



# Building Services Authority

Annual Report  
2011-2012



**BUILDING SERVICES AUTHORITY**

## Our Vision

**A highly competent, compliant, sustainable and responsive Queensland building industry.**

We achieve this by:

- creating a positive people culture with a strong business focus
- protecting consumers and contractors through effective regulation
- supporting and educating contractors and consumers.

## Our Purpose

**To improve standards, equity and confidence in the building industry.**

## Our Values

**I**nnovation and continuous improvement

**C**onsultation and collaboration

**A**ccountability for our actions

**R**espect and trust

**E**nergy and fun

### Our report

The action taken during the reporting period complies with Section 23 and Schedule of the *Public Sector Ethics Act 1994*.

In accordance with the *Public Records Act 2002*, the BSA uses record-keeping best practices and identifies, captures and maintains complete and accurate records which are retained in an accessible and useable format that preserves the evidential integrity of those records for as long as they are required.

The BSA Annual Report is available on our website at [www.bsa.qld.gov.au](http://www.bsa.qld.gov.au)

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds.

If you have difficulty understanding the annual report, you can contact us on 1300 272 272 and we will arrange an interpreter to effectively communicate the report to you.

For further information contact the Executive Manager, Customer Relations and Communication.

Phone: 1300 272 272

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# H Highlights

- Introduction of online services for payment of licence renewals and insurance premiums
- Queensland's Home Warranty Scheme continues to provide the only 'first-resort' home warranty scheme in Australia for consumers
- delivery of the New Home Construction and Renovation, Extension and Repairs contracts
- reduction in the 5-year average of recurring defects
- authorised changes to expedite and improve payments on unsatisfied judgment debts
- the BSA recognised for excellent customer service, judged best Queensland Contact Centre (under 50 seats) at the prestigious Australian Teleservices Association Awards.

## Consolidated outcomes

	2011-2012 (\$M)	2010-2011 (\$M)
<b>Financial performance</b>		
Total revenue	142.442	154.011
Total expenses	157.576	155.180
Operating result	(15.134)	(1.169)
<b>Financial position</b>		
Total assets	346.537	325.341
Total liabilities	310.609	274.279
Net assets	35.928	51.064
<b>Cash flow</b>		
Net cash provided by operating activities	(2.109)	0.762
Cash at the end of the financial year	16.816	17.512
<b>Ratios</b>		
Current ratio	2.04	2.06
Liabilities/asset ratio	0.89	0.84
Liabilities/equity ratio	8.64	5.37

# Performance summary

## Strategies

## Performance indicators

## Results 2011-12

### Customer Relations

- Educate consumers about their rights and responsibilities and inform contractors of their obligations and responsibilities
- Provide accurate, clear, consistent advice on regulatory requirements and obligations
- Liaise and negotiate, develop and implement contractual reforms for the industry
- Engage and communicate with stakeholders to continue to build investment in the building industry
- Reform resolution processes and services to achieve greater effectiveness and efficiencies

- 90% of customers satisfied with advice provided
- Over 5 years, reduction in call waiting time, case processing times, case handling costs and decisions reviewed

- 93.1% of customers had their issues dealt with in a timely manner
- 93% said they were given the correct information
- 4,638 licensees attended trade seminars, an increase of 1,066 on last year
- 67% of calls answered within 60 seconds
- 19% fewer complaints received
- 5% increase in directions issued
- 10% increase in compliance with directions

### Compliance

- Ensure a timely and targeted compliance and enforcement framework that directs resources to high-risk contractors
- Undertake audits and investigative programs which focus on work standards, unlicensed contracting, certification practices and contractual responsibility
- Improve the financial viability of the industry by investigating, monitoring and working with contractors

- Over 5 years, reduction in incidence of unlicensed contracting, non-compliance with financial requirements for licensing including breaches of allowable annual turnover and contractual breaches
- Audits of certifiers' assessments of building permits reveal full compliance

- 2,229 interviews conducted at 932 building sites. 57 suspected unlicensed contractors detected
- 99 company licenses and 311 individual licenses cancelled due to a financial failure
- 114 permanent exclusions
- 130 certifier complaints finalised with 29 certifiers found at fault

### Research

- Conduct research in order to improve building standards
- Strengthen contractor skills, capabilities and industry standards

- 80% of contractors report they have benefitted from education program
- Over 5 years, reduction in recurring defects

- 97.9% of licensees would recommend BSA's education program to others
- 4.5% reduction in the 5-year average recurring defects

### Leadership

- Liaise with stakeholders to achieve continuous improvements in policies and legislation and implement change efficiently
- Provide assistance to consumers and building contractors affected by natural disasters
- Lead the debate and influence national reforms to ensure we protect and provide an effective and efficient regulatory and home warranty system

- Policies and legislative amendments introduced and implemented in accordance with legislative timeframes

- Met all legislative timeframes and deadlines
- 20,686 assessments undertaken with Qld Reconstruction Authority of properties damaged by floods or cyclones

### People

- Ensure staff are developed, informed, involved, recognised and rewarded
- Promote and nurture effective organisational leadership skills and encourage innovation through staff involvement with BSA's improvement strategies
- Create a 'greener' working environment through education and innovation

- Below 8% staff separation rate
- 80% of staff committed and engaged
- Continuous improvement in BSA's energy efficiency

- Staff separation rate of 10.08%
- 73% of staff committed and engaged
- 88,000 litre rainwater storage capacity in head office

### Organisational capability

- Provide consumers and contractors with greater access to the BSA through technology and face-to-face service
- Enhance our business systems to ensure our infrastructure is contemporary, cost effective and efficient
- Enhance governance mechanisms including risk management, compliance, controls and performance measures

- Over 5 years, movement to 30% web self-service utilisation
- 90% of customers satisfied with ease of access to BSA services

- Website rated an average of 7.48 out of 10 by a survey of 2747 customers
- 97.7% of customers said they received polite, friendly service

### Financial

- Achieve financial strategies, goals and budgets
- Seek to achieve better than industry-accepted standards with regards to investment

- Over five years, growth in net asset position of General Fund
- Maintain acceptable loss ratio for the Queensland Home Warranty Scheme
- Insurance Fund meets APRA Financial Standards

- Insurance fund meets APRA prudential standards
- Net asset position of General Fund increased

# V

# alue for money

## Low licence fees, extensive service

Table 1: Comparison of licence fees in financial category SC2\*

	VIC	QLD	WA	TAS	SA	NSW	NT	ACT
Annual licence fee (\$) 2011-12	180.00	274.75	315.00	345.60	363.00	400.00	483.50	450.00
Application fee (\$) 2011-12	680.00	328.65	305.00	172.80	363.00	599.00	242.00	200.00
	VIC	QLD	WA	TAS	SA	NSW	NT	ACT
Annual licence fee (\$) 2010-11	180.00	265.20	306.00	326.40	353.00	378.00	460.00	436.00
Application fee (\$) 2010-11	680.00	317.25	269.00	163.20	353.00	566.00	230.00	203.00

\* Queensland fee is based on licence fees in financial category SC2 which is the self-certification category for builders and trade contractors with an allowable annual turnover of \$300,000.

All fees have been based on a Contracting Domestic builder for a single year's renewal.

Northern Territory has a two-year renewal structure, total payment is \$967, and has been halved to demonstrate the yearly equivalent.

Licence renewal fees in Queensland are among the cheapest in Australia. Unlike licensing bodies in some states, the BSA provides value for money by offering an extensive range of services to its licensees and only charging one fee regardless of the number of licences held. By 30 June 2012, the BSA had 84,828 licensees who held 129,201 licences. In the 2010-11 financial year those figures were 84,814 and 128,230 respectively. This increase in licensee numbers demonstrates the resilience of the Queensland building and construction industry in the face of challenging market conditions.

## Insurance cover and premiums

The Queensland Home Warranty Scheme continues to provide the only 'first resort' home warranty insurance in Australia. The Scheme delivers true protection to consumers in the event of non-completion of contracted residential construction work and defects in, or subsidence of, residential construction work.

Table 2: Queensland Home Warranty Scheme premiums (<sup>1</sup> Rates from July 1, 2011)

Contract value (\$)	Queensland premium <sup>1</sup> (\$)
20,000	184.50
50,000	492.35
100,000	920.25
150,000	1,398.10
200,000	1,864.05
250,000	2,256.65
300,000	2,619.40
350,000	2,982.30
400,000	3,345.05



# General Manager's report

It is reassuring that despite ongoing international economic uncertainty and challenging domestic conditions, Queensland's building industry consumers continue to express their confidence in the industry.

During 2011-12, the BSA conducted seven surveys involving 3,187 of its customers - 2,074 consumers and 1,113 licensees.

The majority of consumers in that survey (78.2 per cent) expressed their confidence in the building industry and said they would be willing to go through the building process again.

The survey also produced a finding that 84 per cent of consumers said they would use the same builder if they built again. This is without doubt a vote of confidence in the standard of work and professionalism of our licensees.

Other positives to emerge from the survey include 79.2 per cent of consumers saying they experienced no problems during construction.

I was pleased to see that when licensees were asked about the BSA's overall performance, the average satisfaction rating was 7.6, based on a scale from 1-10 (with 1 being poor and 10 excellent). While a good result, the BSA will continue to work with licensees to do our best to improve this result in the future and to meet the range of challenges that continue to face the industry.

During 2011-12, the BSA received 4,726 complaints in relation to defective or incomplete work, compared to 5,625 for 2010-11. This reduction in complaints is a reflection of the BSA's continued focus on contractor education campaigns and of our three-pronged message of ensuring best

construction practices are used, how to avoid disputes and the steps contractors should take with consumers if problems arise. Reflecting population density, 72.67 per cent of complaints came from southeast Queensland (2010-11: 75 per cent) and the remainder from regional Queensland. BSA finalised 5,315 complaints in 2011-12 (2010-11: 5,631).

The number of formal directions to rectify increased by 5.16 per cent to 896 from 852 in 2010-11. This was due to a change in procedure in recent years for the issuing of directions. This modification also served to place a greater emphasis for accountability on the part of the contractor to rectify defective work prior to BSA involvement. In instances where contractors failed in their obligation to rectify, the BSA sought to support consumers by immediately issuing a direction where applicable. The BSA continues to successfully mediate around 27 per cent of complaints without the need for a site inspection. This figure compared favourably with the 2010-11 result of 26.36 per cent.

The effects of natural disasters linger throughout the state and in 2011-12 the BSA undertook 20,686 disaster recovery assessments on behalf of the Queensland Reconstruction Authority. The BSA's quarterly inspections recorded progress with residential building recovery and included inspecting and providing advice about building work. Activities also included licensing checks and assisting contractors and consumers to ensure they had the appropriate contractual and home warranty insurance arrangements in place.

The BSA Contact Centre's outstanding efforts in assisting both the public and industry

members were recognised when it won best Queensland Contact Centre (under-50-seat category) at the prestigious Australian Teleservices Association awards and a place as a finalist for the national title. The centre assisted an impressive 96 per cent of callers at first point of contact.

Our commitment to improving standards and reducing disputes saw us deliver 19 educational Better Building SuperShows and 16 Regional Contractor Education Seminars throughout the state during 2011-12. These programs addressed technical defects, new standards and regulations, and best practice building methods.

We also ran 98 trade-specific seminars throughout the state with attendance reaching 4,638, an increase of 1,066 on the previous year. These seminars targeted different sectors of the industry to ensure maximum relevance and benefit. Topics included contractual obligations, how to avoid concreting and block and bricklaying defects and the new timber framing code.

As difficult economic circumstances persist locally and internationally, it is unfortunately likely that our industry will continue to face challenges and changes in the immediate future.

To help manage this situation, we must continue to remain positive and professional, as we look to the long term and ensure we are prepared for more positive conditions when they return.



Ian Jennings  
General Manager  
Queensland Building Services Authority

# Chairman's report

Implementation of reforms resulting from the KPMG review into the Building Services Authority continued in 2011-12 and reform will continue to play a part in the authority's operations in the year ahead.

The election of a new Queensland Government in March 2012 saw Dr Bruce Flegg installed as Minister for Housing and Public Works, a portfolio which includes the BSA.

Our industry is included in the Government's four-pillar economy action plan, which aims to increase prosperity through focused growth strategies in the key economic sectors of construction, tourism, agriculture and resources.

In May 2012, Dr Flegg announced a number of reforms to the BSA, including planned changes designed to improve payment outcomes in the Queensland building and construction industry.

As part of the reforms, the BSA is also actively examining methods of cutting red tape and improving the building experience for homeowners and licensees. More information about these reforms will be included in the BSA's 2012-13 Annual Report.

A new Queensland Building Services Board was installed on 1 December, 2011 and I thank the members of the previous board for their valuable input and support. I welcome the new members and likewise, thank them for their contributions to date and in the future.

As always, the BSA's roles are many and varied and it continues to meet its obligations under its charter, which includes licensing contractors and being vigilant against those who might flout the law.

Other responsibilities include educating consumers and contractors about their rights and responsibilities, handling disputes equitably and protecting consumers via the excellent Queensland Home Warranty scheme.

The breakdown of residential construction work carried out in Queensland during the year was 64 per cent alterations and additions and 36 per cent new home construction, a result similar to last year.

In 2011-12, the BSA processed 73,256 policies under the Queensland Home Warranty scheme, which was slightly below the 73,603 of the previous year. Gross premium receipts totalled \$67.0 million (compared to \$63.4 million in 2010-11) for works valued at approximately \$8.13 billion.

1,585 claims were made by consumers against the scheme (2010-11: 1,522) and 2,824 claim approvals were processed (2010-11: 2,915) for a total value of \$37.56 million (2010-11: \$39.17 million).

The BSA's emphasis on proactive investigations and continued monitoring of the fiscal position of licensees continues to deliver dividends in the reduction of non-completion claims. These decreased by 19 per cent to 421 approvals (2010-11: 521) for a total value of \$11.15 million (2010-11: \$13.77 million).

In 2011-12, 311 individuals and 99 companies were excluded from holding a BSA-contractor or nominee-supervisor licence for five years due to their involvement in a financial failure (2010-2011: 264 individuals and 88 companies).

Permanent exclusion from holding a BSA-contractor or nominee-

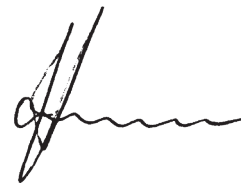
supervisor licence was imposed on 114 individuals for their involvement in a second financial failure, compared to 101 the previous year.

It is evident this increase in exclusions reveals a lack of planning and business management skills among many contractors who have been unprepared for a downturn in the industry.

The BSA also undertook prosecutions and disciplinary proceedings for breaches of legislation, resulting in 33 successful findings and the awarding of \$733,143 in penalties and fines payable to the BSA, an increase of \$164,714.

While I am optimistic about our industry's future, in the short term I believe the building and construction sector will continue to face difficult times.

It is therefore important that the BSA continues to do its best to assist licensees and consumers through the building process.



John Gaskin  
Chairman  
Queensland Building Services Board

# C Corporate governance

## **BSA regulates the building industry**

The BSA is a statutory authority established under the *Queensland Building Services Authority Act 1991* (the QBSA Act). The BSA's charter is to regulate the building industry through the licensing of contractors; educating consumers about their rights and obligations; making contractors aware of their legal rights and responsibilities; handling disputes fairly and equitably; protecting consumers against loss through statutory insurance; implementing and enforcing legislative reforms; and where necessary prosecuting people not complying with the law.

The BSA has a head office in Brisbane and area offices in Cairns, Townsville, Mackay, Rockhampton, Maryborough, Toowoomba and the Gold and Sunshine coasts.

## **Role of the General Manager**

The General Manager has all executive powers and is responsible for the overall management of the BSA.

The General Manager's role is to provide leadership to the organisation, ensure conformity with statutory and accountability requirements, and advise the Housing and Public Works Minister on the BSA's performance and key issues facing the industry. The General Manager is independent of the Queensland Building Services Board, but reports to the board on the administration of legislation, the BSA's performance and the board's policies.

## **Roles and responsibilities of the board**

The Queensland Building Services Board is a non-executive board which makes and reviews policies governing the administration of the

QBSA Act, and in conjunction with the General Manager establishes the strategic direction of the BSA. The board also provides guidance and leadership to the General Manager and is responsible for advising the Minister on building and construction issues and the administration of the QBSA Act and the BSA.

The board comprises eight members who represent stakeholder interests and provide a balance of skills and experience. The public service officer on the board does not have voting powers.

Members are appointed, for a term of no longer than three years, by the Governor in Council upon recommendation from the Minister. The Minister may give a direction to the board or the General Manager on matters relating to the administration of the QBSA Act.

At an organisational level, staff engage in operational planning to achieve corporate goals consistent with the strategic direction.

Five committees have been established to assist the board to carry out its role - the Finance, Audit and Risk Committee, the Policy Committee, the Licensing Committee, the Insurance Committee and the Fire Occupational Licensing Committee.

## **Board induction and training**

On appointment, board members receive an information kit to assist them to understand the role and operations of the board and the BSA. Members take part in an induction program involving other board members, the General Manager and the BSA's executive management team.

The General Manager regularly meets with the board and provides it with comprehensive overviews on industry issues, program functions and performance.



## **Board remuneration**

The Governor in Council determines remuneration rates paid to board members. Allowances paid to the board members in 2011-12, totalled \$15,989.00. The allowance excludes travel and associated expenses incurred in the course of their duties.

## **Members of the Queensland Building Services Board**

A new board was appointed in December 2011. This board will serve until 31 October 2014.

### **Keith Eaton**

*Public Service member (non-voting)*

Keith is the General Manager, QBuild, the construction and maintenance arm of the Department of Housing and Public Works. He has extensive experience in public sector administration and within the construction industry. Keith is a quantity surveyor and a Fellow of the Australian Institute of Quantity Surveyors, a Fellow of the Australian Institute of Company Directors and has been accredited as a Certified Practising Project Director by the Australian Institute of Project Management.

### **Jean Althoff**

*Representative of licensed contractors other than builders*

Jean is a director of the licensed trade contractor company E.A. & S. Plaster Company Pty Ltd, a family-owned business which has been operating in the industry for over 40 years. She is a past president of the Housing Industry Association and the Association of Wall and Ceiling Industries of Australia. Since 1990 she has held positions on the Housing Industry Association's Industrial Relations and Legal Committee, Technical Committee and Training Committee. Jean holds an MBA from the University of Queensland and is also a Fellow of the Australian Institute of Company Directors.

### **Wally Trohear**

*Representative of building and construction unions*

Wally has 48 years experience in the building industry and has been active in the trade union movement for more than 30 years. He is the immediate past state secretary of the Construction, Forestry, Mining and Energy Union. He is Chair of the Workplace Health and Safety Construction Sector Standing Committee and OzHelp Queensland. Wally is a director of several industry organisations including Construction Income Protection Queensland and B.U.S.S.Q. Superannuation Scheme.

### **Karen Dare**

*Representative of consumers*

Karen is the General Manager of Communitify Queensland, an organisation providing client care and care coordination through aged and disability services, community development, community education, mental health services, welfare services and early childhood services. Karen is a member of several boards including Suncorp Stadium Management Advisory Committee, 4Walls Housing Company and Future Growth and Development Sub-Committee. She is also a community shareholder representative, Brisbane Housing Company and member Brisbane City Council, inclusive Brisbane Board.

### **Jim Russell**

*Representative of consumers*

Jim has extensive experience in the insurance industry and as a board director. He was a member of the Builders Registration Board of Queensland until he joined the Queensland Building Services Board in 1991. Jim is a CPA and holds a Bachelor of Commerce from the University of Queensland.

He was State Manager of Mercantile Mutual Life and Chairman of the Sisters of Charity and Holy Spirit Health Services Queensland and is a past Queensland Chairman of the Life Insurance Federation of Australia. He is currently a trustee of Mary Aikenhead Ministries (Sisters of Charity), operators of the St Vincent's Health and Aged Care network.

### **Chris Taylor**

*Representative of licensed contractors*

Chris is a Townsville-based licensed Open Builder with 20 years experience in the industry. He has worked in the family business Taylor Builders Pty Ltd and Taylor Homes for most of his working life. He is a past president of HIA's north Queensland region and is currently Chairman of the HIA's National Training and Professional Development Committee. Chris holds a Bachelor of Commerce, a postgraduate Diploma of Construction, and a Bachelor of Law.

### **Susan Carter**

*Representative of the accounting profession*

Susan is a Fellow of the Institute of Chartered Accountants, a member of CPA Australia, a member of the Insolvency Practitioners Association of Australia, and an Official Liquidator of the Supreme Court. Until her retirement in 2010 she was a partner of the firm Worrells Solvency and Forensic Accountants and has approximately 30 years experience in accounting, business management and insolvency. Susan became a registered liquidator in 1996 and an official liquidator in 1998. She advises accountants and their clients about insolvency-related issues, and is often called upon to give presentations for accounting bodies.

