



Fair
Trading

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Ref: BN-00528-2019

The Hon Kevin Anderson MP
Minister for Innovation and Better Regulation
GPO Box 5341
SYDNEY NSW 2001

Dear Minister

Building Professionals Board Annual Report 2018-19

I am pleased to submit the annual report for the NSW Building Professionals Board (Board) for the year ended 30 June 2019, for presentation to Parliament.

This report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983* and Regulations under those Acts.

The annual report is being tabled late because the Board was awaiting financial and budget information, which is not prepared by the Board, as well as the independent auditor's report. As per the requirements of the *Annual Reports (Statutory Bodies) Act 1984* the annual report could not be submitted without this information. The Board did not apply for an extension for tabling the annual report because it did not anticipate the outstanding information taking as long as it did to reach the Board.

Yours sincerely

Rose Webb
President
Building Professionals Board
31 October 2019

Peter Dunphy
Deputy President
Building Professionals Board
31 October 2019

Building Professionals Board annual report 2018-19

Charter

The NSW Building Professionals Board (the Board) is established under the *Building Professionals Act 2005* (the BP Act) to accredit certifiers, investigate their conduct and promote the provision of reliable services by certifiers.

Contact details for the Board

PO Box 972, Parramatta NSW 2124 | 10 Smith Street Parramatta NSW 2150 | Phone: (02) 8522 7800
| www.fairtrading.nsw.gov.au | Business hours: 8.30am – 4.30pm Monday – Friday

Aims and objectives

The objectives of the Board are to:

- be a high performing and delivery-focused organisation
- improve the certification system and confidence in it
- respond effectively to complaints against accredited certifiers
- increase the supply of accredited certifiers
- improve certifiers' competence and statutory compliance
- implement an audit and advisory regime for significant risks in certification.

Operations and achievements 2018-19

Certifiers and councils start reporting data on their certification work

To strengthen building regulation in NSW, accredited certifiers and local councils report data on their building certification activities to the NSW Government. Reporting was mandatory from 1 July 2018 and gives the Government real-time information on building activity across NSW.

Investigating certifier conduct

During 2018-19 a record 271 complaints against certifiers were determined. This surpassed the previous highest tally of 230 in 2015-16. Also, as a result of intelligence arising from complaints, other parts of Fair Trading, the public and other sources, proactive formal investigations were launched in regard to 15 certifiers and their carrying out of certification work.

Audits of high-risk accredited certifiers

Audits of certifiers began in April 2019 with primary objectives to promote certifiers' compliance with regulatory requirements, ensure they modify their behaviour following disciplinary action, and inform better regulation of certifiers. Risk analyses of complaint and other data will continue to identify which certifiers to audit as part of an ongoing program.

Board membership, meetings and structure

Members of the Board during the 2018-19 financial year include:

- Ms Rose Webb, Deputy Secretary Better Regulation and Commissioner for NSW Fair Trading (President)
- Mr Peter Dunphy, Executive Director Building Services, Fair Trading (Deputy President from 14 November 2018 – present)
- Mr John Tansey, Executive Director, Regulatory Policy, Better Regulation Division, Department of Customer Service
- Ms Lynelle Collins, Executive Director Building Services, Fair Trading (Deputy President until 14 November 2018).

The Board met twice in person during the 2018-19 financial year, on 5 September and 20 December 2018. It also determined a number of items out-of-session (via email) throughout the year.

- The 5 September meeting was attended by Ms Webb and Mr Tansey.
- The 20 December meeting was attended by Ms Webb, Mr Dunphy and Mr Tansey.

Board members are appointed by the Minister under the Building Professionals Act. Current members are appointed until 30 January 2020 or until the Act is repealed, whichever is sooner. The Board's secretariat is employed by the Department of Customer Service (formerly Department of Finance, Services and Innovation). The Director, Building Services, Fair Trading Specialist Services, Fair Trading, is also Director of the Board.

Principal legislation

Legislative changes during 2018-19

The Board is established under the *Building Professionals Act 2005*. There were no amendments to this Act in 2018-19.

