in the financial year.
<i>Received from reinsurers and other recoveries</i>	The decrease in received from reinsurers and other recoveries is due to the reduction in recoveries from reinsurers for lower claim approvals and future claims provisions.

**SECTION 6
OTHER INFORMATION**

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Details of Key Management Personnel

The QBCC's responsible Minister, the Minister for Housing and Public Works, Minister for Digital Technology and Minister for Sport, is identified as part of the QBCC's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*.

The following details for non-Ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the QBCC during 2019-20 and 2018-19. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Executive Team.

The appointment authority for QBCC's key management personnel is set by the *QBCC Act*.

Position	Position responsibility
Commissioner	Strategically lead and manage the QBCC to deliver its services to the building and construction industry and its consumers. The position is also the Executive Officer of the Queensland Building and Construction Employing Office.
Assistant Commissioner (Service Trades & Regulatory)*	Strategically leads the Regulatory teams and Service Trades Unit. This position assists the Service Trades Council (STC) which was established through the <i>Plumbing and Drainage Act 2002</i> (PDA).
Assistant Commissioner (Technical) *	Strategically leads and support the technical workforce and focus on the role of technical standards and building products in the regulation of the building and construction industry
Chief Legal Officer *	Strategically leads the legal division. This role also provides legal support to the Board.
Chief Human Resources Officer *	Strategically leads the human resources, payroll, integrity, internal review, workplace health and safety and right to information functions of the QBCC.
Chief Information Officer *	Strategically leads the information services, customer communications and facilities.
Chief Strategy & Transformation Officer *	Strategically leads and manages the transformation, strategy and industry insights divisions.
Chief Financial Officer *	Strategically leads and manages the Commission's finance, insurance and procurement functions.
Adjudication Registrar *	Strategically leads and manages the registry and the administration of the registry. The position is appointed under the <i>Building Industry Fairness (Security of Payment) Act 2017</i> .

* Indicates employees of the QBCEO

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The QBCC does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2019-20, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the QBCC's other KMP is set by the QBCC. The remuneration and other terms of employment for the KMP are specified in employment contracts. The contracts provide for the provision of other benefits, including motor vehicles.

The following disclosures focus on the expenses incurred by the QBCC during the respective reporting periods, that is attributable to KMP. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

The following disclosures focus on the expenses incurred by the QBCC during the respective reporting periods, that is attributable to KMP. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Remuneration expenses for these KMP comprises the following components:

- Short-term employee expenses which include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified positions.
 - non-monetary benefits - consisting of provision of a motor vehicle together with fringe benefits tax applicable to the benefit.
 - performance bonuses are not in place under the current contracts.
- Long-term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment for disciplinary, incapacity or employee-initiated terminations. Contracts of employment provide for notice periods or payment in lieu of notice on termination regardless of reason for termination. Contracts can allow for separation payment for termination of contracts or for non-renewal of contracts.

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Remuneration Expenses

The following disclosures focus on the expenses incurred by the QBCC attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

1 July 2019 - 30 June 2020	Short Term		Long Term	Post-Employment	Termination Benefits	Total Expenses
Position (date resigned if applicable)	Monetary \$'000	Non-Monetary \$'000	\$'000	\$'000	\$'000	\$'000
Commissioner	356	-	7	48	-	411
Deputy Commissioner ¹	246	-	-	26	181	454
Assistant Commissioner (Service Trades & Regulatory) ²	187	-	-	17	-	204
Assistant Commissioner (Technical) (from 19/08/2019)	234	-	1	33	-	267
Chief Legal Officer ³	104	-	23	11	-	138
Chief Human Resources Officer	196	35	4	21	-	256
Chief Information Officer	191	9	3	20	-	223
Chief Strategy & Transformation Officer ⁴	109	-	-	10	37	156
Chief Financial Officer (on leave from 13/01/2020)	161	-	5	17	-	183
Interim Chief Financial Officer (from 06/01/2020)	116	-	-	9	-	125
Adjudication Registrar	173	-	4	19	-	196
Total Remuneration	2,075	44	46	231	218	2,614

The acting arrangements have been aggregated for multiple periods of acting.