## John Gaskin

*Representative of licensed builders and Chairman*

John has 43 years experience in the building industry. His career has taken him from apprentice carpenter/joiner through on-site supervisory roles to senior management positions with some of Queensland's leading construction contractors including Watkins Ltd (10 years), Watpac Australia (12 years) and Multiplex Constructions (8 years). John is the immediate past president and Executive Member of the Queensland Master Builders Association and is a Fellow of the Australian Institute of Company Directors

Table 3: Board and committee meetings – 1 July 2011 to 30 September 2011

	Full board	Finance, Audit and Risk Committee	Insurance Committee
Meetings held	3	2	1
John Gaskin	3	N/A	N/A
Jim Russell	3	2	1
Wally Trohear	3	1	1
Susan Carter	2	2	1
Kevin Thompson	2	N/A	N/A
Jill Lee	2	N/A	N/A
Keith Eaton	3	N/A	N/A

Table 4: Board and committee meetings – 1 December 2011 to 31 June 2012

	Full board	Policy Committee	Fire Committee	Licensing Committee	Insurance Committee	Finance, Audit and Risk Committee
Meetings held	6	1	1	1	3	3
John Gaskin	6	1	N/A	1	N/A	N/A
Jim Russell	6	N/A	N/A	N/A	3	3
Wally Trohear	5	N/A	1	N/A	N/A	N/A
Susan Carter	5	N/A	N/A	N/A	3	2
Jean Althoff	6	1	N/A	N/A	N/A	N/A
Karen Dare	6	1	N/A	N/A	N/A	N/A
Chris Taylor	6	N/A	N/A	1	3	3
Keith Eaton	4	N/A	N/A	N/A	N/A	N/A

and the Australian Institute of Management. John is also the President, Australian Institute of Building, Queensland Chapter and a regional director of Brookfield Multiplex.

## Policy Committee

The Policy Committee advises the board on amendments to the legislation the BSA administers, and is instrumental in developing new policies relating to the building industry.

The committee is chaired by the board's Chairman, John Gaskin,

and includes board members Wally Trohear, Jean Althoff and Karen Dare. The committee also includes representatives from industry associations, consumer associations and key BSA staff, including General Manager, Ian Jennings and two Deputy General Managers.

The committee met to consider issues in relation to dispute resolution, subcontractor accountability and contract fairness. A discussion paper is being developed on these issues. The committee provided views and ideas on reforms to these

three areas for possible inclusion in the discussion paper.

The discussion paper may be released, following consideration by the Queensland Government, in the 2012-13 financial year. The committee also continued to be briefed on the impending Council of Australian Government reforms including National Licensing.

## Insurance Committee

The Insurance Committee advises the board on the performance of the Queensland Home Warranty Scheme and

associated issues. Chaired by board member Jim Russell, it also includes board members Susan Carter, Chris Taylor and BSA General Manager, Ian Jennings.

The 2011-12 financial year resulted in \$37.6 million in claim approvals compared to approvals in 2010-2011 of \$39 million. The committee continued to review the performance of the scheme, particularly the risk profiles for non-completion, defects and subsidence claims.

The change in the profiles of claims over the past few years can be attributed to the ongoing building industry downturn and climatic conditions. Over the past 12 months non-completion claims have decreased slightly, defects claims relating to cancelled licensees have increased and subsidence claims continue to rise. The subsidence claims costs have traditionally been relatively stable but with gradual increases over the past few years the committee has continued to closely monitor its impact on the Scheme.

Based upon actuarial advice and the profile of claims, the committee and board resolved that the insurance premium should increase by 7 per cent from 1 July 2012. The increase was needed to help protect the Home Warranty Scheme from the ongoing impacts of the Global Financial Crisis and changing claim profile.

## Finance, Audit and Risk Committee

The Finance, Audit and Risk Committee oversees the internal audit function, including strategic and annual audit plans and management responses to the internal auditor's recommendations for improvement and strategic risk

management. The committee considers the BSA's budgetary functions, financial statements and financial position.

It is independent of management and reports directly to the board. The committee is chaired by board member Susan Carter and comprised board members Jim Russell and Chris Taylor. Key BSA staff, including Ian Jennings, assist the committee.

## Finance

Throughout the year, on a bimonthly basis, the committee monitored the BSA's financial performance and viability, considering risks and stressors to ensure funds were used to assist the industry in the tough economic climate. The committee considered and endorsed the outcomes of the mid-year budget review to the board and assessed and approved the proposed 2012-13 budget.

## Investments

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 BSA's actuary, its fund managers, BSA

management and information from other relevant sources.

The BSA's investment policy and strategies involve insurance fund monies being invested into the longer term, in line with an equilibrium strategy, a maximum The BSA's investment policy and strategies involve insurance fund monies being invested into the 70 per cent growth assets and 30 per cent cash and cash-enhanced assets. While short-term insurance funds are held with Queensland Treasury Corporation. The general fund monies are invested in the long term with a cash strategy, being 100 per cent cash enhanced and short term with Queensland Treasury Corporation.

The BSA's investment policy and strategies have been in place for a number of years. The policy and strategies are reviewed annually with a thorough review every two years and this financial year the committee in conjunction with Queensland Investment Corporation undertook this review.

The committee recommended that the investment policy and strategies continue. This recommendation has been endorsed by the board. Queensland Investment Corporation and Queensland Treasury Corporation will continue to manage the funds.

Table 5: Funds invested

Investment value	2011-12 \$'000	2010-11 \$'000	2009-10 \$'000	2008-09 \$'000	2007-08 \$'000
Value	151,820	151,709	137,343	126,370	137,917
REVENUE					
Cash funds	375	661	489	386	563
Managed fund	2,370	16,257	10,898	(1,804)	(237)
TOTAL	2,745	16,918	11,387	(1,418)	326

## Risk Management

The BSA's risk management strategy, compliant with Australian/New Zealand Risk Management Standard (AS/NZS150 31000: 2009) assesses the adequacy of the risk management framework and risk policies that deal with all facets of operations.

Risks are categorised as strategic, operational, people or financial, with identified controls and treatments actioned through the internal audit program or specific projects and initiatives.

A risk register is monitored by the committee at each meeting. High-risk projects are also reported to the committee at each meeting. The risks are also reported to the board and closely monitored.

The key risks that were monitored over the past 12 months were:

- Contractor Management System

- case management replacement
- fraud
- Information Technology and business need alignment

## Strategic business planning and budgeting

The strategic planning framework aims to align operations, human resources and financial resources with the strategic objectives of the 2012-2016 Strategic Plan. The planning begins with consideration of the long-term strategic objectives, timeframes and availability of resources. Short-term goals are set to support the objectives, plans are developed and resources allocated.

BSA staff are fully informed of the planning process, initiatives and desired outcomes. The planning framework allows the BSA to monitor and assess its performance throughout the year.

## Monitoring, accountability and risk management

Internal audit is an independent function responsible for the

systematic review and appraisal of the efficiency and effectiveness of the BSA's operations. It is instrumental in promoting and improving internal controls, accountability and operational efficiency.

The BSA uses internal audit to add value to the governance and administration of the organisation. BSA's internal auditor is appointed through a tender process conducted by the Finance, Audit and Risk Committee every three years.

The BSA's three-year Strategic Plan and Annual Audit Plan is developed through structured risk assessment and issues identified during consultation with executive management and the committee.

Internal audit also assists the external auditors in the examination of the BSA's annual accounts.

The committee considers audit reports which include the findings of the internal auditors and management responses.

Internal audit reports directly to the Finance Audit and Risk Committee. The internal audits

Diagram 1: Building Services Authority organisational structure

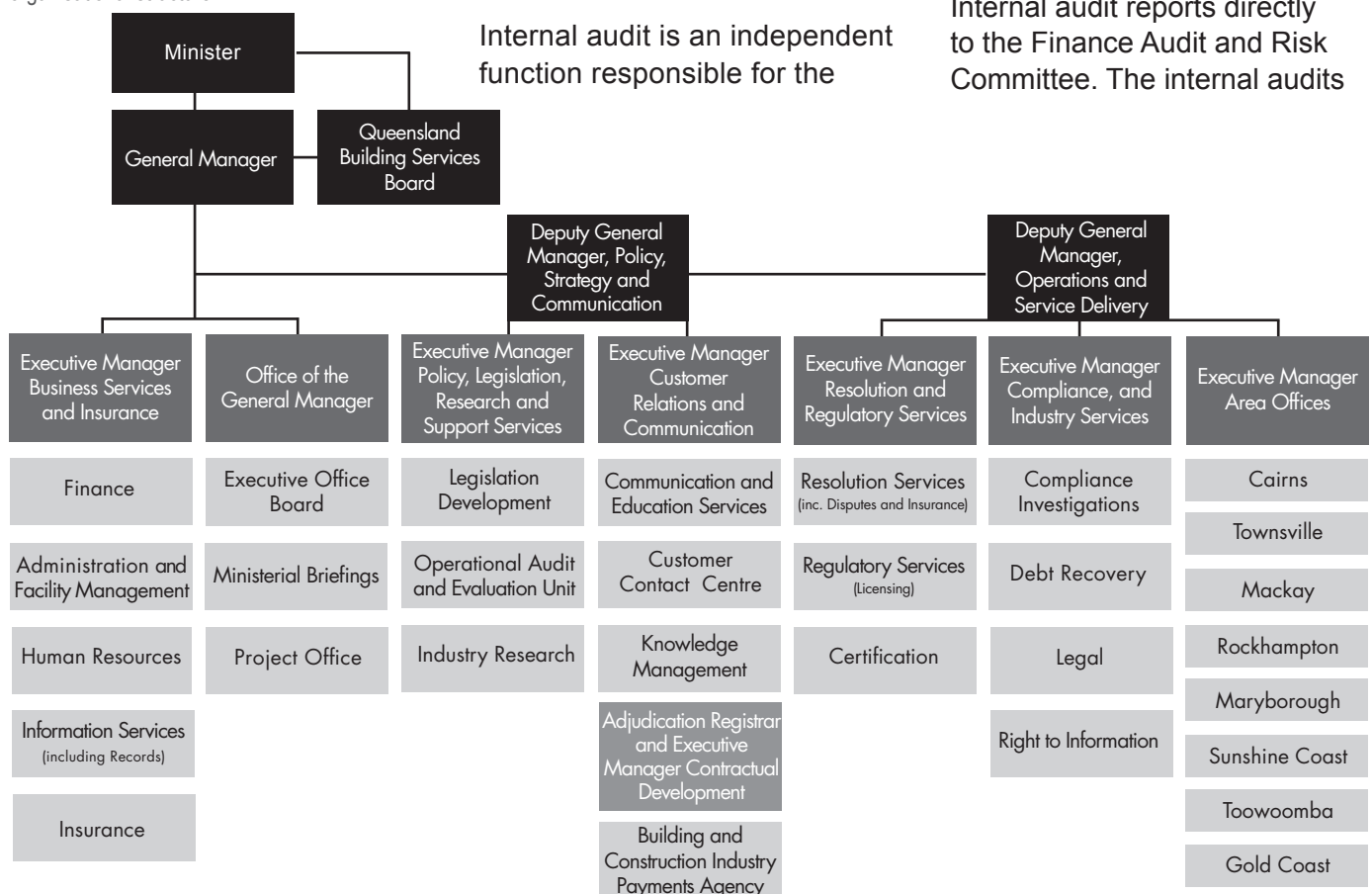




Table 6: Building Services Authority executive team

Ian Jennings	General Manager
Jason Smith	Deputy General Manager, Policy, Strategy and Communication
Ian White	Deputy General Manager, Operations and Service Delivery
Mandy McCosker	Executive Manager, Business Services and Insurance
Lewis Hayes	Executive Manager, Compliance and Industry Services
Bruce Picard	Executive Manager, Customer Relations and Communication
Chris Boyle	Executive Manager, Resolution and Regulatory Services
Rebecca Roebuck	Executive Manager, Policy, Legislation, Research and Support Services
Michael Chesterman	Executive Manager, Contractual Development and Adjudication Registrar
Graham Ives	A/Executive Manager, Area Offices

performed were:

- IT strategy and project management
- procurement
- eCommerce project
- insurance management
- Records management
- Disaster Relief Fund
- Contractor Management System replacement
- business continuity
- cash handling.

The committee also monitors the implementation of internal and external audit recommendations. Progress on implementing previous audit recommendations is reported to the committee every two months. The BSA's management of identified risks is also monitored by the committee.

### Fire Occupational Licensing Committee

The Fire Occupational Licensing Committee advised the board on scopes of work and requirements for occupational and contractor licensing in the fire protection industry.

The committee, chaired by board member Wally Trohear, also includes board members John Gaskin and Jean Althoff.

The compulsory licensing of fire protection employees took effect on 1 January, 2011. The committee has been working

closely with the industry to ensure all employees and employers were aware of licensing requirements.

In the past 12 months awareness activities have included mail-outs and information sessions for industry associations. The committee has also continued to review the scopes of work to ensure they are relevant to the work performed in the industry.

### Licensing Committee

The Licensing Committee advises the board on licence eligibility requirements which include experience, managerial and technical qualifications. The committee also monitors the scopes of works to ensure that they are appropriate to industry needs. The committee is chaired by Wally Trohear and includes John Gaskin and Ian Jennings.

The committee continued to monitor the licence classes and considered submissions from industry regarding the potential licensing of activities. The committee also continued to review and advise on the proposed National Licensing reforms on the Queensland licensing regime.

### Organisational performance

The BSA used the Australian Business Excellence Framework to identify both strengths and

areas for improvement and provide a baseline for strategic and organisational change.

### Enhanced governance mechanisms

The BSA focused on enhancing corporate governance mechanisms, including risk identification, compliance, controls, and performance measures. These areas were enhanced through a robust audit program, the creation of a strong internal self-audit team, improved management reporting utilising Enterprise Reporting Solution, and a focus on proactive industry compliance with the QBSA Act and Regulations.

### Code of Conduct

A new Code of Conduct was developed, approved and implemented in accordance with the amended ethics principles outlined in the *Public Sector Ethics Act 1994* in June 2011. This, and the previous code, enables consistent standards and approaches to be adopted when interacting with stakeholders. The code is communicated as part of the corporate induction program and through periodic staff briefings.

The code applies to all BSA board members and staff.

A mandatory online training program was developed on the principles of this new code and



ethical decision making and all employees have successfully completed it.

The code provides the ethical framework for behaviour, actions and decisions within the BSA and plays an integral role in supporting the BSA values of innovation and continual improvement, consultation and collaboration, accountability, respect and trust and energy and fun. It enables consistent standards and approaches to be adopted when interacting with stakeholders.

To reinforce acceptable conduct standards, the BSA continues the strategy for the delivery of seven other mandatory online training

modules, including Bullying prevention, Equal Employment Opportunity, Occupational Health and Safety, Privacy, Fraud and Corruption, Managing emails as a public record and Green office, with two-year mandatory refresher modules to be undertaken. The annual Code of Conduct refresher training module is ready for distribution to all staff.

### Consultancies

The Compliance area's 'Contractor Support Unit', provided independent business turnaround advice to licensees experiencing financial difficulty and has proven of great benefit to individuals, companies and the industry at large. The unit's work has been informed by a range of expert financial consultants.

The BSA's 2011-12 program of educational services, including trade specific and business management seminars, was greatly enhanced by the contribution of paid industry experts.

Information technology advice included work on implementation of improved data reporting capacity and advice and audit of the governance structures and procurement processes on a major I.T. project.

In addition to routine services, human resource consultants assisted the BSA with investigation and advice on a number of human resources issues.

### Audits and investigations

BSA's internal audit program involved several audits on the BSA's core processes of records management, insurance management and regulatory administration and other audits on I.T. strategy and project management and procurement.

Two high-risk issues were identified in the regulatory administration (see Table 8).

Processes were implemented to address all issues raised in these audits and to streamline business operations.

External audit undertook the end of financial year audit. No material issues were identified in this audit.

The audit program has been based on the outcomes of the BSA's risk assessment to ensure ongoing governance of core functions and processes. All of the BSA's core activities are subject to audit review every year.

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

### Overseas travel

The BSA incurred no expenditure for overseas travel in the 2011-12 financial year.

### Information systems implemented

Management of information systems is coordinated

Table 7: Consultants engaged 2011-12

Purpose of consultancy	Cost (\$)
Education services	46,888
IT advice	88,683
Compliance and investigations	67,908
Facilities and administration services	9,112
Human resources	86,171
Expert technical advice	818

Table 8: Audits and risks 2011-12

Audit	Issue	Risk rating	Status
Regulatory administration	Credit card details visible to staff other than receipting staff	High	Procedures amended to ensure no credit card details are stored electronically and are rendered unreadable on hard copy forms.
Regulatory administration	Lack of ability to undertake police background checks on all licensees	High	Process amended to include additional requirements for statutory declarations from licensees.

through the development and review of the Information and Communications Technology Strategic Plan, maintained in accordance with the business planning cycle.

Implementation of the plan is overseen by the Information Steering Committee, comprising the General Manager, two Deputy General Managers, Executive Manager Business Services, Chief Information Officer and an external advisor.

The plan ensures information and communication technology resources are appropriately allocated, supported and aligned with organisational and whole-of-government outcomes.

The BSA's operational response to external factors including national licensing initiatives has been strongly supported by information technology in 2011-12.

Strategic, practical enhancement of BSA information management was achieved through the following initiatives:

- implementation of an Agile application development framework
- participation in the initial testing of the National Licensing web interface
- practical progress was made towards replacing the BSA Contractor Management System
- continued enhancement of the organisation's resilience to technology disruptions
- completion of the desktop replacement and new standard operating environment project
- delivery of key components of the BSA online services strategy
- development of key technology-related strategy documents.

The BSA participated in a number of reviews of its information technology and records management practices both internally and externally to ensure its continued systemic compliance with mandatory standards and alignment with industry best practice.

### ***Queensland Carers (Recognition) Act 2008***

The BSA fully supports the principles and aims of the *Queensland Carers (Recognition) Act 2008*.

The BSA's human resource management policies provide flexible working arrangements to assist carers to meet their commitments, including flexible hours and part-time work arrangements.

The organisation commits to ensuring that all staff induction programs include training on the principles of the Carers Charter and that carers and their representative bodies, where appropriate, are consulted on any planning or policy decision that may affect them.

### **Right to information**

Queensland's information regime is set out in the *Right to Information Act 2009* and the *Information Privacy Act 2009*.

The *Right to Information Act 2009* implements the commitment of the Queensland Government and agencies such as the BSA to provide the community with greater access to information. BSA-held information should be available unless on balance it is contrary to the public interest to do so.

The *Information Privacy Act 2009* recognises the importance of protecting the personal information of individuals. It creates a right for individuals to access and amend their own personal information and provides rules for how agencies

may and must handle personal information as set out in the Information Privacy Principles.

Chapter 5 of the *Information Privacy Act 2009* provides for an individual to make a complaint about an agency's breach of the privacy principles within 12 months of the alleged breach.

The BSA is committed to following the objects of these Acts with applications finalised by June 30 2012 totalling over 56,000 folios processed, with over 85 per cent of these released in full.

The BSA also actively supplies information under various administrative schemes in addition to the release of documents administratively by the RTI unit according to the intentions of the legislature.

All external reviews processed to date have been informally resolved by the information or have been affirmed.

Our publication scheme on the BSA website describes and categorises information routinely available from BSA and BCIPA. Information is grouped and accessible through seven classes and has been developed to give the community greater access to information held by the BSA.

The BSA also has a disclosure log on the website to provide details of non-personal information released under the *Right to Information Act 2009* that is considered to be of significant interest to the wider public. Only one application has met the criteria for publication to date but further applications will be progressively published as they meet the requirements.

### **Service Complaints Management System**

Stakeholders may lodge complaints, compliments, enquires and suggestions directly

Table 9: Applications received and finalised by the RTI/IP Unit 2011-12

Applications received	No.	%	Folios finalised	No.	%
Administrative	72	32.1	Full access	48,225	85.8
Information Privacy	50	22.3	Partial access	2,943	5.2
Right to Information	96	42.9	Full exemption	5,038	9.0
Notice to Provide pursuant to legislation	6	2.7			
<b>Total</b>	<b>224</b>	<b>100</b>	<b>Total</b>	<b>56,206</b>	<b>100</b>
Applications withdrawn	9	4			
Internal reviews RTI and IP only	7	4.8			
External reviews RTI and IP only	5	3.4			

to the BSA's service complaint management system by mail, telephone or through the "Contact Us" tab on the BSA's website.

The system was implemented from 1 July 2010 in line with Queensland Government policy under the provisions of the *Public Service Act 2008* and the recommendations of the Office of the Queensland Ombudsman.

Of 246 matters entered into the system in 2011-12, there were 114 enquiries, 64 complaints, 24 compliments and 14 suggestions.

Prompt action was taken in relation to all contacts received. All service complaints were investigated and appropriate steps taken to improve communications and address complainants' concerns in accordance with the BSA's published Service Complaints Policy.

### **QCAT affirms majority of BSA decisions**

Of the decisions of the Authority referred to the Tribunal for review in 2011-12, 86.42 per cent were determined in the BSA's favour.