¹ Position abolished from 13/05/2020

² Position was vacant from 31/08/2019 until 15/10/2019

³ Position was vacant from 16/10/2019 until 29/03/2020

⁴ Position was vacant from 26/09/2019 until 08/04/2020

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Remuneration Expenses (continued)

1 July 2018 - 30 June 2019	Short Term		Long Term	Post-Employment	Termination Benefits	Total Expenses
Position (date resigned if applicable)	Monetary \$'000	Non-Monetary \$'000	\$'000	\$'000	\$'000	\$'000
Commissioner	339	-	17	27	-	383
Deputy Commissioner	267	-	1	30	-	298
Assistant Commissioner (to 26/04/2019)	188	-	-	15	-	203
Chief Legal Officer (from 02/10/2018)	149	-	1	15	-	165
Chief Operating Officer (to 21/09/2018) ¹	55	-	1	6	-	62
Chief Information Officer (from 16/10/2018) ²	126	-	-	13	-	139
Chief Strategy Officer	246	10	1	21	-	278
Chief Human Resources Officer	207	-	5	23	-	235
Chief Financial Officer	184	3	5	20	-	212
Adjudication Registrar (from 17/12/2018) ³	96	-	4	10	-	110
Total Remuneration	1,857	13	35	180	-	2,085

The acting arrangements have been aggregated for multiple periods of acting.

¹ Position abolished from 16/10/2018

² Position now forms part of the Executive Team from 16/10/2018.

³ New position created under the *Building Industry Fairness (Security of Payment) Act 2017*.

F2. BOARD DISCLOSURES

The Board decides the strategies and the administrative, operational and financial policies to be followed by the QBCC ensuring the QBCC performs its functions and exercises its powers in an efficient, effective and proper way.

The QBCC Board consists of nine members appointed by the Governor-in-Council. The members are employed under the *QBCC Act*.

<u>Current Board</u>	<u>Date of appointment</u>	<u>Date ceased from position</u>
Member		
R. L. Williams (Chair)	1/12/2019	-
Michelle James (Deputy Chair)	1/12/2019	-
Lesley Anderson	1/12/2019	-
Brett Schimming	1/12/2019	-
Robert Schwarten	1/12/2019	-
Andrew Hickman	1/12/2019	-
Jade Ingham	1/12/2019	-
Debra Johnson	1/12/2019	-
Cath Brokenborough	1/12/2019	-
Meg Frisby	1/12/2019	-
 <u>Previous Board</u>		
R. L. Williams (Chair)	1/12/2016	30/11/2019
Jennifer Robertson (Deputy Chair)	1/12/2016	30/11/2019
Lesley Anderson	1/12/2016	30/11/2019
Michelle James	1/12/2016	30/11/2019
Brett Schimming	1/12/2016	30/11/2019
Robert Schwarten	1/12/2016	30/11/2019
Andrew Hickman	19/07/2018	30/11/2019
Jade Ingham	19/07/2018	30/11/2019
Yvonne Pengilly	19/07/2018	24/07/2019

F2. BOARD DISCLOSURES (continued)

BOARD MEMBER REMUNERATION

	2020	2019
	\$'000	\$'000
R. L. Williams (Chair)	55	-
Jennifer Robertson (Deputy Chair) - ceased 30/11/19	12	-
Michelle James (Deputy Chair)	27	-
Lesley Anderson	27	-
Brett Schimming	27	-
Robert Schwarten	27	-
Andrew Hickman	27	-
Jade Ingham	27	-
Debra Johnson	16	-
Cath Brokenborough	16	-
Meg Frisby	16	-
Yvonne Pengilly - ceased 24/7/19	2	-
R. L. Williams (Chair)	-	55
Jennifer Robertson (Deputy Chair)	-	27
Lesley Anderson	-	27
Leeanne Bond	-	9
Michelle James	-	27
Brett Schimming	-	27
Robert Schwarten	-	27
Andrew Hickman	-	26
Jade Ingham	-	26
Yvonne Pengilly	-	26
	279	277

F3. RELATED PARTY TRANSACTIONS

Transactions with people/entities related to the QBCC

During 2019-20 the QBCC paid for consultancy work performed by a key management personnel officer prior to their appointment to a 3 year contract role commencing 9th April 2020. The payments from 1st July 2019 till this date was \$339,845.

No transactions with related parties of key management personnel occurred during the financial year.

Transactions with other Queensland Government-controlled entities

As outlined in Note D1-2, the QBCC has investments in QTC and QIC investment products.

The QBCC received funds from Queensland Treasury (through the Department of Housing and Public Works) to commence development of the Insights Driven Regulator program (\$2,975,000); funding for the Building Industry Fairness reforms (\$3,892,000); and funding for the one-off payment to employees (\$738,000). This is reflected in Note B1-6.

There were no other material transactions with other Queensland Government-controlled entities during the financial year.

F4. SEGMENT INFORMATION

The QBCC is comprised of a General Statutory Fund and an Insurance Fund. The General Statutory Fund derives the majority of its revenue from fees received for licensing building industry contractors under the QBCC Act. The Insurance Fund derives its revenue from underwriting premiums and administration fees from operating the insurance scheme.

	General Statutory Fund	Insurance Fund	Total
	\$'000	\$'000	\$'000
2019-20			
Income			
Licence revenue	37 120	-	37 120
Premium revenue	-	76 109	76 109
Reinsurance and other recoveries revenue	-	41 654	41 654
Insurance administration fees revenue	-	28 077	28 077
Investment revenue	483	(2 291)	(1 808)
Other revenue	15 003	89	15 093
Gains on disposals/ revaluation of assets	38	-	38
Total Income	52 644	143 638	196 283
Expenses			
Outward reinsurance	-	48 361	48 361
Claims approved and charged	-	10 998	10 998
Employee expenses	62 769	1 365	64 133
Supplies and services	23 274	4 745	28 019
Depreciation and amortisation	6 009	792	6 801
Impairment losses	1 398	33 308	34 705
Finance/borrowing costs	421	-	421
Other expenses	1 020	11	1 031
Total Expenses	94 891	99 580	194 470
Interfund Transfer	26 218	(26 218)	-
Operating Result	(16 029)	17 841	1 812

F4. SEGMENT INFORMATION (continued)

	General Statutory Fund	Insurance Fund	Total
	\$'000	\$'000	\$'000
2018-19			
Income			
Licence revenue	39 279	-	39 279
Premium revenue	-	74 043	74 043
Reinsurance and other recoveries revenue	-	56 178	56 178
Insurance administration fees revenue	-	26 608	26 608
Investment revenue	921	13 714	14 635
Other revenue	12 373	67	12 440
Gains on sale of assets	41	-	41
Total Income	52 614	170 610	223 224
Expenses			
Outward reinsurance	-	39 644	39 644
Claims approved and charged	-	24 950	24 950
Employee expenses	50 027	2 540	52 567
Supplies and services	24 425	5 503	29 928
Depreciation and amortisation	1 944	795	2 739
Impairment losses	1 454	54 174	55 628
Other expenses	1 047	-	1 047
Total Expenses	78 897	127 606	206 503
Interfund Transfer	26 003	(26 003)	-
Operating Result	(280)	17 001	16 721

F4. SEGMENT INFORMATION (continued)

30 June 2020	General Statutory Fund	Insurance Fund	Total
	\$'000	\$'000	\$'000
Consolidated Entity			
Current Assets			
Cash and cash equivalents	5 319	21 350	26 669
Receivables	3 965	13 182	17 147
Reinsurance receivables	-	21 976	21 976
Other financial assets	20 307	257 141	277 448
Other current assets	7 341	12 629	19 970
Total Current Assets	36 932	326 278	363 210
Non-Current Assets			
Reinsurance receivables	-	66 906	66 906
Intangible assets	3 021	1 101	4 122
Property, plant and equipment	3 500	-	3 500
Right-of-use assets	23 092	-	23 092
Total Non-Current Assets	29 613	68 007	97 621
Total Assets	66 545	394 285	460 830
Current Liabilities			
Payables	4 385	25 103	29 488
Lease liabilities	3 477	-	3 477
Accrued employee benefits	6 742	150	6 891
Provisions	160	-	160
Unearned income liability	-	37 490	37 490
Future claims and associated costs	-	51 557	51 557
Total Current Liabilities	14 763	114 299	129 062
Non-Current Liabilities			
Accrued employee benefits	7 747	261	8 008
Lease liabilities	21 354	-	21 354
Provisions	644	-	644
Unearned income liability	-	-	-
Future claims and associated costs	-	167 679	167 679
Total Non-Current Liabilities	29 745	167 940	197 685
Total Liabilities	44 508	282 240	326 747
Net Assets	22 037	112 046	134 083
Equity			
Contributed equity	395	-	395
Accumulated surplus	21 642	112 046	133 688
Total Equity	22 037	112 046	134 083