The BSA also undertook prosecutions and disciplinary

proceedings for breaches of legislation, resulting in 33 successful findings and the awarding of a total of \$733,143 in penalties and fines payable to the BSA, an increase of \$164,714.

### **A green approach to business**

#### *Video conferencing*

The BSA has established video conferencing facilities in its Brisbane head office, and in regional offices at the Gold Coast, Toowoomba, Sunshine Coast, Maryborough, Mackay, Cairns and Rockhampton. The remaining regional office in Townsville is scheduled to have video conferencing in place by October 2012. This will reduce the need for staff travel. The Brisbane office also has the facility to video conference with external organisations therefore reducing the need for interstate travel. It is anticipated these initiatives will considerably reduce the BSA's carbon footprint.

#### *Carbon offsets*

The BSA has in place a service level agreement with the Queensland Government Chief Procurement Office for offsetting travel-related carbon emissions.

This system has been in operation for the past 12 months and will form the baseline for comparative tracking and targeted reduction. The BSA paid \$712 this financial year towards carbon offsetting.

#### *Vehicles*

This year, the BSA has achieved its target of a Green Vehicle Guide rating above 5.5 for 100 per cent of fleet vehicles.

#### *Grey water*

Rainwater is harvested from the roof of the BSA's head office in Brisbane and stored in four water tanks with a combined capacity of 88,000 litres. This water is used for the operation of toilets and in a typical summer up to 70 per cent of the required capacity is supplied by harvested water.

#### *Solar hot water*

BSA's head office has solar panels on the roof assisting in the heating of hot water for use throughout the building.

# Our customers

## Licence applications remain steady

The BSA received 7,183 licence applications (2010-11: 8,605), with an average processing time of 29 days. The average processing time in 2010-11 was 28 days.

BSA also processes “mutual recognition” applications from practitioners who hold an interstate licence and wish to obtain a BSA licence to work in Queensland.

This year the BSA processed 564 mutual recognition applications compared to 721 in 2010-11.

The overall demand for licences has weakened slightly over the 2011-12 financial year.

## Steady number of insurance policies

In 2011-12, the BSA processed 73,256 policies under the Queensland Home Warranty Scheme, which was slightly below the 73,603 of the previous year. Gross premium receipts totalled \$67.0 million (compared to \$63.4 million in 2010-11) for works valued at approximately \$8.13 billion.

There was a slight decrease (0.473%) in the number of policies written in 2011-12 compared with that of 2010-11. This is reflective of a lack of consumer confidence which

has translated into hesitancy in spending on larger items such as housing and alterations and additions to existing homes.

The breakdown of residential construction work carried out in Queensland was 64 per cent alterations and additions and 36 per cent new home construction, compared to 65 per cent alterations and additions and 35 per cent new home construction the previous financial year.

## Online licence search

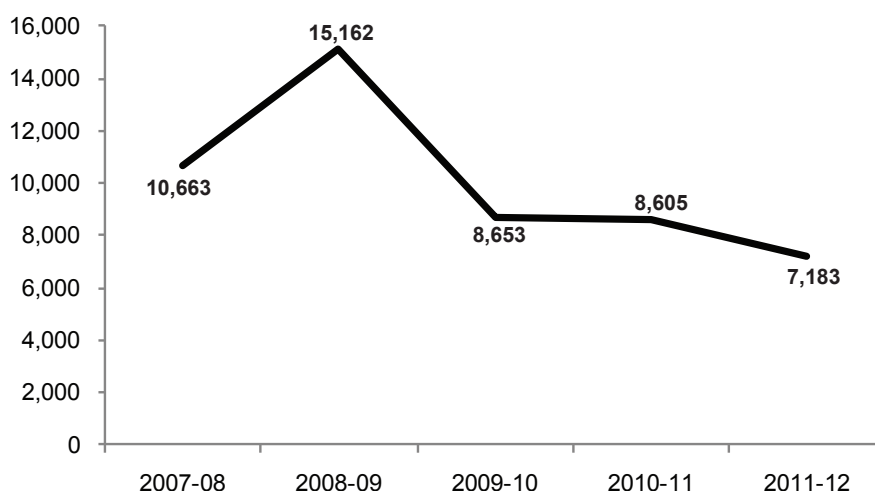
The BSA's free online licence search facility was used to conduct 436,430 licence searches, compared to 412,236 in 2010-11. The majority of users of the online search facility remain consumers who, based on BSA education initiatives, are checking contractors' histories before engaging them to perform building work.

Industry awareness of the online licence search facility has also increased since it became an offence for builders to engage unlicensed subcontractors.

## Owner-builder numbers continue to decline

Owner-builder permit numbers have been steadily decreasing over the past three to four years due to the economic climate and

Graph 1: Licence applications received





Graph 2: Policies written and gross premiums received

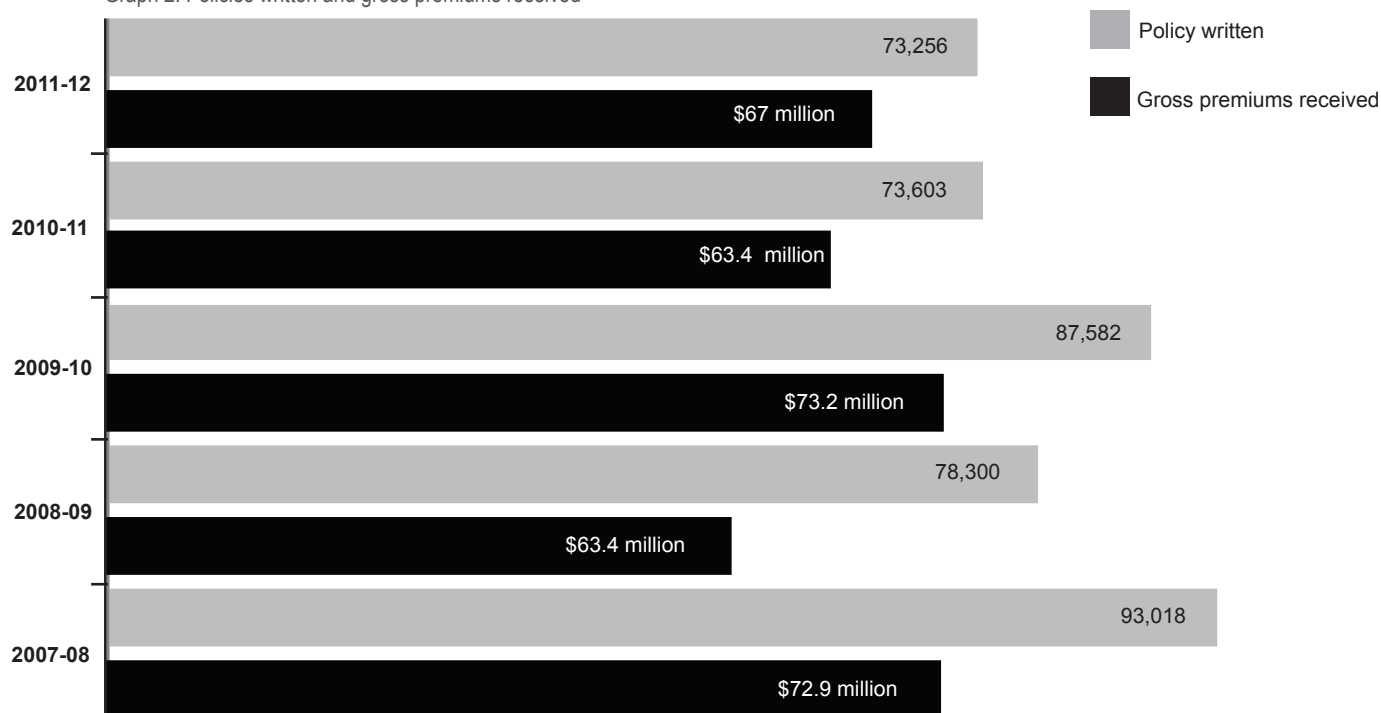


Table 10: Claims by approval type

Year	Non-completion		Defects		Subsidence	
	Approval numbers	\$M	Approval numbers	\$M	Approval numbers	\$M
2011-12	421	11.15	1509	17.4	894	9.01
2010-11	521	13.77	1500	14.6	894	10.79
2009-10	918	21.3	1423	13.8	656	7.1
2008-09	621	12.4	1073	8.1	820	8
2007-08	916	16.6	1133	9.95	652	5.8

owners electing to engage a contractor to build their homes. This downward trend has stabilised, with 2010-11 and 2011-12 almost identical.

The BSA approved 1,880 permits this year, compared to 1,879 in 2010-11. Owners of land are required to obtain an owner-builder permit where the value of the building work they wish to construct exceeds \$11,000.

### Managing consumer claims

1,585 claims were made by consumers against the Home Warranty Scheme (2010-11: 1,522) and 2,824 claim approvals were processed (2010-11: 2,915) for a total value of \$37.56 million

(2010-11: \$39.17 million).

The BSA continued work on proactive investigations, monitoring the fiscal position of licensees. This, combined with a reduction in building activity since the GFC, saw a decrease in non-completion approvals of 19 per cent to 421 (2010-11: 521) for a total value of \$11.15 million (2010-11: \$13.77 million).

Defective building work approvals held steady at 1,509 which represents a modest 0.6 per cent increase (1,500 in 2010-11) for a total value of \$17.33 million (2010-11: \$14.61 million). This increase is a result of inflation pressure on wages in central and north Queensland,

which added to rectification costs.

The BSA has also been affected by the geographic location of some of the dwellings (i.e. those situated in mining communities where rectifying contractors need to be flown in and housed during the period of the works) which adds dramatically to overall costs.

The BSA continued to focus its contractor education campaigns on methods of avoiding recurring defects in an effort to reduce the incidence of defective work insurance claims.

The number of subsidence approvals remained at 894, (equal to the 2010-11 figure), for a total value of \$9.07 million (2010-11: \$10.79 million).



Table 11: Complaints received and number of Directions to Rectify issued

Year	Complaints received	Directions issued
2011-12	4,726	896
2010-11	5,625	852
2009-10	6,113	1,188
2008-09	5,805	849
2007-08	5,699	867

Graph 3: Policies written and complaints received 2011-12

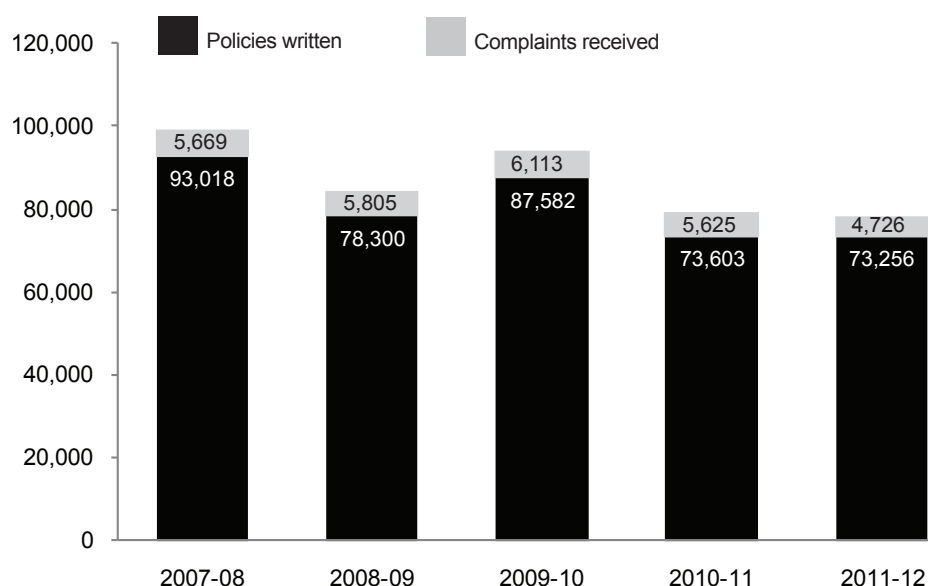


Table 12: Top 10 defects

Top 10 defects	Ranking	No.
Roof drainage	1	203
Wall/ceiling plasterboard	2	189
Waterproofing shower recess	3	159
Ceramic floor tiling	4	154
Concreting driveway	5	122
Footings	6	112
Steel sheet (roof cover)	7	105
Timber window/door installation	8	104
External paint application	9	97
External cement render	10	96
Aluminium window/door installation	10	96

### Satisfactory resolution of majority of complaints

During 2011-12 the BSA received 4,726 complaints in relation to defective or incomplete work, compared to 5,625 for 2010-11.

This reduction in complaints is a reflection of BSA's continued focus on contractor education campaigns and our three-pronged message of ensuring best construction practices coupled with how to avoid disputes and what steps contractors ought to employ with consumers should problems arise.

Reflecting population density, 72.67 per cent of complaints came from southeast Queensland (2010-11: 75 per cent) and the remaining 27.33 per cent came from regional Queensland. The BSA finalised 5,315 complaints in 2011-12 (2010-11: 5,631).

### Directions to Rectify defective work

The number of formal directions to rectify increased by 5.16 per cent to 896 from 852 in 2010-11. This increase relates to a procedural change in the issuing of directions.

The immediate issue of a direction now replaces the former two-step process where applicable.

This streamlining of the process was undertaken to improve contractor accountability and consumer outcomes in instances of defective work.

The BSA continues to successfully mediate around 27 per cent of complaints without the need for a site inspection. This figure compares favourably with the 2010-11 result of 26.36 per cent.

### APRA's 75 per cent probability requirement adopted

To ensure a solid financial framework for its insurance operations, the BSA continued to comply with the Australian Prudential Regulatory Authority (APRA) standards for general insurance. The BSA has adopted and meets APRA's 75 per cent probability requirement for the scheme's future claims provisions.

### Award for excellent customer service

The BSA's Contact Centre entered the national Australian Teleservices Association Awards for the first time in 2011 and was judged best Queensland Contact Centre (under 50 seats) and was a finalist for the national title. The extensive judging criteria include continuous improvement processes, quality assurance measures and best practice standards for overall customer service.

The centre was again able to assist an impressive 96 per cent of callers

at first point of contact, without calls having to be transferred to another part of the business.

It handled 218,835 calls (2010-11: 223,730). Fifty-five per cent of calls related to general enquiries - mainly licensing, owner building and defective work-related calls, and 44 per cent were for phone pay services (insurance premium payments and licence renewals). The centre also responded to 1,038 telephone enquiries regarding the January 2011 Brisbane and central Queensland floods and Tropical Cyclone Yasi in February.

The Contact Centre undertook a number of surveys to identify the levels of customer satisfaction with the 1300 number and counter services. Consistently in 2011-2012, ratings of 85-95 per cent were received regarding satisfaction levels with the ease of access to phone and counter services. It also achieved a consistent 90-95 per cent satisfaction rating for the overall quality of these services.

### **Customer surveys – overall report June 2011**

The BSA conducted seven surveys of 3,187 of its customers in 2011-12, of which 2,074 were consumers and 1,113 were licensees.

The surveys revealed the following:

- the majority of consumers – 78.2 per cent indicated confidence in the building industry and a willingness to go through the process again. 84 per cent said they would use the same builder
- 79.2 per cent of consumers experienced no problems during construction
- when licensees were asked about the BSA's overall performance, the average rating was 7.6 based on a

scale of 1-10 (with 1 being poor and 10 excellent)

- regarding the BSA's telephone service, 97.7 per cent of all respondents indicated they received polite/friendly service and 93.1 per cent had their issues dealt with in a timely manner.

### **Communication with our stakeholders**

In 2011-12, the BSA's Strategic Communications team helped instigate the organisation's first foray into social media, with the launch of the BSA YouTube channel, which features a variety of video clips providing information and advice to consumers and contractors about building and renovation projects.

The team also continued its role in providing advice and information to those areas of the state still recovering in the aftermath of Queensland's natural disasters.

This ranged from weekly newspaper articles to help the Cassowary Coast community with repairs and rebuilding following Cyclone Yasi, to regular media releases about the ongoing challenges posed when rebuilding in the wake of floods.

In its role as industry regulator, the BSA conducted regular follow-up compliance audits in these areas and the Strategic Communications team helped to publicise these audits throughout the state.

These audits protect both consumers and contractors, by checking that contractors performing work are licensed and appropriate contracts are in place, and that unlicensed contractors do not have an unfair advantage over licensed contractors.

Other media work undertaken included publicising the BSA's successes in various court decisions, with fines and convictions to individuals and company entities for unlicensed and defective work.

### **Research**

The BSA's Industry Research program during 2011-2012 focused on measuring building quality issues and the development of strategies, particularly through education and contractor information, to reduce the most common building defects.

One of the key activities was the commencement of an internal defect data project to enhance the capturing and consistent recording of building defects across BSA functions (e.g. complaints, building inspections, insurance claims).

The improved defect reporting system has been aligned with the Building Code structure to systematically capture defect trends and identify training or other deficiencies within the industry.

The BSA's research program has also commenced, using data analytics to assist in the risk-based design and implementation of a program of proactive site inspections.

Contractor education material was developed during the year based on the key trends identified through the industry research program, and therefore focused on the topics of roof drainage, external above-ground waterproof membrane installation, construction of timber balustrades and durability of timber.

This educational material is currently being delivered across the state through the BSA's Better Building Supershows program.

## **Contractor and consumer education**

As a part of our ongoing commitment to improving building standards and reducing disputes, the BSA continued to deliver an education program during the year for licencees and consumers.

We undertook 19 educational Better Building SuperShows and 16 Regional Contractor Education Seminars throughout the state during 2011-12.

These programs addressed common technical defects, new standards and regulations and provided demonstrations of best practice methods.

More than 1,265 contractors attended the Better Building Supershows, with all seminars recording very positive feedback.

We also ran 98 trade-specific seminars throughout the state with attendances reaching 4,638 – an increase of 1,066 on the previous year. These seminars targeted different sectors of the industry, to ensure maximum relevance and benefit. Topics included contractual obligations, how to avoid concreting and block and bricklaying defects and the new timber framing code.

Construction Skills Queensland (CSQ) became a major partner with the BSA in the delivery of this program which was also supported by BUSSQ and QLeave.

The BSA also continued its homeowner education program to guide homeowners through the building and renovating process, from deciding on a project to choosing a contractor, entering into a building contract, dealing with building disputes and maintaining the work after completion. We also provided information and advice to thousands of attendees at nine “home shows” throughout the state.

## National licensing

The BSA continues to work with federal and state government agencies in the development of the National Occupational Licensing System.

The BSA is the lead regulator in partnership with CITEC to establish a portal for transferring data from Queensland's regulators to the National Licensing Register.

Regulatory Impact Statements (RIS) and draft regulations are being prepared for the first tranche occupations which include plumbing, gas-fitting, refrigeration and air conditioning. These RIS were released in August 2012 for public comment.

Based on a review of the responses to the RIS the commencement date for national licensing of first tranche occupations is expected to be in October 2013.

## Subsidence

The BSA's continued focus on subsidence issues in 2011-12 has seen claim approvals remain steady at 894 (2010-11: also 894). Approvals for subsidence under the statutory Home Warranty Scheme have fallen 16 per cent to \$9.1 million (2010-11: \$10.8 million).

A research project into the causes of subsidence helped

lead to proactive inspections by the BSA of work in progress. This early intervention strategy helped identify and rectify some of the potential causes of subsidence. Research in this area will continue in the future.

During the year the BSA in conjunction with the University of Queensland, examined the potential to develop mathematical modelling to predict the likely incidence of subsidence in residential construction. This study was inconclusive in its practical application and was therefore abandoned.

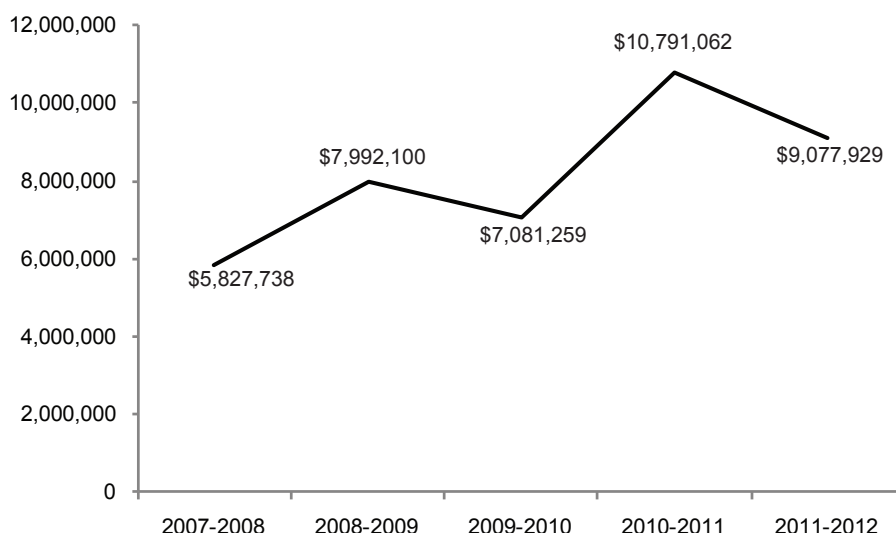
The BSA will continue to examine ways to improve building standards and reduce the incidence and cost of subsidence to the community.