F4. SEGMENT INFORMATION (continued)

30 June 2019	General Statutory Fund	Insurance Fund	Total
	\$'000	\$'000	\$'000
Consolidated Entity			
Current Assets			
Cash and cash equivalents	4 364	6 914	11 278
Receivables	4 573	10 440	15 013
Reinsurance receivables	-	26 007	26 007
Other financial assets	32 980	260 556	293 536
Other current assets	5 521	12 670	18 191
Total Current Assets	47 438	316 587	364 025
Non-Current Assets			
Reinsurance receivables	-	74 669	74 669
Leasehold restoration paid in advance	-	-	-
Intangible assets	4 098	1 893	5 991
Property, plant and equipment	3 319	-	3 319
Total Non-Current Assets	7 417	76 562	83 979
Total Assets	54 855	393 149	448 004
Current Liabilities			
Payables	3 436	25 092	28 528
Employee benefits	4 938	274	5 212
Provisions	109	-	109
Unearned income liability	14 032	37 646	51 678
Future claims and associated costs	-	58 064	58 064
Total Current Liabilities	22 515	121 076	143 591
Non-Current Liabilities			
Employee benefits	6 162	440	6 602
Provisions	778	-	778
Unearned income liability	23 794	-	23 794
Future claims and associated costs	-	177 428	177 428
Total Non-Current Liabilities	30 734	177 868	208 602
Total Liabilities	53 249	298 944	352 193
Net Assets	1 606	94 205	95 811
Equity			
Contributed equity	395	-	395
Accumulated surplus	1 211	94 205	95 416
Total Equity	1 606	94 205	95 811

F5. DIFFERENCES BETWEEN QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION CONSOLIDATED FINANCIAL STATEMENTS AND QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	Consolidated QBCC	QBCC	QBCEO
	\$'000	\$'000	\$'000
EXPENSES FROM CONTINUING OPERATIONS			
Employee expenses	64 133	3 517	60 617
Other expenses	1 031	1 023	8
TOTAL EXPENSES FROM CONTINUING OPERATIONS	65 165	4 540	60 625

The difference of \$60.617 million between the consolidated financial statements and the QBCC represents the employee expenses of all employees of the QBCC except the Commissioner. The Commissioner is the only employee not employed by the QBCEO.

The \$0.008 million difference on other expenses represents audit fees for the QBCEO Financial Statements.

STATEMENT OF FINANCIAL POSITION

	Consolidated QBCC	QBCC	QBCEO
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Receivables - other	15 013	14 986	27
TOTAL CURRENT ASSETS	15 013	14 986	27
CURRENT LIABILITIES			
Payables	29 488	29 182	305
Employee benefits	6 891	26	6 865
TOTAL CURRENT LIABILITIES	36 378	29 208	7 170
NON-CURRENT LIABILITIES			
Employee benefits	8 008	91	7 917
TOTAL NON-CURRENT LIABILITIES	8 008	91	7 917

The difference of \$0.027 million between the receivables on the consolidated financial statements and the QBCC represents a refund receivable from the Australian Taxation Office for Fringe Benefits Tax paid for the 2019-20 FBT year.

The difference of \$0.305 million between the payables on the consolidated financial statements and the QBCC represents:

- \$0.008 million accrued expenses for audit fees and other invoices due on the QBCEO Financial Statements
- \$0.060 million provision for Fringe Benefits Tax payable for employees of the QBCEO
- \$0.235 million provision for Payroll Tax payable for employees of the QBCEO.

The difference of \$6.865 million between the current accrued employee benefits on the consolidated financial statements and the QBCC represents:

- \$5.661 million annual leave provision for employees of the QBCEO
- \$0.687 million long service leave current provision for employees of the QBCEO
- \$0.416 million wages payable for employees of the QBCEO
- \$0.088 million time off in lieu provision for employees of the QBCEO
- \$0.011 million parental leave payable due but not yet paid for employees of the QBCEO.

The difference of \$7.917 million between the non-current accrued employee benefits on the consolidated financial statements and the QBCC represents the long service leave provision for employees of the QBCEO.

F5. DIFFERENCES BETWEEN QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION CONSOLIDATED FINANCIAL STATEMENTS AND QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION FINANCIAL STATEMENTS (continued)

STATEMENT OF CASH FLOWS

	Notes	Consolidated QBCC	QBCC	QBCEO
		\$'000	\$'000	\$'000
OUTFLOWS				
Payments to employees		(54 737)	(407)	(54 330)
Payments to suppliers		(35 907)	(32 787)	(3 120)
		(90 644)	(33 193)	(57 451)

NOTES TO RECONCILIATIONS

The difference of \$54.330 million between payments to employees in the consolidated cash flow and the QBCC is the salaries and on-costs made to employees of the QBCEO during 2019-20. The \$3.120 million difference in payments to suppliers is made up of payments of other employee related costs incurred by the QBCEO during the year such as payroll tax, workcover and fringe benefits tax.

F6. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

ACCOUNTING STANDARDS APPLIED FOR THE FIRST TIME

Two new accounting standards with material impact were applied for the first time in 2019-20:

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases

The effect of adopting these new standards are detailed in notes F6-1 to F6-2. No other accounting standards or interpretations that apply to the QBCC for the first time in 2019-20 have any material impact on the financial statements.

ACCOUNTING STANDARDS EARLY ADOPTED

No Australian Accounting Standards have been early adopted for 2019-20.

F6.1 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The QBCC applied AASB 15 Revenue from Contracts with Customers for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 are described below.

AASB 15 establishes a new five-step model for determining how much and when certain revenue from contracts with customers is recognised. AASB 15 applies to revenue from issuing of licences, such as trade contractor licences. The QBCC has elected to apply the revenue recognition requirements in AASB 15 to all licences, including short-term and low value licences. The QBCC applied the partial retrospective transition method in applying AASB 15 to licence revenue and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 Revenue and related interpretations.

LICENCE REVENUE

Licence fees consist of an application fee and a renewal fee. The application fee is a charge to assess a licence application, the performance obligation on the QBCC is to assess the application and provide or reject the licence application. The QBCC currently recognises the revenue at the completion of the assessment therefore no change is required for the adoption of AASB 15.

Prior to the adoption of AASB 15 renewal fees were recognised monthly based on the licence renewal period, which could be between one and five years. As the recognition of AASB 15 is based on the performance obligation, once the renewal/licence application has been issued then the performance obligation has been met and therefore revenue is now recognised in full at renewal. All previously recognised unearned licence renewals have been adjusted to the accumulated surplus effective from 1st July 2019.

The implementation of AASB 15 did not have any impact on the recognition of other types of revenue for QBCC. Insurance related revenue continues to be measured under AASB 1023 (for insurance and insurance related revenue) and AASB 9 (for investment revenue.)

The following table summarises the transitional adjustments on 1 July 2019 relating to the adoption of AASB 15. The net impact is recognised as an adjustment to opening accumulated surplus.

	<u>\$'000</u>
Unearned income liability - current	(12 879)
Unearned income liability - non-current	(23 794)
Accumulated surplus	36 673

F6. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY (continued)

F6-2 AASB 16 LEASES

The QBCC applied AASB 16 Leases for the first time in 2019-20. The QBCC applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 Leases and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, the QBCC elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease about whether those contracts contained leases.

Amendments to former operating leases for office accommodation

In 2018-19, the QBCC held an operating lease under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO).

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

2. Changes to lessee accounting

Previously, the QBCC classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the QBCC is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability were measured as the present value of remaining lease payments, discounted using the applicable discount rate. The discount rate used is the interest rate implicit in the lease, or the QBCC's incremental borrowing rate if the implicit rate cannot be readily determined. The QBCC's weighted average incremental borrowing rate on 1 July 2019 was 1.68%.

F6. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY (continued)

F6-2 AASB 16 LEASES (continued)

Right-of-use assets

Right-of-use assets are initially recognised at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease incentives received relating to that lease recognised at 30 June 2019. On transition, the QBCC used practical expedients to exclude initial direct costs from the measurement of right-of-use assets.

Short-term leases and leases of low value assets

The QBCC has elected to recognise lease payments for short-term leases and leases of low value assets as expenses as and when they occur, rather than accounting for them on balance sheet.

3. Transitional impact

Former operating leases

AASB 16 introduced new guidance on the definition of a lease.

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019 in relation to former operating leases.