## BCIPA

The Building and Construction Industry Payments Agency, funded by the Building Services Authority, was introduced to improve contractual and payment outcomes in the building and construction industry and provide administrative support for the *Building and Construction Industry Payments Act 2004* (BCIPA).

Contractors and trade contractors are the most frequent users of the adjudication processes under

Graph 4: Subsidence claims





BCIPA but awareness of the Act continues to grow among suppliers and consultants.

Seven hundred and thirty-one adjudication applications were lodged under the Act in 2011-12, for payment claims totaling \$394,741,017. In 2010-11, 674 applications were lodged, for claims totaling \$175,365,103. In 2011-12, 553 adjudication decisions were released for a total value of \$242,676,619. (2010-11: 519 decisions, \$68,373,922).

### BSA protects consumers following company collapses

The BSA has seen an increase in the number of individuals and companies exiting the marketplace due to the downturn in the economy but with reduced building activity this has resulted in lower numbers of non-completion claims for 2011-2012.

The largest residential collapse in 2011-12 was Cavalier Homes Brisbane Pty Ltd. The BSA assisted 11 homeowners affected by this collapse to complete their homes.

### Debt recovery

The BSA holds licensees responsible for debts owed as a result of claims made against the Queensland Home Warranty Scheme and Magistrates Court and Queensland Civil and Administrative Tribunal (QCAT) penalties. The BSA's Debt Recovery team recovered \$2.53 million this financial year. \$2.41 million was recovered for the Queensland Home Warranty Scheme, an increase of 24 per cent over the previous year.

The number of claims decreased by eight per cent from 2010-11 but the value of claims paid increased by 19 per cent.

Table 13: Funds received

Activity	2011-12	2010-11	2009-10	2008-09
Insurance claims	\$2,410,873	\$1,813,946	\$2,795,804	\$2,713,312
Tribunal actions	\$51,382	\$64,006	\$84,886	\$44,792
Magistrates Court	\$67,209	\$79,263	\$30,680	\$29,302
Total funds recovered	\$2,529,464	\$1,957,215	\$2,911,370	\$2,787,406

There was a 19 per cent decrease in the recovery of QCAT penalties, with \$51,382.00 recovered.

Magistrates Court penalties also decreased by 15 per cent, with \$67,209.98 recovered.

There were 65 debtors outsourced to the BSA's Debt Recovery Legal Panel during this financial year, with 22 being finalised, resulting in \$885,005.44 being recovered, and nine debtors becoming bankrupt. Recovery of Magistrates Court fines is the responsibility of the State Penalties Enforcement Registry (SPER).

### Proactive compliance

The BSA's Compliance team employs a comprehensive approach to regulation, with three sub-divisions:

- Contractor Support Unit
- Financial Regulation Unit
- Investigations Unit

servicing a range of activities to monitor and help ensure compliance occurs within the building industry.

### Support offered to contractors in financial distress

The BSA's Contractor Support Unit monitors licensees who are or may be in financial distress and in appropriate situations will

afford the licensee a reasonable opportunity to save their business and demonstrate they meet the financial requirements to hold a BSA licence.

The Contractor Support Unit conducted 451 financial audits of licensees in 2011-2012 (2010-2011: 512).

### Regulating Financial Requirements for Licensing (FRL)

The BSA's Financial Regulation Unit manages breaches of FRL by individuals or companies, including infringement of allowable annual turnover.

The unit conducted 963 audits of licensees suspected of exceeding their financial capacity (2010-11: 898) to ensure their financial viability.

In 2011-12, 311 individuals and 99 companies were excluded from holding a BSA-contractor or nominee-supervisor licence for five years due to their involvement in a financial failure (2010-2011: 264 individuals and 88 companies).

Permanent exclusion from holding a BSA-contractor or nominee-supervisor licence was imposed on 114 individuals for their involvement in a second financial failure (2010-11: 101).



Table 14: Compliance statistics 2011-12

Activities	2011-12	2010-11	2009-10	2008-09	2007-08
Financial audits	451	512	538	255	201
Suspensions for non compliance with audit	44	44	77	30	16
Suspensions for not meeting FRL resulting from financial audit	10	48	41	33	16
Cancellations for non compliance with audit	31	30	56	25	14
Cancellations for not meeting FRL resulting from financial audit	40	50	77	55	44
Immediate suspension due to insolvent trading or other serious risk	10	11	10	14	13
Audits for suspected breach of turnover limit	963	898	1152	1237	411
Company licences cancelled due to exclusion	99	88	66	79	50
Individual licences cancelled due to exclusion	311	264	151	113	91
Permanent exclusions	138	101	43	39	28

The BSA believes this increase in exclusions demonstrates a lack of planning and business management skills among many contractors who have been unprepared for the current contraction in the building and construction marketplace.

### Unlicensed contracting and contractual regulation

The Investigations Unit supports a fair playing field for licensees in Queensland by deterring and weeding out unlawful operators.

The BSA investigates complaints made by consumers and BSA-licensed contractors and in 2011-12, 780 investigations were undertaken into allegations of unlicensed contracting, compared to 618 in the previous financial year.

### Disaster recovery audits

In 2011-12, the BSA assisted the Queensland Reconstruction Authority to assess the rebuilding efforts following the widespread flooding of Queensland in early 2011 and the impact of Cyclone Yasi. Instead of conducting two licensing audits of random sites, the BSA conducted a large

Table 15: Unlicensed contractors 2011-12

Activity	2011-12	2010-11	2009-10	2008-09	2007-08
Site interviews conducted	2229	7222	9,594	7470	6040
Suspected unlicensed contractors detected	57	64	123	120	148
Unlicensed rate in the industry	2.56%	0.9%	1.3%	1.6%	2.5%
Disaster Recovery Assessments	20,686	-	-	-	-

Table 16: Demerit points issued 2011-12

Activity	2011-12	2010-11	2009-10	2008-09	2007-08
Demerit points issued for unsatisfied judgment debts	710	450	990	860	980
Demerit points issued for contractual offences	464	364	368	266	194
Demerit points issued for failure to rectify	504	648	470	236	2
Demerit points issued for failing to pay premium*	154	116	164	50	n/a
Demerit points issued for carrying out work without a nominee	2	0	4	12	n/a
Contractors issued demerit points	399	335	389 <sup>1</sup>	245	165
Total demerit points issued	1834	1,578	1,996	1,424	1,176

\*Queensland Home Warranty Scheme premium

<sup>1</sup> The figure of 389 ('Contractors issued demerit points', 2009-10), was incorrectly recorded as 462 in the 2009-10 and 2010-11 BSA annual reports due to a typographical error.

Table 17: Contractual investigations 2011-12

Activity	2011-12		2010-11		2009-10		2008-09		2007-08	
	DBCA	QBSA Part 4A	DBCA	QBSA Part 4A	DBCA	QBSA Part 4A	DBCA	QBSA Part 4A	DBCA	QBSA Part 4A
<b>Audits</b>	2	0	1	2	4	0	4	1	1	0
<b>Investigations</b>	312	22	325	48	272	11	215	19	329	27
<b>Contractors issued with a warning notice as a result of an audit or investigation</b>	23	0	25	0	21	0	13	1	25	1
<b>Number of contractors issued with infringement notices for breaches</b>	170	14	137	14	136	6	114	11	207	26
<b>Number of infringement notices issued</b>	401	18	304	15	305	12	286	14	488	45

number of audits focusing on disaster-affected areas.

The BSA decided to concentrate its resources to these areas to protect homeowners from the rogues and opportunists who target the victims of natural disasters. These audits also served to protect properly licensed contractors from unfair and unlawful competition.

In 2011-12, 2,229 contractors were interviewed at 932 building sites. Fifty-seven suspected unlicensed contractors were detected (2010-11: 64, 7,222 site interviews).

The BSA also undertook 20,686 disaster recovery assessments on behalf of the Queensland Reconstruction Authority. This involved quarterly inspections to measure the rate of residential building recovery, inspecting and providing advice on building work, policing licensing and assisting contractors and consumers to ensure they had the appropriate contractual and home warranty insurance arrangements in place.

The BSA also conducted audits on advertising, site signage, compliance with contractual obligations and compliance with payment of Queensland Home Warranty Scheme premiums.

### Contractor compliance with legislation investigated

The *Domestic Building Contracts*

*Act 2000* (DBCA) regulates contracts for domestic building work between contractors and consumers. Part 4A of the QBSA Act regulates subcontracts between contractors and builders and commercial contracts.

The Investigations Unit investigates suspected breaches and takes appropriate action in the circumstances, including issuing an infringement notice.

Where the BSA has reasonable grounds for concern that a licensee has not been complying with the requirements of the QBSA Act or DBCA, it may conduct an audit requiring the licensee to produce all contracts for review by the BSA.

### Demerit points issued to contractors for breaches of legislation

This year 399 contractors had demerit points listed against their records (2010-11: 335 complaints). Four individuals were disqualified for three years for accumulating 30 demerit points (2010-2011: 1).

Table 18: Certification results 2011-12

Action	Number of certifiers
Reprimand	17
Direction - enforcement action and ensure certification	11
Licence condition imposed	1
Total	29

### Certifiers

As at 30 June 2012, the BSA licensed 392 building certifiers (2010-11: also 392). These individuals comprised:

- 190 building surveyors
- 160 assistant building surveyors
- 42 building surveying technicians.

There were 31 new registrations and 26 deregistrations throughout the year.

As at 1 July 2011, BSA had 127 certifier complaints open. During 2011-2012, the BSA received an additional 127 complaints. During 2011-12, BSA finalised 130. The BSA currently has 124 open complaints.

Of the 130 cases finalised, investigations found 29 certifiers at fault, 46 complaints were either withdrawn or closed due to insufficient evidence and in 55 cases, certifier conduct was found to be satisfactory.

# Our people

## BSA's workforce profile

The BSA employed 350 active FTE (full-time equivalent) staff at June 30, 2012 (2010-11: 360) in a variety of professional, technical and administrative roles.

The 2011-12 reduction in active FTE is a result of procedural improvements which have enabled the BSA to reduce staff through natural attrition and decreased reliance on contract staff.

The BSA's staff separation rate was 10.09 per cent (2010-11: 7.7 per cent).

No redundancy payments were made in 2011-12.

## BSA follows Equal Employment Opportunity Management Plan

The Equal Employment Opportunity Management Plan outlines the BSA's approach to ensuring all BSA employees work in an environment committed to principles of Equal Employment Opportunity (EEO), anti-harassment and anti-discrimination.

New employees continued to be educated on EEO, discrimination and harassment and workplace harassment issues.

complete online EEO training and workplace harassment training and a refresher online course every two years.

## A stronger and more cohesive team developed

The BSA conducts an annual survey that encourages staff to express their job satisfaction and identify workplace issues. Past issues identified included communication difficulties between areas within the BSA. The internal organisational review has helped address staff communication by integrating the BSA's main service areas. This year's survey yielded results that were on average, slightly below last year's survey. Strategic direction and Consultation improved, while Manager/team leader communication and Co-worker communication were on par with last year's results.

## BSA remains committed to staff education

The BSA has continued to initiate an ongoing, progressive learning and development program to improve its position as a people-oriented employer.

Table 19: Workforce profile as at 30 June 2012

EEO	2011-12	2010-11	2009-10	2008-09	2007-08
Women	194	208	217	193	185
Aboriginal and Torres Strait Islanders	7	7	7	9	7
People with a disability	32	30	30	27	27
Non-English speaking background	56	70	55	50	43
Percentage of total staff	55%	56%	56%	56%	57%

Table 20: Workplace diversity 2011-12

Level	EEO Target groups	Male	Female	Total
Administrative A01-A03	40	32	78	110
Administrative A04-A05	44	65	84	149
Middle management A06-A08	19	51	30	81
Executive management SO-SES	0	8	2	10
Percentage of total staff	29%	44.6%	55.4%	100%

Table 21: Staff survey results 2011-12

Area	Av Score 2012	Av Score 2011
Learning and development opportunities	3.92	4.13
Performance management	3.66	3.78
Job satisfaction	4.51	4.71
Organisational commitment	4.40	4.60
Work environment	3.79	3.96
Customer orientation - overall	4.52	4.62
Change management	3.63	3.88
Consultation	4.41	4.37
Team work	4.51	4.63
Executive manager communication	4.05	4.12
Manager/team leader communication	4.60	4.57
Co-worker communication	4.71	4.69
Strategic direction	4.07	3.92
Employee control	3.55	3.74

The BSA provides a variety of training courses to maximise its productivity and achieve successful outcomes.

Training and development programs have been developed with a strong emphasis on business processes to ensure timely, consistent and effective customer service in core business areas.

There are four dedicated Training Officers in the BSA (Human Resources, Contact Centre, Resolution Services and

Information Services).

Forty-three in-house training courses were delivered across three learning areas: ICARE Customer Service Program, Technical Building, and Organisation Capability (2010-11: 27).

Mandatory online training courses for all employees included the new Code of Conduct, Fraud and Corruption and Managing Emails.

The ICARE Customer Service

program is based on the BSA values, vision and mission. Every role within the BSA delivers service to both internal and/or external customers, so this program was developed to provide all BSA personnel with the opportunity to enhance their customer service skills and knowledge.

Training courses were also conducted on a range of IT software and applications. The BSA's commitment to education and training saw 1,252 training days delivered. This equated to 3.39 days and \$597 per employee (compared to 1,575 training days, 4.44 days and \$555 per employee in the previous financial year).

### Professional development and career paths

The BSA continued its School Leavers Program, with recent high school graduates working on a rotational basis in a variety of BSA business areas. The program, which commenced in 2008, has employed 12 participants and gives school leavers an opportunity to join the workforce and gain exposure to a wide range of occupations. Ten of these graduates have successfully gained permanent employment at a higher level.

Leadership development and mentoring programs, delivered through formal training courses, coaching and interactive workshops, continue to foster



a culture of proactive learning, innovation and customer service within a fun workplace environment. Under the Leadership Development Framework, 40 managers attended a forum which included a fraud and corruption training session followed by a business continuity planning workshop.

This was scenario-based and allowed managers to gain experience in crisis management and to identify areas for organisational improvement.

Three courses from the JAG Mediation and Dispute Resolution Program were delivered to employees including Handling Difficult Behaviours, Interest-based Negotiation Knowledge & Skills and Assisted Negotiation Framework.

Employees, including lawyers, accountants and certifiers are given support to attend a range of functions to meet compulsory professional development requirements.

In June 2008, a certification undergraduate program commenced. This program includes supporting a staff member to successfully complete a Bachelor of Building Surveying while they undertake a rotation through the BSA, other government departments and private sector businesses to develop a broad range of skills and knowledge. There are currently three staff participating in this program.

### **Staff assisted with tertiary studies**

The BSA continued its sponsorship commitment of further education for 22 employees by paying \$31,086 in tertiary course fees. This

compares to \$45,955 for 20 employees in 2010-11. Under the Public Service Training Package, 15 employees are engaged in the Certificate IV, Diploma and Advanced Diploma courses (this was 12 employees in the previous financial year). To date, 31 staff have graduated.

### **Area Managers' forum**

Area Managers came together at three forums to encourage networking and exchanges of knowledge and skills and to provide information on current issues. Area Managers are encouraged to work with and mentor one another.

### **Staff recognised and rewarded**

The BSA believes acknowledging good performance is essential to its culture, and it recognises and rewards staff achievements. As part of the ICARE Customer Service Program, staff are encouraged to recognise and promote the exceptional customer service delivered by their colleagues. Encouraging, rewarding and recognising people in a supportive, team-based culture has resulted in a strong staff performance which has been instrumental in the BSA becoming a leading industry regulator in Australia.

### **Staff encouraged to balance work, life and family**

The BSA encourages staff to achieve a balance between work and family responsibilities. The BSA has a range of options available to help staff achieve a good work-life balance, such as variable working hours and part-time opportunities. The BSA now employs 45 part-time staff, three more than in the previous financial year.

There are many incentives in place to retain staff, including access to variable working hours,

a fun and energetic culture, and financial support for further study and professional development opportunities. Benefits of working at the BSA are prominently displayed on the BSA's website, which is continually updated.

### **Competency-based framework**

A competency-based framework has been developed that forms the basis for the Cognology 360 degree feedback system. Staff assisted in providing detailed lists of the specific skills, knowledge and behaviours required for their roles for each competency. Staff have been consulted on the benefits of this framework, including using the available information for career planning and cross skilling, for performance management and recruitment and selection processes. A training calendar has been developed based on these competencies and other information obtained from the Cognology system.

### **Importance placed on Workplace Health and Safety**

The BSA's continued commitment to Workplace Health and Safety has included preventative measures and the promotion of safe and healthy work practices. The BSA maintains an active Workplace Health and Safety Committee which gives staff access to a network of first aid officers in each BSA office. This year the Corporate Health Strategy included providing flu shots and encouraged participation in the Corporate Games.

Information was also developed and distributed on implementation of the new *Work Health and Safety Act 2011* and risk management.



## **Business Improvement Council**

The Business Improvement Council (BIC), an initiative of the Executive Management team, was formed in 2002 to enhance procedural efficiency and foster an environment of continuous improvement. The BIC ideology is staff ownership of issues along with staff-driven solutions. BIC members are representatives from all business areas, providing a broad operational platform. An expansive view is taken towards problem solving, with issues such as cost, practicability and work-life balance being assessed against the potential benefit to business process.

One project the BIC undertook in 2011-12 was the Receipting review which resulted in the standardisation of the reconciliation process for all areas of the BSA and the formalisation of these processes and procedures.

## **Corporate induction**

The BSA's Corporate Induction Program welcomes new employees to the BSA environment and guides them through the BSA's organisational structure, policies and procedures. Case studies and interactive presentations give new employees an insight into the integration of different operational units and an understanding of their role in the organisation. An online Corporate Induction Program supports the face-to-face program and reaches a larger audience of new employees more expediently by giving them immediate access to BSA induction material from their first day on the job.

## Financial overview

The BSA returned a deficit of \$15.134 million and a balance sheet position of \$35.928 million.

The Statement of Comprehensive Income relative to Budget shows an outcome clearly not anticipated during the budget preparation. Revenue was \$11.591 million under budget, primarily due again to poor performance in the investment market (particularly in higher-risk growth assets) compounded by reduced funds under investment brought about by lower compounding in the latter half of the 2010-2011 year after the 2011-2012 budget was formulated. A further shortfall relative to budget in Administration Fees was due to a cap on these fees.

It can be seen that the decrease in Actual Revenue compared to 2011 was almost entirely due to the fall in Investment Returns. Expenses added to the unfavourable outcome relative to budget by a further \$7.901 million. Actuarial assessment of the liability for future claims added an unanticipated \$12.272 million provision expense but this was offset by lower actual claims experience during the year.

Again the comparison of actual total expenditure between 2012 and 2011 shows an increase of only \$2.396 million (1.54 per cent)

## Financial progress

At the segmented level (Note 25) the General Fund returned a surplus of \$830,000 increasing net assets to \$22.528 million. The Insurance Fund recorded a deficit of \$15.964 million reducing net assets to \$13.400 million.

Licensing revenue (Note 2) increased by \$533,000 (1.93 per cent). Net premium revenue (Note 3.1) i.e. Premiums received and adjusted by recognition premium revenue from previous years less premium revenue to be recognised in future years increased by \$3.820 million (7.76 per cent).

Investment revenue (Note 4) fell by \$13.470 million (83.07 per cent) which continued a downward trend of negative returns starting in the latter months of the 2010-2011 year for High Growth Assets. That trend (with minor reversals during the year) was beginning to reverse in the final month of the 2011-2012 year and has continued since due to resolution of debt crisis issues in some Eurozone countries. As stated in the overview above, lesser balances were available for investment due to a similar fall in returns last financial year. Cash investments provided positive returns throughout the year, maintaining protection for future cash requirements in the short to medium term.

Other revenue (Note 5) increased by \$590,000 (13.43 per cent) and comprises various fines and penalties which increased as compliance measures and other prosecutions were continued.

Expenses increased by \$2.396 million (1.54 per cent) and was the net result of various increases offset by a decrease in Claims approved and charged.

The increase in the Reinsurers' share of insurance premiums received is directly related to the increased premium revenue discussed above.

Claims approved and charged fell by \$2.200 million (3.09 per cent) and as stated above, the provision expense for possible future claims was offset by lower actual claims paid this financial year.

Employee expenses (Note 8) increased by \$2.408 million (7.81 per cent) due to Enterprise Bargaining Agreement increases and some individual service increments. Employee expenses are expected to fall in the 2012-2013 year.

The BSA's balance sheet reflects its sound financial position. All current and future liabilities are fully funded via invested funds. No going concern issues were identified during the audit of BSA's Annual Financial Statements based on current operations and the predicted future revenue and expenses of those operations.