	<u>\$'000</u>
Right-of-use - buildings	25 652
Lease liability - current	3 447
Lease liability - non-current	23 548
Rent smoothing liability (from straight-lining of operating lease expenses)	(1 096)
Lease incentives liability	(34)
Accumulated surplus	(213)

4. Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	<u>\$'000</u>
Total undiscounted operating lease commitments at 30 June 2019	35 129
- discounted using the incremental borrowing rate at 1 July 2019 or interest rate implicit in the lease agreement	(1 587)
Present value of operating lease commitments	33 542
- less internal-to-government arrangements that are no longer leases	(6 548)
- add/less adjustments due to reassessments of lease terms	-
Lease liabilities at 1 July 2019	26 994

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
MANAGEMENT CERTIFICATE
for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Building and Construction Commission for the period ending 30 June 2020 and of the financial position of the Commission at the end of that year; and

we acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



R. L. Williams
Chair of the Board



Brett Bassett
Commissioner

Brisbane
27 August 2020

Brisbane
27 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Building and Construction Commission and Controlled Entity

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Building and Construction Commission (the parent) and its controlled entity (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Sri Narasimhan
as delegate of the Auditor-General

28 August 2020

Queensland Audit Office
Brisbane

APPENDIX 1 | Reporting on the Queensland Government's Regulator Performance Framework

The Queensland Government has published a new Regulator Performance Framework which requires regulators to report the extent which they are implementing model practices included in the Framework. This appendix lists evidence of how the QBCC's regulatory practices and activities in 2019-2020 align with the model practices.

TABLE 29 | QBCC REGULATOR PERFORMANCE FRAMEWORK ASSESSMENT 2019-2020

Regulator model practices and supporting principles	Evidence (including case studies) demonstrating the extent the QBCC's regulatory practices align with the regulator model practices, or actions taken in 2019-2020 or currently being taken to improve regulator activities and business practices to reflect the regulator model practices.
<p>1. Ensure regulatory activity is proportionate to risk and minimises unnecessary burden.</p> <ul style="list-style-type: none"> A proportionate approach is applied to compliance activities, engagement and regulatory enforcement actions. Regulations do not unnecessarily impose on regulated entities. Regulatory approaches are updated and informed by intelligence gathering so that effort is focused toward risk. 	<p>In the reporting period, the QBCC:</p> <ul style="list-style-type: none"> commenced a pilot project to assess proactively the level of compliance relating to the installation of hot water heaters, which should be registered as notifiable work in some circumstances. The project obtained sample sales data for analysis with respect to the QBCC's records. This initiative could also expose plumbing work performed illegally by unlicensed persons. established a dedicated team to proactively investigate unlicensed contracting and advertising offences. This involved examining advertising on various internet platforms and cross-referencing with the QBCC's own databases to identify potential breaches. This use of the QBCC's Compliance Intelligence Dashboard technology was primarily focused on the plumbing and drainage industry. developed a new risk approach focussing on regulatory risk to mitigate industry non-compliance and on insurance fund management issues.
<p>2. Consult and engage meaningfully with stakeholders.</p> <ul style="list-style-type: none"> Formal and informal consultation mechanisms are in place to allow for the full range of stakeholder input and government decision-making circumstances. Engagement is undertaken in ways that help regulators develop a genuine understanding of the operating environment of regulated entities. Cooperative and collaborative relationships are established with stakeholders, including other regulators, to promote trust and improve the efficiency and effectiveness of the regulatory framework. 	<p>The QBCC sought to gain further insights and influence in the sector through the following means:</p> <ul style="list-style-type: none"> the QBCC has a Stakeholder Advisory Committee to enhance operational efficiency by obtaining stakeholder feedback and making recommendations to the Board so that feedback can be addressed in a timely and appropriate manner. It comprises members of the QBC Board, and over 30 key external stakeholders. the Service Trades Council is an independent advisory body to the Minister and the QBCC Commissioner in relation to the service trades. It comprises members and deputy members from industry and other Queensland government departments. The Council met six times in 2019-2020 and provided advice to the Minister and the Commissioner in accordance with its functions under the <i>Plumbing and Drainage Act 2018</i>. engaged with the Real Estate Institute of Queensland and published an article in their industry publication educating real estate agents and property managers about the requirement for pool safety certificates on sale or lease conducted 21 industry and stakeholder engagements to address the issue of building quality in Queensland engaged with the Non-Conforming Building Products Audit Taskforce through 16 meetings in 2019-2020.

3.

Provide appropriate information and support to assist compliance.