Statements of Comprehensive Income (relative to budget) for the year ended 30 June 2012

	Consolidated Entity		Parent Entity	
	2012	2012	2012	2012
	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
<b>Revenue</b>				
Licence renewal and application fees	28 104	29 653	28 104	29 653
Premium revenue	53 013	51 590	53 013	51 590
Reinsurance and other recoveries revenue	45 453	46 820	45 453	46 820
Administration fees	8 154	11 370	8 154	11 370
Investment revenue	2 745	10 873	2 745	10 873
Other revenue	4 983	3 736	4 983	3 736
Total Revenue	142 452	154 043	142 452	154 043
<b>Gains/Loss</b>				
Gain/(Loss) on sale of property, plant and equipment	( 10)	16	( 10)	16
<b>Total Income</b>	<b>142 442</b>	<b>154 059</b>	<b>142 442</b>	<b>154 059</b>
<b>Expenses</b>				
Supplies and services	15 240	15 471	47 025	49 332
Depreciation and amortisation	1 449	1 612	1 449	1 612
Claims approved and charged	69 076	60 546	69 076	60 546
Outward reinsurance premium expense	37 673	36 306	37 673	36 306
Employee expenses	33 217	34 797	1 436	939
Other expenses	921	944	917	941
<b>Total Expenses</b>	<b>157 576</b>	<b>149 675</b>	<b>157 576</b>	<b>149 675</b>
<b>Operating Result</b>	<b>(15 134)</b>	<b>4 384</b>	<b>(15 134)</b>	<b>4 384</b>
<b>Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>	<b>(15 134)</b>	<b>4 384</b>	<b>(15 134)</b>	<b>4 384</b>

**Queensland Building Services Authority and Controlled Entity**

**Statements of Comprehensive Income for the year ended 30 June 2012**

		Consolidated Entity		Parent Entity	
	Note	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Income</b>					
<b>Revenue</b>					
Licence renewal and application fees	2	28 104	27 571	28 104	27 571
Premium revenue	3.1	53 013	49 193	53 013	49 193
Reinsurance and other recoveries revenue	3.2	45 453	48 759	45 453	48 759
Administration fees	3.3	8 154	7 889	8 154	7 889
Investment revenue	4	2 745	16 215	2 745	16 215
Other revenue	5	4 983	4 393	4 983	4 393
Total Revenue		142 452	154 020	142 452	154 020
<b>Gains/Loss</b>					
Gain/(Loss) on sale of property, plant and equipment	6	( 10)	( 9)	( 10)	( 9)
<b>Total Income</b>		<b>142 442</b>	<b>154 011</b>	<b>142 442</b>	<b>154 011</b>
<b>Expenses</b>					
Supplies and services	7	15 240	14 798	47 025	44 650
Depreciation and amortisation	10	1 449	1 249	1 449	1 249
Claims approved and charged	3.2	69 076	71 726	69 076	71 726
Outward reinsurance premium expense	3.1	37 673	35 927	37 673	35 927
Employee expenses	8	33 217	30 809	1 436	960
Other expenses	11	921	671	917	668
<b>Total Expenses</b>		<b>157 576</b>	<b>155 180</b>	<b>157 576</b>	<b>155 180</b>
<b>Operating Result</b>		<b>(15 134)</b>	<b>(1 169)</b>	<b>(15 134)</b>	<b>(1 169)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income for the year</b>		<b>(15 134)</b>	<b>(1 169)</b>	<b>(15 134)</b>	<b>(1 169)</b>

The above Statements of Comprehensive Income are to be read in conjunction with the Notes to the Financial Statements.



**Queensland Building Services Authority and Controlled Entity**  
**Statements of Financial Position as at 30 June 2012**

		Consolidated Entity		Parent Entity	
	Note	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>					
Cash and cash equivalents	30	16 816	17 512	16 816	17 512
Receivables	13	17 306	17 021	17 306	17 021
Reinsurance receivable	14	28 468	28 548	28 468	28 548
Other financial assets	12	135 019	134 353	135 019	134 353
Other current assets	15	19 600	17 880	19 600	17 880
<b>Total Current Assets</b>		<b>217 209</b>	<b>215 314</b>	<b>217 209</b>	<b>215 314</b>
<b>Non-Current Assets</b>					
Reinsurance receivable	14	121 106	102 246	121 106	102 246
Property, plant and equipment	16	6 834	6 467	6 834	6 467
Intangible assets	17	1 034	888	1 034	888
Leasehold restoration paid in advance	18	354	426	354	426
<b>Total Non-Current Assets</b>		<b>129 328</b>	<b>110 027</b>	<b>129 328</b>	<b>110 027</b>
<b>Total Assets</b>		<b>346 537</b>	<b>325 341</b>	<b>346 537</b>	<b>325 341</b>
<b>Current Liabilities</b>					
Payables	19	27 573	29 518	35 710	36 707
Accrued employee benefits	20	4 289	3 813	114	111
Provisions	21	353	398	353	398
Future claims and associated costs	23	46 713	46 096	46 713	46 096
Unearned premium liability	22	27 325	24 785	27 325	24 785
<b>Total Current Liabilities</b>		<b>106 253</b>	<b>104 610</b>	<b>110 215</b>	<b>108 097</b>
<b>Non-Current Liabilities</b>					
Accrued employee benefits	20	4 027	3 541	65	54
Provisions	21	1 827	2 179	1 827	2 179
Future claims and associated costs	23	198 502	163 949	198 502	163 949
<b>Total Non-Current Liabilities</b>		<b>204 356</b>	<b>169 669</b>	<b>200 394</b>	<b>166 182</b>
<b>Total Liabilities</b>		<b>310 609</b>	<b>274 279</b>	<b>310 609</b>	<b>274 279</b>
<b>Net Assets</b>		<b>35 928</b>	<b>51 062</b>	<b>35 928</b>	<b>51 062</b>
<b>Equity</b>					
Accumulated surplus		35 928	51 062	35 928	51 062
<b>Total Equity</b>		<b>35 928</b>	<b>51 062</b>	<b>35 928</b>	<b>51 062</b>

The above Statements of Financial Position are to be read in conjunction with the Notes to the Financial Statements.

**Queensland Building Services Authority and Controlled Entity**

**Statements of Cash Flows for the year ended 30 June 2012**

		Consolidated Entity		Parent Entity	
	Note	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Received from renewal and licence fees		27 875	27 501	27 875	27 501
Received from administration fees		11 873	7 882	11 873	7 882
Received from interest		714	789	714	789
Received from other revenue		3 897	3 146	3 897	3 146
GST receipts		6 693	6 389	6 693	6 389
		<b>51 052</b>	<b>45 707</b>	<b>51 052</b>	<b>45 707</b>
Payments to suppliers		(18 917)	(17 758)	(47 888)	(45 275)
GST payments		(6 676)	(6 390)	(6 676)	(6 390)
Payments to employees		(29 089)	(27 679)	( 118)	( 162)
		<b>(54 682)</b>	<b>(51 827)</b>	<b>(54 682)</b>	<b>(51 827)</b>
		<b>(3 630)</b>	<b>(6 120)</b>	<b>(3 630)</b>	<b>(6 120)</b>
Received from premiums		55 487	43 704	55 487	43 704
Payments to reinsurers		(39 576)	(30 012)	(39 576)	(30 012)
Claims paid		(42 113)	(33 546)	(42 113)	(33 546)
Received from reinsurers		27 723	26 736	27 723	26 736
		<b>1 521</b>	<b>6 882</b>	<b>1 521</b>	<b>6 882</b>
<b>Net cash provided by operating activities</b>	29	<b>(2 109)</b>	<b>762</b>	<b>(2 109)</b>	<b>762</b>
<b>Cash flows from investing activities</b>					
Payments for plant, equipment and intangibles		(2 022)	(1 216)	(2 022)	(1 216)
Disposal of/(Investment in) other financial assets		1 365	311	1 365	311
<b>Net cash provided by (used in) investing activities</b>		<b>( 657)</b>	<b>( 905)</b>	<b>( 657)</b>	<b>( 905)</b>
Net outflow of Cyclone Larry & NDRA Funds	1(q)	<b>2 070</b>	<b>( 455)</b>	<b>2 070</b>	<b>( 455)</b>
Net decrease in cash and cash equivalents		( 696)	( 598)	( 696)	( 598)
Cash and cash equivalents at the beginning of the financial year		17 512	18 110	17 512	18 110
<b>Cash and cash equivalents at the end of the financial year</b>	30	<b>16 816</b>	<b>17 512</b>	<b>16 816</b>	<b>17 512</b>

**Non-cash investing activities**

Payments for plant, equipment and intangibles disclosed above are stated net of consideration on motor vehicles traded-in to the value of \$247,000 (2011 \$203,000).

The above Statements of Cash Flows are to be read in conjunction with the Notes to the Financial Statements.

**Queensland Building Services Authority and Controlled Entity**  
**Statements of Changes in Equity for the year ended 30 June 2012**

	Consolidated Entity			Parent Entity		
	Accumulated Surplus		Total Equity	Accumulated Surplus		Total Equity
	2012 \$'000	2011 \$'000	2012 \$'000	2012 \$'000	2011 \$'000	2011 \$'000
<b>Balance as at 1 July</b>	51 062	52 231	51 062	51 062	52 231	52 231
Total Comprehensive Income for the year	(15 134)	(1 169)	(15 134)	(15 134)	(1 169)	(1 169)
<b>Balance as at 30 June</b>	35 928	51 062	35 928	35 928	51 062	51 062

The above Statements of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements.

## **Queensland Building Services Authority and Controlled Entity**

### **Notes to and forming part of the financial statements for the year ended 30 June 2012**

#### **General**

This financial report includes the consolidated financial statements and notes of Queensland Building Services Authority (BSA) and its controlled entity ('Consolidated Entity'), and the separate financial statements and notes of Queensland Building Services Authority as an individual parent entity ('Parent Entity').

BSA's charter is to regulate the building industry by: licensing builders, trade contractors, designers and certifiers; educating consumers about their rights and obligations; making licensees aware of their legal rights and responsibilities; handling disputes fairly and equitably; protecting consumers against loss through home warranty insurance; implementing and enforcing legislative reforms; and where necessary prosecuting persons not complying with the law.

On 23 April 2007 the Queensland Parliament passed the *Statutory Bodies Legislation Amendment Act (2007)* which amended the *Queensland Building Services Authority Act (1991)*. These amendments included the creation of the Queensland Building Services Employing Office (BSEO) as a statutory body for the purposes of the *Financial Accountability Act (2009)*. The BSEO, through its employees, provides the skilled labour required to deliver the services provided by the Queensland Building Services Authority. On a fortnightly basis the BSEO invoices BSA for salary and associated costs paid as well as increases in accrued employee entitlements for the period. BSA immediately pays the cash component only and the increase in employee entitlements will accrue as a BSEO receivable and a BSA payable.

BSA and its controlled entity are statutory bodies within the portfolio of the Minister for Housing and Public Works. The principal place of business for BSA is 299 Montague Road, West End, Queensland.

For information in relation to BSA's financial statements please call 1300 272 272 or visit [www.bsa.qld.gov.au](http://www.bsa.qld.gov.au).

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

#### **Note 1 Summary of significant accounting policies**

##### **(a) Statement of compliance**

BSA has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Treasury's Minimum Reporting Requirements for the year ending 30 June 2012, and other authoritative pronouncements.

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

BSA is comprised of a General Statutory Fund and an Insurance Fund as stipulated by Sections 25 and 26 of the *Queensland Building Services Authority Act 1991*. The financial statements of BSA 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.

Due to the nature of the general insurance business conducted by BSA, certain disclosures have been made in the Statement of Comprehensive Income and Statement of Financial Position, which are additional to those required by the *Financial and Performance Management Standard 2009*.

##### **(b) Principles of consolidation**

A controlled entity is any entity over which BSA has the power to govern the financial and operating policies so as to obtain benefits from its activities. The only controlled entity is the Queensland Building Services Employing Office.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the consolidated group during the year, their operating results have been included from the date control was obtained.

All intra-group balances and transactions between entities in the consolidated group, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.



**Note 1 Summary of significant accounting policies (continued)**

**(c) Significant accounting policies related to general insurance contracts**

The home warranty 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.

**(i) Premium revenue**

Premium revenue comprises amounts charged to policyholders (direct premiums) for insurance contracts. Premium revenue is recognised as earned from the date of attachment of risk (generally the date a contract is agreed to) over the period of the related insurance contracts in accordance with the pattern of the incidence of risk expected under the contracts. The pattern of the risks underwritten is generally matched by the passing of time. Premium for unclosed business (business written close to reporting date where attachment of risk is prior to reporting date and there is insufficient information to accurately identify the business) is brought to account based on previous years' experience with due allowance for any changes in the pattern of new business and renewals. The unearned portion of premium is recognised as an unearned premium liability on the statements of financial position.

**(ii) Outward reinsurance**

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 deferred reinsurance expense on the statements of financial position at the reporting date.

**(iii) Claims**

Claims expenses and a liability for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported (IBNR), incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNR's and settlement costs using statistics based on past experience and trends. Outstanding claims relating to "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 liability for outstanding claims for "long-tail" classes is measured at the present value of the expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as inflation. Such estimates are subject to uncertainty due to variations of both a random and non-random nature, which may affect components of the estimates. The expected future payments are discounted to present value at the balance date using market determined, risk adjusted 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 the development of claims in the future.

**Goods and services tax (GST) on claims expenditure**

BSA incurs 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 made from and including 1 July 2000.

**(iv) Reinsurance and other recoveries receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, IBNR's and IBNER's are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable in relation to "long-tail" classes are measured at the present value of the expected future receipts, which are calculated on the same basis as the liability for outstanding claims net of any provision for impairment based on objective evidence for individual receivables.

## Queensland Building Services Authority and Controlled Entity

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 1 Summary of significant accounting policies (continued)

##### (c) Significant accounting policies related to general insurance contracts (continued)

###### (v) Liability adequacy test

The liability adequacy test is an assessment of the carrying amount of the unearned premium liability and is conducted at each reporting date. If 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 contracts, 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 arising from the test is recognised in the statements of comprehensive income with the corresponding impact on the statements of financial position recognised as an unexpired risk liability.

###### (d) Receivables and revenue recognition

Insurance claims recoverable from licensed builders are recognised when a claim paid to a consumer is finalised. Tribunal fines receivables are recognised when an order from the Tribunal is issued in favour of BSA. Magistrates Court fines receivables are recognised when a conviction from the Magistrates Court is issued in favour of BSA. Appraisals of government contracts receivable are recognised when the services provided by BSA are invoiced at the end of each month.

"Licence fees consist of two components, an application fee and a renewal fee.

Upon application for a licence, new entrants pay both an application fee (the cost to BSA of assessing and processing the application) and a renewal fee (the cost of maintaining a licence for twelve months). The application fee is recognised once the application is receipted and entered into our system for assessment. The renewal fee component of the application is recognised once the application is approved.

Renewal fees are paid annually by all licensees on the anniversary of their approval and the fee is recognised on the date their renewal fee is due."

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June. An allowance for impaired debts is raised where some doubt exists over recoverability.

###### (e) Acquisitions of assets

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

###### (f) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings	\$10,000
Infrastructure	\$10,000
Land	\$1
Major Plant and Equipment	\$5,000
Plant and Equipment	\$5,000
Other	\$5,000

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

###### (g) Revaluations of non-current physical and intangible assets

Major plant and equipment is measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. In respect of these asset classes, the cost of items acquired during the financial year has been judged by management of BSA to materially represent their fair value at the end of the reporting period.

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, is measured at cost in accordance with Treasury's *Non-Current Asset Policies*.

**Notes to and forming part of the financial statements or the year ended 30 June 2012**

**Note 1 Summary of significant accounting policies (continued)**

**(h) Intangibles**

Intangible assets with a cost or other value equal to or greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to BSA, less any anticipated residual value. The residual value is zero for all of BSA's intangible assets.

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

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

**Purchased Software**

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to BSA, namely 5 years.

**Internally Generated Software**

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

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to BSA, namely 3 years.

**(i) Amortisation and depreciation of intangibles and property, plant and equipment**

All intangible assets of BSA have finite useful lives and are amortised on a straight line basis.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the new cost or revalued amount of each asset, less its estimated residual value progressively over its estimated useful life to BSA.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to BSA.

The depreciable amount of improvement to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

For each class of depreciable asset the following depreciation and amortisation rates are used:

<b>Class</b>	<b>Rate %</b>
<b>Plant and equipment:</b>	
Motor vehicles	15%
Leasehold improvement	3-15%
Office furniture and equipment	5-50%
<b>Intangible assets:</b>	
Software purchased	20-29%
Software internally generated	33%

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 1 Summary of significant accounting policies (continued)**

**(j) Impairment of Non-Current Assets**

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, BSA 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.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(k) Leases**

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

**(l) Other financial assets**

Overnight facilities in both funds are recorded at cost.

Investment with Queensland Investment Corporation facilities in both funds are measured at their net market value at each balance date.

Changes in the net market values of investments (or cost of acquisition, if acquired during the financial year) are recognised as revenue or expenses in the Statements of Comprehensive Income.

Income derived from investments is brought to account when earned.

**(m) Financial Instruments**

**Recognition**

Financial assets and financial liabilities are recognised in the Statements of Financial Position when BSA becomes party to the contractual provisions of the financial instrument.

**Classification**

Financial instruments are classified and measured as follows:

- Cash and Cash equivalents - held at fair value through profit or loss.
- Receivables - held at amortised cost.
- Held to maturity investment - held at amortised cost.
- Payables - held at amortised cost.

BSA does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, BSA holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by BSA are included in Note 28.



**Note 1 Summary of significant accounting policies (continued)**

**(n) Employee Benefits**

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 employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

***Wages, salaries, annual leave and sick leave***

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent the amount which BSA has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at the nominal amounts based on the expected settlement amounts and include related on-costs.

Wages and salaries due but unpaid at reporting date are recognised in the Statements of Financial Position at the current salary rates.

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.

***Long service leave***

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

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

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

The long service leave provision also takes into account recognition of employees' prior service in other state, local or federal government entities. Recognition of prior service has been agreed as part of the Enterprise Development Agreement for the Consolidated Entity.

***Superannuation***

Superannuation contributions made by BSA are contributed to an employee superannuation scheme and to other funds on behalf of its Board Members as required under applicable award legislation. Contributions are expenses in the period in which they are paid or payable. BSA 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 BSA'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 Report.

***Key executive management personnel and remuneration***

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirement for Queensland Government Agencies issued by Queensland Treasury. Refer to note 9 for the disclosures on key executive management personnel and remuneration.

**(o) Payables**

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

**Note 1 Summary of significant accounting policies (continued)**

**(p) Provisions**

Provisions are recorded when BSA 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. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

**(q) Cash and cash equivalents**

Excess cash balances in BSA's General and Insurance bank accounts are cleared to QTC Cash Fund overnight to maximise investment returns. Consequently, period end Cash at Bank may reflect a negative balance due to the timing of unrepresented cheques. BSA does not have an overdraft facility and is precluded from doing so by legislation.

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

BSA has assisted in the distribution of funds directed from the Premier's Disaster Relief Fund - Cyclone Larry and the Premier's Disaster Relief Fund - Queensland Floods 2011 - Lockyer Valley Relocation Funds through an account established in BSA's records. Under arrangements with Premier's Department, funds held by BSA pending final payment of approved relief claims are to be recorded in BSA's Balance sheet. On this basis the cash held is equal to a liability BSA has to ultimately pay approved claims. Funds held as at 30 June 2012 are recorded at Note 30.

**(r) Insurance**

BSA's non-current physical assets and other risks are insured through private insurance companies, premiums being paid on a risk assessment basis. In addition, BSA pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

**(s) Goods and Services Tax (GST)**

Revenues (including earned premiums), expenses and assets are recognised net of the amount of GST unless (in relation to expenses and assets) the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these instances the GST is recognised as part of the amount of the expense or is recognised as part of the cost of acquisition of the asset.

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.

Cash flows are included in the Statements of Cash Flows on a gross basis with the 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.

**(t) Taxation**

BSA 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 Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by BSA. GST credits receivable from, and GST payable to the ATO, are recognised.

**(u) Rounding and Comparatives**

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.

Comparative information has been restated where necessary to be consistent with disclosure in the current reporting period.

**(v) Issuance of Financial Statements**

The financial statements are authorised for issue by the General Manager and the Chairperson of the Board at the date of signing the Management Certificate.

**Note 1 Summary of significant accounting policies (continued)**

**(w) Accounting Estimates and Judgements**

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

BSA places high reliance on actuarial estimates provided by its actuary, DeeDeeRa Actuaries Pty Ltd, in calculating the provision for outstanding claims and the reinsurers' share of the outstanding claims provisions as at the end of the financial year. Refer to Note 1(c), 14, 22, 23 and 31.

**(x) New and revised Accounting Standards**

The BSA did not voluntarily change any of its accounting policies during 2011-12. Australian accounting standard changes applicable for the first time for 2011-12 have had minimal effect on the BSA's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] became effective from reporting period beginning on or after 1 January 2011. Given the BSA's existing financial instruments, there was only a minor impact on the BSA's financial instruments note (note 28), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the BSA's receivables as at 30 June 2012 (and as at 30 June 2011), receivables are not included in the credit risk disclosure in this year's financial statements.