- Clear and timely guidance and support is accessible to stakeholders and tailored to meet the needs of the target audience.
- Advice is consistent and, where appropriate, decisions are communicated in a manner that clearly articulates what is required to achieve compliance.
- Where appropriate regulatory approaches are tailored to ensure compliance activities do not disproportionately burden particular stakeholders (e.g. small business) or require specialist advice.

The QBCC sees education and engagement activities as a key strategy in helping customers understand their responsibilities in complying with the law. These activities are held regularly across Queensland. Some examples of these activities in 2019-2020 include:

- one State-wide Tradie Tour which included 11 face-to-face events incorporating two sessions. Session 1 covered the topic of metal roofing. Session 2, which addressed illegal phoenix activity, was a multi-agency effort between the QBCC and federal industry regulators, Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC)
- one State-wide financial requirements roadshow incorporating 10 general information sessions and 10 information for accountants sessions
- 51 individual financial requirements one-on-one sessions across the State
- four minimum financial requirements and annual reporting webinars
- three mechanical services licensing amendments webinars
- a regional engagement with the Department of Aboriginal and Torres Strait Islander Partnerships on QBCC licensing requirements and assistance available to Indigenous construction businesses
- two guest speaker opportunities at industry stakeholder hosted mechanical services licensing information sessions
- engagement with 26 industry stakeholder groups ensuring awareness of impending mechanical services licensing legislative changes
- eight proactive site visits and breakfast events to discuss QBCC requirements with workers, trade managers and project managers
- four Master Plumbers' Association of Queensland industry forums and webinars discussing topics including compliance and audit activities, notifiable work lodgement forms and defective work
- the QBCC issued warnings to the public about unlicensed companies and individuals who offered services in regulated activities to Queenslanders.

4.

Commit to continuous improvement.

- Regular review of the approach to regulatory activities, collaboration with stakeholders and other regulators, to ensure it is appropriately risk-based, leverages technological innovation and remains the best approach to achieving outcomes.
- To the extent possible, reform of regulatory activities is prioritised based on impact on stakeholders and the community.
- Staff have the necessary training and support to effectively, efficiently and consistently perform their duties.

In 2019-2020, the QBCC:

- commenced development of its Early Warning System, which seeks to provide us with greater visibility of contractor financial practices, indicators of financial distress, and opportunities to protect the financial interests of licensees. It will also ensure the effective and efficient use of QBCC resources to administer new laws, and help deliver fairness and security of payment in the building and construction sector.
- accepted all the recommendations of the Queensland Audit Office's report to help the QBCC become a stronger and more effective regulator in the way it issues and manages licences. Planning for the implementation of these recommendations is well progressed, with some already being implemented.
- ensured consistency in the understanding and application of enforcement options and procedural fairness by having all State compliance officers undertake specifically tailored training.

5.

Be transparent and accountable in actions.

- Where appropriate, regulatory frameworks and timeframes for making regulatory decisions are published to provide certainty to stakeholders.
- Decisions are provided in a timely manner, clearly articulating expectations and the underlying reasons for decisions.
- Indicators of regulator performance are publicly available.

The QBCC continues to improve its efforts to be transparent and accountable in our actions. This is to build trust and confidence in all that we do.

- The QBCC publishes a Strategic Plan, as well as performance measures on our website.
 - The QBCC's Service Delivery Statement is available on the State budget website, www.budget.qld.gov.au.
 - The QBCC has service standards that specifically pertain to the performance of key regulatory activities as listed below. The performance of these service standards for the 2019-2020 period can be found on pages 23 and 24 of this Annual Report. The service standards include:
 - » time taken to process licence applications
 - » time taken to finalise dispute cases
 - » customer perception of the fairness of our decisions
 - » the percentage of decisions that were overturned by the Queensland Civil and Administrative Tribunal.
 - As required by the Financial and Performance Management Standard 2019, the QBCC produces a performance report on a quarterly basis. This report contains information about performance against the Strategic Plan and the Service Delivery Statements. The report is tabled at QBCC Executive Team meetings and the QBC Board meetings. The QBCC also publishes the Annual Report on our website as soon as practicable after it has been tabled in the Legislative Assembly.
-