As the BSA held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the BSA's financial instruments note arising from the amendments to AASB 7 *Financial Instruments: Disclosures*.

AASB 1054 *Australian Additional Disclosures* became effective from reporting period beginning on or after 1 July 2011. Given the BSA's previous disclosure practices, AASB 1054 had minimal impact on the BSA. One of the footnotes to Note 11 Other Expenses, regarding audit fees, has been slightly amended to identify the BSA's auditors and clarify the nature of the work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and interpretations 2, 112, & 113] also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the BSA from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury Department's Financial Reporting Requirements require continuation of commitments disclosure, so this deletion from AASB 101 has no impact on the BSA's commitments note (Note 24).

BSA is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from the Treasury Department. Consequently, the BSA has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The BSA applies standards and interpretations in accordance with their respective commencement dates.

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 2011- 9 - *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] applies as from reporting periods beginning on or after 1 July 2012. The only impact for the BSA will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

**Note 1 Summary of significant accounting policies (continued)**

**(x) New and revised Accounting Standards (continued)**

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 set out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the BSA's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of such assets and liabilities.

The BSA has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the BSA is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the BSA's property, plant and equipment from the 2013-14 year.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. The extent to which any fair value measurement for an asset or liability uses data that is not "observable" outside the BSA, the amount of information to be disclosed will be relatively greater.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the BSA are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The BSA has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the BSA's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the BSA enters into, it is not expected that any of the BSA's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the BSA's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes 1(m) and 28). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the BSA's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the BSA enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through comprehensive income and derecognition of these.



**Note 1 Summary of significant accounting policies (continued)**

**(x) New and revised Accounting Standards (continued)**

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –

- AASB 10 *Consolidated Financial Statements* ;
  - AASB 11 *Joint Arrangements* ;
  - AASB 12 *Disclosure of Interests in Other Entities* ;
  - AASB 127 (revised) *Separate Financial Statements* ;
  - AASB 128 (revised) *Investments in Associates and Joint Ventures* ; and
- AASB 2011 -7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] .

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the BSA is not yet in a position to reliably determine the future implications of these new and revised standards for the BSA's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, which is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, subject to any not-for-profit modifications yet to be made to AASB 10, the BSA will need to re-assess the nature of its relationships with other entities, including entities that aren't currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the BSA will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the BSA will be required to make as from its 2013-14 financial statements will depend on the BSA's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

AASB 119 has redefined "short-term employee benefits" to only include benefits that are expected to be wholly settled before 12 months after the end of the annual reporting period in which the employees render the related service. If this definition is not met, the benefits will be categorised as "other long-term employee benefits". The distinction needs to be made at a whole-of-class basis, and therefore should have minimal impact on the BSA.

The implications for the BSA are that the revised standard clarifies the concept of "termination benefits" and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The BSA only contributes to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on the BSA.

**Note 1 Summary of significant accounting policies (continued)**

**(x) New and revised Accounting Standards (continued)**

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as “tier 1”), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as “tier 2”). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Treasury Department’s Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the BSA may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the BSA, Treasury Department is the regulator. Treasury Department has advised that its policy decision is to require adoption of tier 1 reporting by all Queensland Government departments and statutory bodies (including the BSA) that are consolidated into the whole-of-Government financial statements. Treasury’s policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the BSA.

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

# Queensland Building Services Authority and Controlled Entity

## Notes to and forming part of the financial statements for the year ended 30 June 2012

	Note	Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Note 2 Licence renewal and application fees</b>					
Renewal fees		25 628	24 778	25 628	24 778
Application fees		2 476	2 793	2 476	2 793
		<b>28 104</b>	<b>27 571</b>	<b>28 104</b>	<b>27 571</b>
<b>Note 3 Underwriting</b>					
<b>Note 3.1 Earned premiums</b>					
Premiums received		53 727	50 436	53 727	50 436
Less: Outward reinsurance premium expense		(37 673)	(35 927)	(37 673)	(35 927)
BSA's share of premiums		16 054	14 509	16 054	14 509
Less: Unearned premiums at end of year		(7 991)	(7 277)	(7 991)	(7 277)
Total premiums received and earned during the year		8 063	7 232	8 063	7 232
Add: Unearned premiums at beginning of year		7 277	6 034	7 277	6 034
<b>Earned premiums</b>		<b>15 340</b>	<b>13 266</b>	<b>15 340</b>	<b>13 266</b>
<b>Note 3.2 Net claims</b>					
Claims approved and charged		69 076	71 726	69 076	71 726
Less: Reinsurance and other recoveries revenue		(45 453)	(48 759)	(45 453)	(48 759)
<b>Net claims</b>	26	<b>23 623</b>	<b>22 967</b>	<b>23 623</b>	<b>22 967</b>
<b>Loss on underwriting</b>		<b>(8 283)</b>	<b>(9 701)</b>	<b>(8 283)</b>	<b>(9 701)</b>
Participation in the Insurance Scheme					
Date		BSA	Brokers/ Reinsurers	BSA	Brokers/ Reinsurers
Pre - 01/07/91		10.0%	90.0%	10.0%	90.0%
01/07/91 - 30/06/98		25.0%	75.0%	25.0%	75.0%
01/07/98 - 30/09/99		30.0%	70.0%	30.0%	70.0%
01/10/99 - 30/06/03		25.0%	75.0%	25.0%	75.0%
01/07/03 - 30/06/04		32.5%	67.5%	32.5%	67.5%
01/07/04 - 30/06/08		25.0%	75.0%	25.0%	75.0%
01/07/08 - 30/06/10		20.0%	80.0%	20.0%	80.0%
01/07/10 - 30/06/12		30.0%	70.0%	30.0%	70.0%
<b>Note 3.3 Administration Fees</b>					
Administration fees received		11 852	11 587	11 852	11 587
Movement in the provision for future claims processing		(3 698)	(3 698)	(3 698)	(3 698)
<b>Administration fees after provision for future claims processing</b>		<b>8 154</b>	<b>7 889</b>	<b>8 154</b>	<b>7 889</b>
<b>Note 4 Investment revenue</b>					
Interest		714	789	714	789
Changes in net market value of investments - unrealised		2 031	15 426	2 031	15 426
		<b>2 745</b>	<b>16 215</b>	<b>2 745</b>	<b>16 215</b>
<b>Note 5 Other revenue</b>					
Court fines awarded		3 278	2 566	3 278	2 566
Search fees		114	117	114	117
Owner builder fees		609	597	609	597
Appraisal of government contracts		478	590	478	590
Other		504	523	504	523
		<b>4 983</b>	<b>4 393</b>	<b>4 983</b>	<b>4 393</b>

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

	Note	Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Note 6 Gain/(Loss) on disposal of non-current assets</b>					
Proceeds from sale of non-current assets		247	203	247	203
Carrying value of non-current assets sold or disposed	16	( 257)	( 212)	( 257)	( 212)
<b>Gain/(Loss) on disposal</b>		<b>( 10)</b>	<b>( 9)</b>	<b>( 10)</b>	<b>( 9)</b>
<b>Note 7 Supplies and services</b>					
Equipment maintenance		134	182	134	182
Information systems maintenance		1 393	1 607	1 393	1 607
Lease rentals		883	1 189	883	1 189
Miscellaneous office equipment		695	349	695	349
Office rentals and outgoings		3 144	3 237	3 144	3 237
Amortisation of leasehold restoration paid in advance	18	72	72	72	72
Legal fees		3 853	2 730	3 853	2 730
Engineering and other commission fees		1 278	1 599	1 278	1 599
Consultants fees		705	689	705	689
Printing and stationery		351	483	351	483
Travelling expenses		307	412	307	412
Motor vehicle expenses		344	312	344	312
Postage and telephones		1 086	1 006	1 086	1 006
Advertising		227	228	227	228
Bank fees and charges		572	504	572	504
Insurance costs		196	199	196	199
Administration charges - BSEO		-	-	31 785	29 852
		<b>15 240</b>	<b>14 798</b>	<b>47 025</b>	<b>44 650</b>
Total internal audit fees relating to the 2011-2012 financial year are \$272,290 (2011 \$192,643). Ernst & Young have performed internal audits & investigations during the financial year.					
<b>Note 8 Employee expenses</b>					
<b>Employee Benefits</b>					
Wages and salaries		24 087	22 598	802	414
Employer superannuation contributions		3 096	2 929	26	25
Annual leave expense		2 583	2 468	19	22
Long service leave expense		1 034	573	11	6
Less: capitalised cost		( 48)	-	-	-
		<b>30 752</b>	<b>28 568</b>	<b>858</b>	<b>467</b>
<b>Employee Related Expenses</b>					
Workers' compensation premium		150	115	1	1
Payroll tax		1 446	1 358	13	13
Fringe benefits tax		321	302	16	13
Training		412	388	412	388
Recruitment		103	40	103	40
Other employee related expenses		33	38	33	38
		<b>2 465</b>	<b>2 241</b>	<b>578</b>	<b>493</b>
		<b>33 217</b>	<b>30 809</b>	<b>1 436</b>	<b>960</b>

The number of employees including both full-time employees and part-time employees measured on a full time equivalent basis is:

<b>Number of Employees</b>	<b>363</b>	<b>374</b>	<b>1*</b>	<b>1*</b>
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\*The only full time employee of the BSA is the General Manager. However, from time to time BSA pays for the services of contractors and temporary staff from external agencies. The total number of contractors and temporary staff as at the 30 June 2012 was nine. The cost of these staff have been classified as salary costs.

## Queensland Building Services Authority and Controlled Entity

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 9 Key executive management personnel and remuneration

##### a) Key Executive Management Personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from position)
General Manager	The General Manager is required to strategically lead and manage the BSA to deliver its services to the building construction industry and consumers.	SES4.2; Governor in Council	4/2/2001
Deputy General Manager *	The Deputy General Manager is required to provide leadership support to the General Manager and strategically coordinate Area Office service delivery with the activities of BSA programs.	SES2.5; Contract	12/2/2002
Deputy General Manager Operations and Service Delivery*	The Deputy General Manager is required to provide leadership support to the General Manager and strategically coordinate Operations and Service delivery with the activities of BSA programs.	SES2.5; Contract	2/6/2012
Deputy General Manager Policy, Strategy and Legislation Development *	The Deputy General Manager is required to provide leadership support to the General Manager and strategically coordinate policy, strategy and legislation development within BSA.	SES2.5; Contract	23/01/2012**
Executive Manager Resolution and Regulatory Services *	The Executive Manager Resolution and Regulatory Services is required to provide leadership support to the General Manager and strategically lead and manage the Resolution and Regulatory Program.	SES2.2; Contract	23/01/2012***
Executive Manager Compliance, Recoveries and Legal Services *	The Executive Manager Compliance, Recoveries and Legal Services is required to provide leadership support to the General Manager and strategically lead and manage the Compliance, Debt Recovery, Legal Services and Right to Information Programs.	SO.3; Contract	6/2/2008
Executive Manager Business Services and Insurance *	The Executive Manager Business Services and Insurance is required to provide leadership support to the General Manager and strategically lead and manage the Insurance and Business Services Program.	SO.3; Contract	6/2/2008
Executive Manager Policy, Legislation and Research *	The Executive Manager Policy, Legislation & Research is required to provide leadership support to the General Manager and strategically lead and manage the Legislation and Support Services Program.	SO.3; Contract	1/23/2012
Executive Manager Customer Relations and Communication *	The Executive Manager Customer Relations and Communication is required to provide leadership support to the General Manager and strategically lead and manage the Customer Relations, Strategic Communication and Education Program.	SO.3; Contract	6/14/2008
Adjudication Registrar and Executive Manager Contractual Development *	The Adjudication Registrar and Executive Manager Contractual Development is required to manage the registry and the administrative affairs of the adjudication registry, and manage the development and use of construction contracts.	SO.1; Contract	6/25/2008
Executive Manager Area Offices *	The Executive Manager Area Offices is required to provide leadership support to the General Manager and strategically coordinate Area Office service delivery.	SO.1; Contract	16/05/2011 (acting)

\* Indicates employees for the BSEO

\*\* Appointed from Executive Manager Resolution and Regulatory Services

\*\*\* Appointed from Executive Manager Policy, Legislation and Research



**Note 9 Key executive management personnel and remuneration (Continued)**

**a) Key Executive Management Personnel (continued)**

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from position)
Chair of the Board	The Board Members are required to provide strategic advice to the General Manager and provide advice to the Minister on issues affecting the industry.	Governor in Council	10/1/2005
Board Member		Governor in Council	8/1/1994
Board Member		Governor in Council	1/10/2002 (30/09/2011)
Board Member		Governor in Council	1/22/2007
Board Member		Governor in Council	1/09/2008 (30/09/11)
Board Member		Governor in Council	10/20/2008
Board Member		Governor in Council	12/1/2011
Board Member		Governor in Council	12/1/2011
Board Member		Governor in Council	12/1/2011

Note: all current board members were reappointed on 01/12/2011

**b) Remuneration**

Remuneration policy for the agency's key executive management personnel is set by the BSA. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of other benefit including motor vehicles.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components :

- Short term employee benefits which include:
  - Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
  - Long term employee benefits include long service leave accrued.
  - Post employment benefits include superannuation contributions.
  - Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 9 Key executive management personnel and remuneration (Continued)**

**b) Remuneration (Continued)**

**1 July 2011 - 30 June 2012**

Position (date resigned if applicable)	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base \$'000	Non-Monetary Benefits \$'000				
General Manager	196	23	5	25	-	\$'000 249
Deputy General Manager *	27	17	3	13	-	60
Deputy General Manager Operations and Service Delivery*	63	4	2	7	-	76
Deputy General Manager Policy, Strategy and Legislation Development *	146	20	4	18	-	188
Executive Manager Resolution and Regulatory Services *	92	26	2	13	-	133
Executive Manager Compliance, Recoveries and Legal Services *	119	25	3	16	-	163
Executive Manager Business Services and Insurance *	116	32	3	15	-	166
Executive Manager Policy, Legislation and Research *	56	5	1	7	-	69
Executive Manager Customer Relations and Communication *	123	25	3	16	-	167
Adjudication Registrar and Executive Manager Contractual Development *	110	11	3	14	-	138
Executive Manager Area Offices *	117	12	3	14	-	146
Chair of the Board	3	-	-	-	-	3
Board Member	5	-	-	-	-	5
Board Member (less than \$1,000)	-	-	-	-	-	-
Board Member	3	-	-	-	-	3
Board Member	1	-	-	-	-	1
Board Member	4	-	-	-	-	4
Board Member	1	-	-	-	-	1
Board Member	2	-	-	-	-	2
Board Member	1	-	-	-	-	1
<b>Total Remuneration</b>	<b>1 185</b>	<b>200</b>	<b>32</b>	<b>158</b>	<b>-</b>	<b>1 575</b>

\* Indicates employees for the BSEO

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 9 Key executive management personnel and remuneration (Continued)**

**b) Remuneration (Continued)**

**1 July 2010 - 30 June 2011**

Position (date resigned if applicable)	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base \$'000	Non-Monetary Benefits \$'000				
General Manager	202	17	5	24	-	\$'000 248
Deputy General Manager *	76	26	3	16	-	121
Executive Manager Resolution and Regulatory Services *	122	20	3	16	-	161
Executive Manager Compliance, Recoveries and Legal Services *	109	25	3	15	-	152
Executive Manager Business Services and Insurance *	119	31	3	15	-	168
Executive Manager Policy, Legislation and Research *	105	29	3	14	-	151
Executive Manager Customer Relations and Communication *	116	24	3	15	-	158
Adjudication Registrar and Executive Manager Contractual Development *	115	19	3	14	-	151
Executive Manager Area Offices *	14	-	-	2	-	16
Chair of the Board	4	-	-	-	-	4
Board Member	8	-	-	-	-	8
Board Member	3	-	-	-	-	3
Board Member	4	-	-	-	-	4
Board Member	3	-	-	-	-	3
Board Member	10	-	-	-	-	10
<b>Total Remuneration</b>	<b>1 010</b>	<b>191</b>	<b>26</b>	<b>131</b>	<b>-</b>	<b>1 358</b>

\* Indicates employees for the BSEO

# Queensland Building Services Authority and Controlled Entity

## Notes to and forming part of the financial statements for the year ended 30 June 2012

	Note	Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Note 10 Depreciation and Amortisation</b>					
Depreciation and amortisation were incurred in respect of:					
Plant and equipment	16	124	64	124	64
Motor vehicles	16	303	284	303	284
Leasehold improvements	16	724	664	724	664
Software purchased	17	10	15	10	15
Software internally generated	17	288	222	288	222
		<b>1 449</b>	<b>1 249</b>	<b>1 449</b>	<b>1 249</b>
<b>Note 11 Other expenses</b>					
External audit fees		88	56	84	53
Board members' fees and special assignments		40	40	40	40
Allowance for doubtful and impaired debts - General Fund		793	575	793	575
		<b>921</b>	<b>671</b>	<b>917</b>	<b>668</b>
Total external audit fees relating to the 2011-2012 financial year are estimated to be \$88,600 (BSA \$84,000 and BSEO \$4,600) (2011 BSA \$76,750 and BSEO \$3,500). PricewaterhouseCoopers performed the audit this year on behalf of the Queensland Audit Office. There are no non-audit services included in this amount.					
<b>Note 12 Other financial assets</b>					
Queensland Investment Corporation - at market value		135 019	134 353	135 019	134 353
		<b>135 019</b>	<b>134 353</b>	<b>135 019</b>	<b>134 353</b>
<b>Note 13 Receivables</b>					
Sundry debtors		82 650	73 329	82 650	73 329
Less: Allowance for impaired debts		(65 344)	(56 308)	(65 344)	(56 308)
		<b>17 306</b>	<b>17 021</b>	<b>17 306</b>	<b>17 021</b>
<b>Note 14 Reinsurance receivable</b>					
<b>Current</b>					
Reinsurers' share of future claims provision		28 468	28 548	28 468	28 548
		<b>28 468</b>	<b>28 548</b>	<b>28 468</b>	<b>28 548</b>
<b>Non-Current</b>					
Reinsurers' share of future claims provision		121 106	102 246	121 106	102 246
		<b>121 106</b>	<b>102 246</b>	<b>121 106</b>	<b>102 246</b>
<b>Note 15 Other current assets</b>					
Prepayments		266	372	266	372
Prepayments - outward reinsurance on unearned premium liability	22	19 334	17 508	19 334	17 508
		<b>19 600</b>	<b>17 880</b>	<b>19 600</b>	<b>17 880</b>

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Note 16 Plant and equipment</b>				
<i>Total plant and equipment</i>				
At cost	10 912	9 644	10 912	9 644
Less: Accumulated depreciation	(4 078)	(3 177)	(4 078)	(3 177)
	<b>6 834</b>	<b>6 467</b>	<b>6 834</b>	<b>6 467</b>

**Movement in carrying amount of plant and equipment**

	<b>Leasehold Improve- ments \$'000</b>	<b>Plant &amp; Equipment \$'000</b>	<b>Total \$'000</b>
<b>Consolidated Entity</b>			
<b>2011</b>			
Carrying amount at beginning of year	4 724	1 676	6 400
Acquisitions	707	584	1 291
Carrying value of non-current assets written-off/sold	-	( 212)	( 212)
Depreciation	( 664)	( 348)	(1 012)
Carrying amount at end of year	<b>4 767</b>	<b>1 700</b>	<b>6 467</b>
<b>2012</b>			
Carrying amount at beginning of year	4 767	1 700	6 467
Acquisitions	896	879	1 775
Carrying value of non-current assets written-off/sold	-	( 257)	( 257)
Depreciation	( 724)	( 427)	(1 151)
Carrying amount at end of year	<b>4 939</b>	<b>1 895</b>	<b>6 834</b>
<b>Parent Entity</b>			
<b>2011</b>			
Carrying amount at beginning of year	4 724	1 676	6 400
Acquisitions	707	584	1 291
Carrying value of non-current assets written-off/sold	-	( 212)	( 212)
Depreciation	( 664)	( 348)	(1 012)
Carrying amount at end of year	<b>4 767</b>	<b>1 700</b>	<b>6 467</b>
<b>2012</b>			
Carrying amount at beginning of year	4 767	1 700	6 467
Acquisitions	896	879	1 775
Carrying value of non-current assets written-off/sold	-	( 257)	( 257)
Depreciation	( 724)	( 427)	(1 151)
Carrying amount at end of year	<b>4 939</b>	<b>1 895</b>	<b>6 834</b>



**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Note 17 Intangible assets</b>				
<i>Total Intangible assets</i>				
At cost	8 471	8 027	8 471	8 027
Less: Amortisation	(7 437)	(7 139)	(7 437)	(7 139)
	<b>1 034</b>	<b>888</b>	<b>1 034</b>	<b>888</b>
<i>Software Purchased</i>				
At cost	7 920	7 576	7 920	7 576
Less: Amortisation	(6 992)	(6 705)	(6 992)	(6 705)
	<b>928</b>	<b>872</b>	<b>928</b>	<b>872</b>
<i>Software Internally Generated</i>				
At cost	551	451	551	451
Less: Amortisation	( 445)	( 435)	( 445)	( 435)
	<b>106</b>	<b>16</b>	<b>106</b>	<b>16</b>

**Movement in carrying amount of other intangible assets**

	<b>Software Acquired \$'000</b>	<b>Software Developed \$'000</b>	<b>Total \$'000</b>
<b>Consolidated Entity</b>			
<b>2011</b>			
Carrying amount at beginning of year	31	891	922
Acquisitions	-	203	203
Amortisation	( 15)	( 222)	( 237)
Carrying amount at end of year	<b>16</b>	<b>872</b>	<b>888</b>
<b>2012</b>			
Carrying amount at beginning of year	16	872	888
Acquisitions	100	344	444
Amortisation	( 10)	( 288)	( 298)
Carrying amount at end of year	<b>106</b>	<b>928</b>	<b>1 034</b>
<b>Parent Entity</b>			
<b>2011</b>			
Carrying amount at beginning of year	31	891	922
Acquisitions	-	203	203
Amortisation	( 15)	( 222)	( 237)
Carrying amount at end of year	<b>16</b>	<b>872</b>	<b>888</b>
<b>2012</b>			
Carrying amount at beginning of year	16	872	888
Acquisitions	100	344	444
Amortisation	( 10)	( 288)	( 298)
Carrying amount at end of year	<b>106</b>	<b>928</b>	<b>1 034</b>

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

	<b>Note</b>	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Note 18 Leasehold restoration paid in advance</b>					
Leasehold restoration paid in advance		426	498	426	498
Less: Amortisation leasehold restoration paid in advance	7	( 72)	( 72)	( 72)	( 72)
		<b>354</b>	<b>426</b>	<b>354</b>	<b>426</b>
<b>Note 19 Payables</b>					
<b>Current</b>					
Sundry creditors		26 536	28 528	26 462	28 469
Payable to BSEO for employment entitlements		-	-	8 216	7 252
Accruals		935	905	930	901
		<b>27 471</b>	<b>29 433</b>	<b>35 608</b>	<b>36 622</b>
GST payable		588	633	588	633
GST receivable		( 486)	( 548)	( 486)	( 548)
		<b>102</b>	<b>85</b>	<b>102</b>	<b>85</b>
		<b>27 573</b>	<b>29 518</b>	<b>35 710</b>	<b>36 707</b>
<b>Note 20 Accrued Employee Benefits</b>					
<b>Current</b>					
Wages and salaries outstanding		734	578	6	5
Annual leave provision		3 180	2 997	108	106
Long service leave provision		375	238	-	-
		<b>4 289</b>	<b>3 813</b>	<b>114</b>	<b>111</b>
<b>Non-Current</b>					
Long service leave provision		4 027	3 541	65	54
		<b>4 027</b>	<b>3 541</b>	<b>65</b>	<b>54</b>
<b>Note 21 Provisions</b>					
<b>Current</b>					
Leasehold restoration		44	89	44	89
Lease incentive		309	309	309	309
		<b>353</b>	<b>398</b>	<b>353</b>	<b>398</b>
<b>Non-Current</b>					
Leasehold restoration		600	644	600	644
Lease incentive		1 227	1 535	1 227	1 535
		<b>1 827</b>	<b>2 179</b>	<b>1 827</b>	<b>2 179</b>
<b>Note 22 Unearned premium liability</b>					
BSA's share	3.1	7 991	7 277	7 991	7 277
Reinsurers' share	15	19 334	17 508	19 334	17 508
		<b>27 325</b>	<b>24 785</b>	<b>27 325</b>	<b>24 785</b>

## Queensland Building Services Authority and Controlled Entity

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 22.1 Liability adequacy test

The conduct of the liability adequacy test as at 30 June 2012 identified a surplus for the insurance scheme.

After allowing for future recoveries but before allowing for claims handling expenses, GST and the prudential margin, the projected loss ratio on claims arising in respect of unearned premiums is 85%. After allowing 14% for claims handling expenses, 15% for the prudential margin and GST, the estimated present value of expected future cash flows for future claims under the liability adequacy test is \$24,679,000. This compares to an unearned premium as at 30 June 2012 of \$32,825,000. The difference between the actual calculation for unearned premium (\$27,325,160) and the estimated calculation (\$32,825,000) under the liability adequacy test is a result of the immediate recognition of the administration component of the premium. The estimated present value of expected future underwriting cash flows for future claims without the administration-related component is \$22,162,000.

The premium liabilities have been assessed after incorporating a prudential margin of 15%. This loading is to achieve a 75% confidence level in the calculation of the liabilities. This level of prudential margin is based on the indicative margins shown in the guidelines supplied by the Institute of Actuaries of Australia for meeting the 75% confidence requirement. Given the nature of the cover provided, no adjustment has been made to allow for diversification of risks.

The prudential margin for premium liabilities (15%) is higher than the prudential margin for the outstanding claims provisions (12% note 23.1) which are also subject to a 75% confidence requirement. Generally a higher margin is required for premium liabilities to achieve the 75% confidence level than for outstanding claims liabilities, as the average remaining period of settlement of the liabilities is greater than for claims in respect of past policy years, giving rise to greater uncertainty.

	Consolidated Entity		Parent Entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Note 23 Future claims and associated costs</b>				
Expected future claims payments	264 945	241 805	264 945	241 805
Discount to present value	(19 730)	(31 760)	(19 730)	(31 760)
Liability for outstanding claims	<b>245 215</b>	<b>210 045</b>	<b>245 215</b>	<b>210 045</b>
Current	46 713	46 096	46 713	46 096
Non-Current	198 502	163 949	198 502	163 949
	<b>245 215</b>	<b>210 045</b>	<b>245 215</b>	<b>210 045</b>
Represented by:				
Future claims provision	220 084	188 612	220 084	188 612
Future claims processing provision	25 131	21 433	25 131	21 433
	<b>245 215</b>	<b>210 045</b>	<b>245 215</b>	<b>210 045</b>

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

#### For the succeeding year

Inflation rate	4.50%	4.50%	4.50%	4.50%
Discount rate	2.50%	4.50%	2.50%	4.50%

#### For subsequent years

Inflation rate	4.50%	4.50%	4.50%	4.50%
Discount rate	2.50%	4.50%	2.50%	4.50%

The weighted average expected term of settlement of the outstanding claims from the balance date is estimated to be:

3.47years	3.42years	3.47years	3.42years
-----------	-----------	-----------	-----------

#### Note 23.1 Valuation of outstanding claims liabilities

The actuaries incorporated a prudential margin loading of 12% (2011: 12%) 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 has been incorporated.

#### Note 24 Commitments

##### Operating lease commitments

Total operating lease expenditure, exclusive of GST, contracted for at balance date but not provided for in accounts payable:

- not later than one year	2 616	2 595	2 616	2 595
- later than one year and not later than five years	10 888	10 832	10 888	10 832
- later than five years	1 686	4 409	1 686	4 409
	<b>15 190</b>	<b>17 836</b>	<b>15 190</b>	<b>17 836</b>

BSA leases property, plant and equipment under operating leases expiring from 1 to 11 years. Property leases generally provide BSA with a right of renewal at which time all terms are renegotiated. Lease payments are generally fixed with inflation escalation clauses on which contingent rentals are determined.

## Queensland Building Services Authority and Controlled Entity

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 25 Segment information

As stated in Note 1(a), BSA is comprised of a General Statutory Fund and an Insurance Fund. The General Statutory Fund derives the majority of its revenue from fees received from building industry contractors to obtain and renew licences required under the *Queensland Building Services Authority Act 1991*. The Insurance Fund derives its revenue from underwriting premiums and administration fees from operating the insurance scheme.

	General Statutory Fund			Insurance Fund			Total
	2012	2011		2012	2011		
	\$'000	\$'000		\$'000	\$'000		
<b>Consolidated Entity</b>							
<b>Primary reporting segments</b>							
<b>Revenue</b>							
Revenue from external sources	34 084	33 189		108 358	120 822		154 011
Total segment revenue	34 084	33 189		108 358	120 822		154 011
<b>Expenditure</b>							
Expenditure from external sources	33 254	31 492		124 322	123 688		155 180
Total segment expenditure	33 254	31 492		124 322	123 688		155 180
Net segment result	830	1 697		(15 964)	(2 866)		(1 169)
<b>Parent Entity</b>							
<b>Primary reporting segments</b>							
<b>Revenue</b>							
Revenue from external sources	34 084	33 189		108 358	120 822		154 011
Total segment revenue	34 084	33 189		108 358	120 822		154 011
<b>Expenditure</b>							
Expenditure from external sources	33 254	31 492		124 322	123 688		155 180
Total segment expenditure	33 254	31 492		124 322	123 688		155 180
Net segment result	830	1 697		(15 964)	(2 866)		(1 169)

Notes to and forming part of the financial statements for the year ended 30 June 2012

Note 25 Segment information (continued)

	General Statutory Fund			Insurance Fund			Larry Fund			Total
	2012	2011		2012	2011		2012	2011		
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000		\$'000
<b>Consolidated Entity</b>										
<b>Primary reporting segments</b>										
<b>Assets</b>										
Segment assets	35 192	33 884		309 127	291 309		2 218	148		325 341
<b>Liabilities</b>										
Segment liabilities	12 664	12 186		295 727	261 945		2 218	148		274 279
<b>Net assets</b>										
Segment net assets	22 528	21 698		13 400	29 364		-	-		51 062
<b>Other segment information</b>										
Acquisition of non-current segment assets	2 219	1 494		-	-		-	-		1 494
Depreciation and amortisation of non-current segment assets	1 450	1 249		-	-		-	-		1 249
Other non-cash segment expenses / (gains)	( 537)	( 196)		(8 844)	(10 057)		-	-		(10 253)
<b>Parent Entity</b>										
<b>Primary reporting segments</b>										
<b>Assets</b>										
Segment assets	35 192	33 884		309 127	291 309		2 218	148		325 341
<b>Liabilities</b>										
Segment liabilities	12 664	12 186		295 727	261 945		2 218	148		274 279
<b>Net assets</b>										
Segment net assets	22 528	21 698		13 400	29 364		-	-		51 062
<b>Other segment information</b>										
Acquisition of non-current segment assets	2 219	1 494		-	-		-	-		1 494
Depreciation and amortisation of non-current segment assets	1 450	1 249		-	-		-	-		1 249
Other non-cash segment expenses / (gains)	( 537)	( 196)		(8 844)	(10 057)		-	-		(10 253)



**Notes to and forming part of the financial statements for the year ended 30 June 2012****Note 26 Net claims incurred**

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

	Consolidated Entity						Parent Entity			
	2012			2011			2012		2011	
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Current Year \$'000	Prior Years \$'000
Gross claims incurred and related expenses - undiscounted	31 819	17 981	49 800	29 890	44 790	74 680	31 819	17 981	29 890	44 790
Reinsurance and other recoveries - undiscounted	(20 248)	(10 944)	(31 192)	(19 021)	(32 011)	(51 032)	(20 248)	(10 944)	(19 021)	(32 011)
Net claims incurred - undiscounted	11 571	7 037	18 608	10 869	12 779	23 648	11 571	7 037	10 869	12 779
Discount and discount movement - gross claims incurred	(2 661)	21 937	19 276	(4 643)	1 689	(2 954)	(2 661)	21 937	(4 643)	1 689
Discount and discount movement - reinsurance and other recoveries	1 693	(14 956)	(13 263)	2 955	(1 032)	1 923	1 693	(14 956)	2 955	(1 032)
Net discount movement	(968)	6 981	6 013	(1 688)	657	(1 031)	(968)	6 981	(1 688)	657
Total discounted net incurred claims	10 603	14 018	24 621	9 181	13 436	22 617	10 603	14 018	9 181	13 436

	Note	Consolidated Entity			Parent Entity		
		2012	2011		2012	2011	
<b>Other recoveries undiscounted</b>		<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	
Claims recoverable from licensees		32 170	29 084		32 170	29 084	
Allowance for impaired receivables		(29 240)	(31 191)		(29 240)	(31 191)	
		2 930	(2 107)		2 930	(2 107)	
Reinsurers' portion		(1 897)	1 757		(1 897)	1 757	
Total undiscounted recoveries		<b>1 033</b>	<b>( 350)</b>		<b>1 033</b>	<b>( 350)</b>	
Total discounted net incurred claims		24 656	22 617		24 656	22 617	
Add: other recoveries undiscounted		(1 033)	350		(1 033)	350	
<b>Underwriting claims</b>	3.2	<b>23 623</b>	<b>22 967</b>		<b>23 623</b>	<b>22 967</b>	

## Queensland Building Services Authority and Controlled Entity

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### Note 27 Contingent liabilities

##### Consolidated revenue grant

During the 1998/99 financial year BSA received a \$1.45M grant from the State Government Consolidated Revenue. The grant was made to provide short-term funding support for BSA pending resolution of BSA's long-term funding strategy through the Government's Better Building Industry reforms. The grant was treated as income in BSA's accounts and as a general expense in the Government's accounts for 1998/99. As a result of a subsequent Cabinet Decision, the Government requires the grant to be repaid on a future date. Treasury advice is that the funds are to be repaid as a dividend, with the timing of this repayment dependent on BSA's capacity to do so and to be examined in subsequent annual budget development processes.

As at 30 June 2012, the value of the contingent liability remained at \$1.45M. Provision for payment of the contingent liability, in full or part, was not made in the 2012/13 BSA budget.

##### Professional Indemnity Insurance

As at 30 June 2012, the total combined potential amount outstanding is \$30,000.

#### Note 28 Financial instruments

##### (a) Categorisation of Financial Instruments

The Consolidated Entity has the following categories of financial assets and financial liabilities:

		Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
Category	Note	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	30	16 816	17 512	16 816	17 512
Receivables	13	17 306	17 021	17 306	17 021
Reinsurance receivable	14	149 574	130 794	149 574	130 794
Investments with Queensland Investment Corporation (QIC)	12	135 019	134 353	135 019	134 353
Total		318 715	299 680	318 715	299 680
Financial Liabilities					
Financial liabilities measured at amortised cost:					
Payables	19	27 573	29 518	35 710	36 707
Total		27 573	29 518	35 710	36 707

##### (b) Financial Risk Management

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

Financial risk management is implemented pursuant to Government and BSA policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Consolidated Entity.

All financial risk is managed by the Business Service Division under policies approved by the BSA. The BSA provides written principles for overall risk management, as well as policies covering specific areas.

The Consolidated Entity measures risk exposure using a variety of methods as follows -

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

##### (c) Credit Risk Exposure

Credit risk exposure refers to the situation where the Consolidated Entity 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 is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the Consolidated Entity's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum Exposure to Credit Risk		Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
Category	Note	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Reinsurance receivable	14	149 574	130 793	149 574	130 793
Total		149 574	130 793	149 574	130 793

**Note 28 Financial instruments (continued)**

**(c) Credit Risk Exposure (continued)**

The carrying amount of receivables represents the maximum exposure to credit risk. As such receivables is not included in the above disclosure.

No collateral is held as security and no credit enhancements relate to financial assets held by the Consolidated Entity.

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

No financial assets and financial liabilities have been offset and presented net in the Statements of Financial Position.

The method for calculating any allowance for impairment is based on past experience for certain receivables such as fines and costs awarded by courts. In the case of recovery of insurance claims, each receivable is examined and assessed for potential impairment on a regular basis in the light of the circumstances surrounding the creation of the receivable and subsequent recovery attempts.

Most impairment losses occur in the area of recovery of insurance claims paid from offending builders who in the majority of cases cease to trade due to bankruptcy or insolvency. The Consolidated Entity recognises this facet of its business and makes the necessary allowance in premium charges and budget expenditure forecasts.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

**Consolidated Entity**

<b>2012 Financial Assets Past due But Not Impaired</b>	Less than 30			More than 90	
	Days	30 -60 Days	61 -90 Days	Days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Receivables - General Fund	625	795	300	2 411	4 131
Receivables - Insurance Fund	1 869	528	253	4 650	7 300
<b>Total</b>	<b>2 494</b>	<b>1 323</b>	<b>553</b>	<b>7 061</b>	<b>11 431</b>

<b>2011 Financial Assets Past due But Not Impaired</b>	Less than 30			More than 90	
	Days	30 -60 Days	61 -90 Days	Days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Receivables - General Fund	919	282	163	2 452	3 816
Receivables - Insurance Fund	4 993	1 461	2 517	4 234	13 205
<b>Total</b>	<b>5 912</b>	<b>1 743</b>	<b>2 680</b>	<b>6 686</b>	<b>17 021</b>

**Parent Entity**

<b>2012 Financial Assets Past due But Not Impaired</b>	Less than 30			More than 90	
	Days	30 -60 Days	61 -90 Days	Days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Receivables - General Fund	625	795	300	2 411	4 131
Receivables - Insurance Fund	1 869	528	253	4 650	7 300
<b>Total</b>	<b>2 494</b>	<b>1 323</b>	<b>553</b>	<b>7 061</b>	<b>11 431</b>

<b>2011 Financial Assets Past due But Not Impaired</b>	Less than 30			More than 90	
	Days	30 -60 Days	61 -90 Days	Days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Receivables - General Fund	919	282	163	2 452	3 816
Receivables - Insurance Fund	4 993	1 461	2 517	4 234	13 205
<b>Total</b>	<b>5 912</b>	<b>1 743</b>	<b>2 680</b>	<b>6 686</b>	<b>17 021</b>

Note 28 Financial instruments (continued)

(c) Credit Risk Exposure (continued)

Consolidated Entity

<b>2012 Impaired Financial Assets</b>	Less than 30 Days \$'000	30 -60 Days \$'000	61 -90 Days \$'000	More than 90 Days \$'000	Total \$'000
<b>Financial Assets</b>					
Receivables - General Fund	14	27	15	2 573	2 629
Allowance for Impairment - General Fund	( 2)	( 8)	( 5)	(2 195)	(2 210)
Receivables - Insurance Fund	3 057	3 458	1 225	60 844	68 584
Allowance for Impairment - Insurance Fund	(2 104)	(2 941)	(1 149)	(56 940)	(63 134)
<b>Total</b>	<b>965</b>	<b>536</b>	<b>86</b>	<b>4 282</b>	<b>5 869</b>

<b>2011 Impaired Financial Assets</b>	Less than 30 Days \$'000	30 -60 Days \$'000	61 -90 Days \$'000	More than 90 Days \$'000	Total \$'000
<b>Financial Assets</b>					
Receivables - General Fund	-	-	-	2 222	2 222
Allowance for Impairment - General Fund	-	-	-	(1 698)	(1 698)
Receivables - Insurance Fund				65 564	65 564
Allowance for Impairment - Insurance Fund				(54 610)	(54 610)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 478</b>	<b>11 478</b>

Parent Entity

<b>2012 Impaired Financial Assets</b>	Less than 30 Days \$'000	30 -60 Days \$'000	61 -90 Days \$'000	More than 90 Days \$'000	Total \$'000
<b>Financial Assets</b>					
Receivables - General Fund	14	27	15	2 573	2 629
Allowance for Impairment - General Fund	( 2)	( 8)	( 5)	(2 195)	(2 210)
Receivables - Insurance Fund	3 057	3 458	1 225	60 844	68 584
Allowance for Impairment - Insurance Fund	(2 104)	(2 941)	(1 149)	(56 940)	(63 134)
<b>Total</b>	<b>965</b>	<b>536</b>	<b>86</b>	<b>4 282</b>	<b>5 869</b>

<b>2011 Impaired Financial Assets</b>	Less than 30 Days \$'000	30 -60 Days \$'000	61 -90 Days \$'000	More than 90 Days \$'000	Total \$'000
<b>Financial Assets</b>					
Receivables - General Fund	-	-	-	2 222	2 222
Allowance for Impairment - General Fund	-	-	-	(1 698)	(1 698)
Receivables - Insurance Fund	-	-	-	65 564	65 564
Allowance for Impairment - Insurance Fund	-	-	-	(54 610)	(54 610)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 478</b>	<b>11 478</b>

Notes to and forming part of the financial statements for the year ended 30 June 2012

Note 28 Financial instruments (continued)

(d) Liquidity Risk

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

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

The Consolidated Entity manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Consolidated Entity 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 medium term requirements are held with Queensland Treasury Corporation in order to maximise opportunity gains. Long term requirements are invested in various Queensland Investment Corporation products.

The following table sets out the liquidity risk of financial liabilities held by the Consolidated Entity.