GLOSSARY

AA	Administrative Access
AASB	Australian Accounting Standards Board
ALP	Australian Labor Party
APRA	Australian Prudential Regulatory Authority
ARRs	Annual Report Requirements for Queensland Government agencies
ATO	Australian Taxation Office
BIF Act	<i>Building Industry Fairness (Security of Payment) Act 2017</i>
Board	Queensland Building and Construction Board
CCC	Crime and Corruption Commission
CPD	Continuing Professional Development
DATSIP	Department of Aboriginal and Torres Strait Islander Partnerships
DHPW	Department of Housing and Public Works
ECM	Enterprise Content Management
EDR	Early Dispute Resolution
EEO	Equal Employment Opportunity
FAA	<i>Financial Accountability Act 2009</i>
FBT	Fringe Benefits Tax
FPMS	Financial and Performance Management Standard 2019
FTE	Full-time equivalent
GST	Goods and Services Tax
IP Act	<i>Information Privacy Act 2009</i>
KMP	Key Management Personnel
PD Act	<i>Plumbing and Drainage Act 2018</i>
PSI	Pool Safety Inspector
QAO	Queensland Audit Office
QBCC	Queensland Building and Construction Commission
QBCC Act	<i>Queensland Building and Construction Commission Act 1991</i>
QBCEO	Queensland Building and Construction Employing Office
QCAT	Queensland Civil and Administrative Tribunal
QIC	Queensland Investment Corporation
QTC	Queensland Treasury Corporation
REDI	Respect, Equity, Diversity, Inclusion
REMS	Reinsurance Management Strategy
RTI Act	<i>Right to Information Act 2009</i>
SARAS	Study and Research Assistance Scheme

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COMPLIANCE CHECKLIST

SUMMARY OF REQUIREMENT	BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Letter of compliance	• A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – Section 7 4
Accessibility	• Table of contents	ARRs – Section 9.1 3
	• Glossary	ARRs – Section 9.2 110
	• Public availability	ARRs – Section 9.2 2
	• Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – Section 9.3 2
	• Copyright notice	<i>Copyright Act 1968</i> ARRs – Section 9.4 2
	• Information licensing	<i>QGEA – Information Licensing</i> ARRs – Section 9.5 2
General information	• Introductory information	ARRs – Section 10.1 5
	• Machinery of Government changes	ARRs – Section 10.2, 31 and 32 Not applicable
	• Agency role and main functions	ARRs – Section 10.2 5
	• Operating environment	ARRs – Section 10.3 6,7
Non-financial performance	• Government's objectives for the community	ARRs – Section 11.1 5
	• Other whole-of-government plans/specific initiatives	ARRs – Section 11.2 Not applicable
	• Agency objectives and performance indicators	ARRs – Section 11.3 12-34
	• Agency service areas and service standards	ARRs – Section 11.4 23-24
Financial performance	• Summary of financial performance	ARRs – Section 12.1 41
	• Organisational structure	ARRs – Section 13.1 8
	• Executive management	ARRs – Section 13.2 8
	• Government bodies (statutory bodies and other entities)	ARRs – Section 13.3 36, 39
Governance – management and structure	• <i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – Section 13.4 40
	• Human Rights	<i>Human Rights Act 2019</i> ARRs – Section 13.5 28
	• Queensland public service values	ARRs – Section 13.6 5 (found on our Strategic Plan)
	• Risk management	ARRs – Section 14.1 37
Governance – risk management and accountability	• Audit committee	ARRs – Section 14.2 37
	• Internal audit	ARRs – Section 14.3 37
	• External scrutiny	ARRs – Section 14.4 40
	• Information systems and recordkeeping	ARRs – Section 14.5 34
	• Strategic workforce planning and performance	ARRs – Section 15.1 30-32
Governance – human resources	• Early retirement, redundancy and retrenchment	Directive No.04/18 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – Section 15.2 32
	• Statement advising publication of information	ARRs – Section 16 34
Open Data	• Consultancies	ARRs – Section 33.1 https://data.qld.gov.au
	• Overseas travel	ARRs – Section 33.2 https://data.qld.gov.au
	• Queensland Language Services Policy	ARRs – Section 33.3 https://data.qld.gov.au
Financial statements	• Certification of financial statements	FAA – Section 62 FPMS – Sections 38, 39 and 46 ARRs – Section 17.1 102
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FAA *Financial Accountability Act 2009*
 FPMS Financial and Performance Management Standard 2019
 ARRs Annual report requirements for Queensland Government agencies



Need more information?

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