Consolidated Entity		2012 Payable in		
		< 1year	> 1 year	Total
<b>Financial Liabilities</b>	Note	\$'000	\$'000	\$'000
Payables	19	27 573	-	27 573
Future claims and associated costs	23	46 713	198 502	245 215
<b>Total</b>		<b>74 286</b>	<b>198 502</b>	<b>272 788</b>

		2011 Payable in		
		< 1year	> 1 year	Total
<b>Financial Liabilities</b>	Note	\$'000	\$'000	\$'000
Payables	19	29 518	-	29 518
Future claims and associated costs	23	46 096	163 949	210 045
<b>Total</b>		<b>75 614</b>	<b>163 949</b>	<b>239 563</b>

Parent Entity		2012 Payable in		
		< 1year	> 1 year	Total
<b>Financial Liabilities</b>	Note	\$'000	\$'000	\$'000
Payables	19	35 710	-	35 710
Future claims and associated costs	23	46 713	198 502	245 215
<b>Total</b>		<b>82 423</b>	<b>198 502</b>	<b>280 925</b>

		2011 Payable in		
		< 1year	> 1 year	Total
<b>Financial Liabilities</b>	Note	\$'000	\$'000	\$'000
Payables	19	36 707	-	36 707
Future claims and associated costs	23	46 096	163 949	210 045
<b>Total</b>		<b>82 803</b>	<b>163 949</b>	<b>246 752</b>



# Queensland Building Services Authority and Controlled Entity

## Notes to and forming part of the financial statements for the year ended 30 June 2012

### Note 28 Financial instruments (continued)

#### (e) Market Risk

The Consolidated Entity does not trade in foreign currency and is not materially exposed to commodity price changes. The Consolidated Entity is exposed to interest rate risk and equity investment market risk through its investments with QTC (Cash) and Queensland Investment Corporation (QIC) (Cash and Equities). The Consolidated Entity does not undertake any hedging in relation to interest risk and manages its risk as per the Consolidated Entity's liquidity risk management strategy articulated in the Consolidated Entity's Financial Management Practice Manual.

#### (f) Interest Rate and Market Sensitivity Analysis

The following interest rate sensitivity analysis is based on monthly reports to management depicting current returns on investments accompanied by market analysis provided by QIC.

It depicts the outcome to profit and loss if interest rates would change by +/-1% from the year end rates applicable to the Consolidated Entity's investment assets. With all other variables held constant, the Consolidated Entity would have a surplus and equity increase/(decrease) of \$1,518,000 (2011: \$1,518,000). This is mainly due to the Consolidated Entity's exposure to variable interest rates on its cash investments and the volatility of the equity market.

BSA's investment focus is toward managing balance sheet risk. This strategy aims to ensure BSA is able to meet its long term liabilities as and when they arise. This strategy is implemented by gradually pursuing an investment strategy of 70% growth, 20% cash and 10% cash enhanced. The last review was undertaken in 2009 with a commencement date of 2010. Decisions regarding maintenance or adjustment to the strategy are based on BSA's actuarial and investment managers advice.

The Consolidated Entity monitors closely its investment assets particularly as it is exposed to a greater market rate variance than shown with regards to its equity investments.

#### Consolidated Entity

	Carrying Amount \$,000	2012 Interest rate /equity market risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Cash incl QTC and QIC investments	16 816	( 168)	( 168)	168	168
QIC Cash Enhanced Fund	39 872	( 399)	( 399)	399	399
QIC Growth Fund	95 146	( 951)	( 951)	951	951
<b>Overall effect on profit and equity</b>		<b>(1 518)</b>	<b>(1 518)</b>	<b>1 518</b>	<b>1 518</b>
	Carrying Amount \$,000	2011 Interest rate /equity market risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Cash incl QTC Investments	17 512	( 175)	( 175)	175	175
QIC Cash Enhanced Fund	39 240	( 392)	( 392)	392	392
QIC Growth Fund	95 114	( 951)	( 951)	951	951
<b>Overall effect on profit and equity</b>		<b>(1 518)</b>	<b>(1 518)</b>	<b>1 518</b>	<b>1 518</b>

#### Parent Entity

	Carrying Amount \$,000	2012 Interest rate /equity market risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Cash incl QTC and QIC investments	16 816	( 168)	( 168)	168	168
QIC Cash Enhanced Fund	39 872	( 399)	( 399)	399	399
QIC Growth Fund	95 146	( 951)	( 951)	951	951
<b>Overall effect on profit and equity</b>		<b>(1 518)</b>	<b>(1 518)</b>	<b>1 518</b>	<b>1 518</b>
	Carrying Amount \$,000	2011 Interest rate /equity market risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Cash incl QTC Investments	17 512	( 175)	( 175)	175	175
QIC Cash Enhanced Fund	39 240	( 392)	( 392)	392	392
QIC Growth Fund	95 114	( 951)	( 951)	951	951
<b>Overall effect on profit and equity</b>		<b>(1 518)</b>	<b>(1 518)</b>	<b>1 518</b>	<b>1 518</b>

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 28 Financial instruments (continued)**

**(e) Fair Value**

The BSA does not recognise any financial assets or financial liabilities at fair value.

The fair value of receivables and payables is assumed to approximate the value of the original transactions, less any allowance for impairment.

**Note 29 Reconciliation of net cash provided by operating activities to operating deficit**

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Deficit</b>	(15 134)	(1 169)	(15 134)	(1 169)
<b>Non-cash items in operating surplus:</b>				
Provisions for impaired debts	9 036	9 969	9 036	9 969
Increase / (decrease) in accrued employee benefits	962	177	13	
Increase / (decrease) in provisions	( 398)	( 54)	( 398)	( 47)
Depreciation and amortisation	1 449	1 249	1 449	1 249
Net loss on sale of plant and equipment	10	9	10	9
Changes in net market value of investments	(2 031)	(15 426)	(2 031)	(15 426)
<b>Net change in operating assets and liabilities:</b>				
(Increase) / decrease in receivables	(28 100)	(29 921)	(28 100)	(29 921)
(Increase) / decrease in other current assets	106	19	106	19
Increase / (decrease) in sundry creditors and accruals	(3 894)	(1 570)	(2 945)	(1 400)
Increase / (decrease) in accrued claims	35 170	36 236	35 170	36 236
Increase / (decrease) in unearned premiums	2 541	(5 635)	2 541	(5 635)
(Increase) / decrease in prepayments - outward reinsurance	(1 826)	6 878	(1 826)	6 878
<b>Net cash provided by operating activities</b>	<b>(2 109)</b>	<b>762</b>	<b>(2 109)</b>	<b>762</b>

Notes to and forming part of the financial statements for the year ended 30 June 2012

	Note	Consolidated Entity		Parent Entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000

**Note 30 Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and on deposit with financial institutions for operating activities. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

Cash		726	842	727	842
Deposits at call		16 090	16 670	16 090	16 670
Total cash and cash equivalents	1(q)	<u>16 816</u>	<u>17 512</u>	<u>16 816</u>	<u>17 512</u>

The *Queensland Building Services Authority Act 1991* 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 Authority as at 30 June 2012 is:

**General Statutory Fund**

Cash	222	194	222	194
Deposits at call	<u>2 457</u>	<u>1 979</u>	<u>2 457</u>	<u>1 979</u>
	2 679	2 173	2 679	2 173

**Insurance Fund**

Cash	448	614	448	614
Deposits at call	<u>11 471</u>	<u>14 577</u>	<u>11 471</u>	<u>14 577</u>
	11 919	15 191	11 919	15 191

**Disaster Relief Fund**

Cash	56	34	56	34
Deposits at call	<u>2 162</u>	<u>114</u>	<u>2 162</u>	<u>114</u>
	2 218	148	2 218	148

**Queensland Building Services Employing Office**

Cash	-	-	-	-
Deposits at call	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-

<b>Total</b>		<u>16 816</u>	<u>17 512</u>	<u>16 816</u>	<u>17 512</u>
--------------	--	---------------	---------------	---------------	---------------

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 31 Insurance Contracts Risk Management**

The Authority's home warranty insurance provides Queensland consumers with a comprehensive "first resort" Home Warranty Insurance scheme. The scheme provides protection against non-completion of contracted works, ancillary benefits such as fire, storm and tempest and rectification of defects, including protection against subsidence and settlement.

The scheme is a not for profit scheme.

The Authority is overseen by the Queensland Building Services Board (QBS Board) which also has the responsibility for overseeing the Statutory Insurance Scheme.

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

To ensure the scheme continues to provide comprehensive "cost effective" cover, the Authority is committed to a dedicated risk management framework which provides reasonable assurance to the scheme's stakeholders that the scheme is soundly managed.

Risk is managed through several mechanisms.

**Reinsurance**

As part of the risk management strategy the Authority 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 Authority's business. The strategy is reviewed and approved by the QBS Board each financial year.

The level of reinsurance is agreed by the QBS Board on advice from the Authority's appointed Actuary, General Manager and Executive Manager Business Services and Insurance. The level of reinsurance must ensure that at all times the Authority will have sufficient capacity to meet its obligations as they fall due.

Reinsurers must be approved by the QBS Board upon recommendation from the General Manager and Executive Manager Business Services and Insurance.

**Risk Mitigation**

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

**Underwriting**

**Risk acceptance**

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

Under BSA's financial requirements for licensing, an entity wishing to hold a technical licence to perform residential construction work in Queensland must meet experiential, financial and managerial requirements. Currently these requirements include a sliding scale of net tangible assets depending on the contractor's annual turnover and a minimum liquidity test of 1:1 for all contractors.

Once an entity has been granted a licence to perform residential construction work, eligibility to the insurance scheme is automatic. Queensland Building Services Authority Act 1991 Part 5 Section 69 (2) provides that any contract entered into by an entity licensed to perform residential construction work is deemed covered by the statutory insurance scheme whether or not the premium has been paid.

Risk is managed by monitoring the licensee's capacity to continually meet the financial requirements and restricting their annual allowable turnover based on the level of net tangible assets held. The licensee's actual turnover is then monitored through the value of the contracts entered into, which is part of the data collected for each insurance policy issued. If it is shown that, at any stage, a licensee fails to meet those requirements the licence is suspended and may ultimately be cancelled.

**Note 31 Insurance Contracts Risk Management (continued)**

***Risk Pricing***

The Authority establishes, monitors and reviews its product pricing in accordance with sound prudential management standards. 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's Actuary to ensure adequacy prior to implementation.

***Warranty contract terms and conditions***

The terms and conditions of the Authority's warranty contract reflect the level of risk accepted by the scheme. The Authority's contracts are of six and a half years duration for a single premium payment. As a statutory provider the terms and conditions of the contract are not negotiable.

***Claims Management***

The Authority's claims are primarily handled by case managers with the requisite degree of experience and technical skill. All claims are managed in accordance with strict policies and procedures including strict financial delegations.

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

***Investment Management***

The scheme's assets are invested in accordance with the QBS 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 Authority is not subject to the general insurance industry's regulatory supervisor, the Australian Prudential Regulatory Authority (APRA). The Authority does, however, voluntarily comply with the conditions APRA places upon the general insurance industry.

***Claims Development***

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

As part of the bi-annual reporting, the Authority's actuary provides comment in relation to claims development. The scheme provides cover against non-completion of contract works, defects in contracted works and subsidence or movement in contracted works. Each of these claims types has a distinct development pattern; non-completion claims being approved principally in the first two development periods, defects being approved up to the 9th development period and subsidence up to the 10th and 11th development period.

As part of the Authority's management of the scheme, the Authority's actuary reviews claims development patterns as part of the bi-annual scheme performance review and calculates the outstanding claims liability.

<b>Outstanding Claims Provision</b>	<b>6/30/2012</b>	<b>6/30/2011</b>
	<b>\$m</b>	<b>\$m</b>
Central estimate of future claims	197.5	168.4
Risk margin based on the 75% adequacy level	22.6	20.2
Future claims processing provision	25.1	21.4
<b>Total</b>	<b>245.2</b>	<b>210.0</b>



# Queensland Building Services Authority and Controlled Entity

## Notes to and forming part of the financial statements for the year ended 30 June 2012

### Note 31 Insurance Contracts Risk Management (continued)

The Authority has adopted the accounting standard AASB 1023 for the calculation and preparation of the financial statements. The calculation of the outstanding claims provision meets this accounting standard.

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

- Average claim size;
- Ultimate claims rate;
- Large claims loading;
- Inflation;
- Super-imposed inflation;
- Discount rate; and
- Claims handling expense ratio.

#### Sensitivity testing

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

- Average claim size;
- Ultimate claims rate;
- Inflation;
- Large claims loading; and
- Discount rate.

#### Inflation Rate and Discount Rate Sensitivity Analysis

The estimate of the Consolidated Entity'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. The tables below indicate the effect a 1% variance would have on the assumed rates used.

#### Consolidated Entity

##### Primary results inflation assumption: 4.5%

	Carrying Amount \$,000	2012 Inflation rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Future claims and associated costs	245 215	8 088	8 088	(8 411)	(8 411)
Reinsurers' share of future claims provision	(149 573)	(4 931)	(4 931)	5 126	5 126
<b>Overall effect on profit and equity</b>		<b>3 157</b>	<b>3 157</b>	<b>(3 285)</b>	<b>(3 285)</b>

##### Primary results inflation assumption: 4.5%

	Carrying Amount \$,000	2011 Inflation rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Future claims and associated costs	210 045	7 064	7 064	(7 341)	(7 341)
Reinsurers' share of future claims provision	(130 793)	(4 411)	(4 411)	4 584	4 584
<b>Overall effect on profit and equity</b>		<b>2 653</b>	<b>2 653</b>	<b>(2 757)</b>	<b>(2 757)</b>

#### Parent Entity

##### Primary results inflation assumption: 4.5%

	Carrying Amount \$,000	2012 Inflation rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Future claims and associated costs	245 215	8 088	8 088	(8 411)	(8 411)
Reinsurers' share of future claims provision	(149 573)	(4 931)	(4 931)	5 126	5 126
<b>Overall effect on profit and equity</b>		<b>3 157</b>	<b>3 157</b>	<b>(3 285)</b>	<b>(3 285)</b>

##### Primary results inflation assumption: 4.5%

	Carrying Amount \$,000	2011 Inflation rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Financial Instruments					
Future claims and associated costs	210 045	7 064	7 064	(7 341)	(7 341)
Reinsurers' share of future claims provision	(130 793)	(4 411)	(4 411)	4 584	4 584
<b>Overall effect on profit and equity</b>		<b>2 653</b>	<b>2 653</b>	<b>(2 757)</b>	<b>(2 757)</b>

**Queensland Building Services Authority and Controlled Entity**

**Notes to and forming part of the financial statements for the year ended 30 June 2012**

**Note 31 Insurance Contracts Risk Management (continued)**

**Inflation Rate and Discount Rate Sensitivity Analysis**

**Consolidated Entity**

**Primary results discount rate assumption: 2.5%**

Financial Instruments	Carrying Amount \$,000	2012 Discount rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Future claims and associated costs	245 215	(7 550)	(7 550)	7 132	7 132
Reinsurers' share of future claims provision	(149 573)	4 598	4 598	(4 345)	(4 345)
<b>Overall effect on profit and equity</b>		<b>(2 952)</b>	<b>(2 952)</b>	<b>2 787</b>	<b>2 787</b>

**Primary results discount rate assumption: 4.5%**

Financial Instruments	Carrying Amount \$,000	2011 Discount rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Future claims and associated costs	210 045	(6 370)	(6 370)	6 029	6 029
Reinsurers' share of future claims provision	(130 793)	3 980	3 980	(3 766)	(3 766)
<b>Overall effect on profit and equity</b>		<b>(2 390)</b>	<b>(2 390)</b>	<b>2 263</b>	<b>2 263</b>

**Parent Entity**

**Primary results discount rate assumption: 2.5%**

Financial Instruments	Carrying Amount \$,000	2012 Discount rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Future claims and associated costs	245 215	(7 550)	(7 550)	7 132	7 132
Reinsurers' share of future claims provision	(149 573)	4 598	4 598	(4 345)	(4 345)
<b>Overall effect on profit and equity</b>		<b>(2 952)</b>	<b>(2 952)</b>	<b>2 787</b>	<b>2 787</b>

**Primary results discount rate assumption: 4.5%**

Financial Instruments	Carrying Amount \$,000	2011 Discount rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
Future claims and associated costs	210 045	(6 370)	(6 370)	6 029	6 029
Reinsurers' share of future claims provision	(130 793)	3 980	3 980	(3 766)	(3 766)
<b>Overall effect on profit and equity</b>		<b>(2 390)</b>	<b>(2 390)</b>	<b>2 263</b>	<b>2 263</b>

## Certificate of the Queensland Building Services Authority

We have prepared the following financial statements pursuant to the provisions of the Financial Accountability Act 2009, Financial and Performance Management Standard 2009 and other prescribed requirements and certify that in our opinion:

(a) the prescribed requirements in respect of the establishment and the keeping of accounts have been complied with in all material respects;

(b) the 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 Services Authority and its controlled entity for the financial year ended 30 June 2012 and of the financial position of the Authority at the end of that year.

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke.

John Gaskin  
Chairman

A handwritten signature in black ink, featuring two large '4' characters followed by a horizontal line and a diagonal stroke.

Ian Jennings  
General Manager

Brisbane  
25 August 2012

## INDEPENDENT AUDITOR'S REPORT

### To the Board of the Queensland Building Services Authority

#### Report on the Financial Report

I have audited the accompanying financial report of the Queensland Building Services Authority, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairman and General Manager of the entity and the consolidated entity comprising the Board and the entities it controlled at the year's end or from time to time during the financial year.

#### *The Board's Responsibility 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 prescribed accounting requirements identified in the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2009, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

#### *Independence*

The Auditor-General Act 2009 promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

#### *Opinion*

In accordance with s.40 of the Auditor-General Act 2009 –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all

(i) material respects; and

the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Queensland Building Services Authority and the consolidated entity for the financial year 1 July 2011 to 30

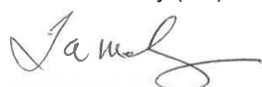
(ii) June 2012 and of the financial position as at the end of that year.

#### **Other Matters - Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of the Queensland Building Services Authority and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on the Queensland Building Services Authority's website the Board is responsible for the integrity of the Queensland Building Services Authority's website and I have not been engaged to report on the integrity of the Queensland Building Services Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Trevor Mahony (CA)



As Delegate of the Auditor-General of Queensland

6 September 2012

Brisbane

# T able of contents

Audits and investigations	14
Board induction and training	8
Board members	9
Board remuneration	9
Board roles and responsibilities	8
BSA decisions affirmed	16
BSA regulates the building industry	8
Building and Construction Industry Payments Act 2004 (BCIPA)	22
Business Improvement Council	29
Cash Flow Statements	34
Certificate of the Queensland Building Services Authority	72
Certifiers	25
Chairman's report	7
COAG - National licensing	22
Code of Conduct	13
Consolidated outcomes	3
Consultancies	14
Consumer protection	23
Contractual investigations - compliance with legislation	25
Communication with our stakeholders	20
Corporate Governance	8
Customers	17
Customer service - award for excellence	19
Customer satisfaction - customer surveys	20
Debt recovery	23
Demerit points	25
Disaster recovery audits	24
Education - contractors and consumers	21
Environment (Green approach to business)	16
Equal opportunity employer	26
Finance, Audit and Risk Committee	11
Finance	30
Financial overview	30
Financial position	33
Fire Occupational Licensing Committee	13
General Manager's report	6
General Manager's role	8
Governance mechanisms	13
Highlights	3
Home Warranty Scheme viability (APRA requirements)	19
Income Statement	32
Independent Auditor's Report	73
Information systems implemented	14
Insurance cover and premiums	17
Insurance Committee	10
Insurance policies written	17
Licence applications	17
Licence applications - mutual recognition	17
Licence fee comparison	5
Licensing Committee	13
Meetings (Board and committee)	10
Monitoring, accountability and risk management	12
Notes to and forming part of the financial statements	36



Online licence search	17
Organisational performance	13
Owner-builder numbers decline	17
People	26
Performance summary	4
Policy Committee	10
Queensland Carers (Recognition) Act 2008	15
Rectification of building work	19
Regulation	22
Research	20
Right to Information	15
Service Complaints Management System	15
Staff development	27
Staff induction	29
Staff education	26
Staff recognition and reward	28
Staff satisfaction (Staff survey results)	27
Statement of Changes in Equity	35
Support for contractors in financial stress	23
Unlicensed contracting	24
Value for money	5
Values	2
Workforce profile	26
Workplace Health and Safety	28

## Diagrams

1 BSA organisational structure 2011-12	12
--	----

## Graphs

1 Licence applications received	17
2 Policies written and gross premiums received 2010-11	18
3 Policies written and complaints received	19
4 Subsidence claims	22

## Tables

1 Comparison of licence fees in financial category SC2*	5
2 Queensland Home Warranty Scheme premiums	5
3-4 Board and committee meetings 2011-12	10
5 Funds invested	11
6 BSA executive team	13
7 Consultants engaged 2011-12	14
8 Audit and risks 2011-12	14
9 Right to information applications 2011-12	16
10 Claims by approval type	18
11 Complaints received and directions issued	19
12 Top ten defect 2011-12	19
13 Funds received	23
14 Compliance statistics 2011-12	24
15 Unlicensed contractors	24
16 Demerit points issued	24
17 Contractual investigations	25
18 Certification results 2011-12	25
19 Workplace profile as at June 30 2012	26
20 Workplace diversity 2011-12	27
21 Staff survey results 2011-12	27

## BSA Offices

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### **Gold Coast**

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