On 31 October 2018 the *Building and Development Certifiers Act 2018* was assented to, but has not yet commenced. When it commences it will replace the Building Professionals Act as the principal legislation regulating accredited (licenced) certifiers.

Building Professionals Regulation 2007

The Building Professionals Regulation was amended in 2018-19 by the:

- Building Professionals Amendment (Accredited Certifiers) Regulation 2018: the amendment authorised certain categories of certifiers to issue complying development certificates for pipeline infrastructure that is complying development under clause 130 of State Environmental Planning Policy (Infrastructure) 2007
- Building Professionals Amendment (Swimming Pools) Regulation 2018: the amendment specified categories of certifiers that may carry out inspections and issue certificates and notices under the Swimming Pools Act 1992
- Building Professionals Amendment (Insurance) Regulation 2019: the amendment permitted certifiers to hold professional indemnity insurance with a policy exclusion related to external building cladding (for exclusions complying with the terms of the regulation).

Significant judicial decisions

[Levick v Building Professionals Board \[2018\] NSWCATOD 125](#)

Decision date: 08 August 2018

The certifier, Mr Levick, appealed to review a finding of professional misconduct and a \$110,000 fine imposed by the Building Professionals Board. The Tribunal set aside the Board's finding and imposed a fine of \$50,000.

[Treble v Building Professionals Board \[2019\] NSWCATOD 34](#)

Decision date: 28 February 2019

The certifier, Mr Treble, appealed to review a finding of unsatisfactory professional conduct, a reprimand and a \$12,000 fine imposed by the Building Professionals Board. The Tribunal varied the fine to \$8,000.

[Boyce v Building Professionals Board \[2019\] NSWCATOD 94](#)

Decision date: 22 May 2019

The certifier, Mr Boyce, appealed to review a decision of the Building Professionals Board to cancel his accreditation. The Tribunal determined that the Board's decision is stayed, subject to a condition that Mr Boyce not accept any new applications for a complying development certificate or construction certificate, nor an application seeking a modified certificate. A future hearing date was set for directions; thus **note: at time of writing this matter is awaiting directions.**

Activities: Investigating complaints against certifiers

Year	Complaints received	No. determinations	No. outstanding
2014-15	121	145	150
2015-16	145	226	71
2016-17	113	161	21
2017-18	150	108	63
2018-19	245	260	48

Activities: Accreditation of certifiers

2018-19	Received	Determined
New applications	297	258
Renewal council applications	680	674
Renewal private applications	1165	1043
Renewal body corporate	9	8

Total renewals	1854	1725
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Activities: Communications & online services

Website and e-newsletter

The Board's website (www.bpb.nsw.gov.au) received 479,141 page views in 2018-19. The electronic newsletter had approximately 6,800 subscribers at 30 June 2019.

Note: In October 2019 the Board's website was decommissioned and its content transferred to the Fair Trading website at www.fairtrading.nsw.gov.au

Swimming Pool Register

The NSW Swimming Pool Register (www.swimmingpoolregister.nsw.gov.au) recorded 374,846 swimming pools and spa pools in NSW as at 1 July 2019.

During 2018-19, 25,958 pools and spas were inspected. Of these 21,120 were found to be compliant and 4,838 non-compliant with legislative standards for swimming pool barriers. In total, a certifier or council had certified 67,324 registered pools as compliant under the *Swimming Pools Act 1992*.

Other statutory reporting requirements

The *Annual Reports (Statutory Bodies) Act 1984* requires reporting as follows.

Outline budget for 2019-20

	2018-19 Actual	2019-20 Budget
Employee-related expenses		
Salaries and wages	\$2,519,000	\$3,107,800
Superannuation	\$225,000	\$295,248
Payroll tax	\$169,000	\$202,487
Long service leave	\$210,000	\$108,892
Workers compensation	0	\$34,028
Voluntary redundancy	\$158,000	0
<i>Total employee-related expenses</i>	<i>\$3,281,000</i>	<i>\$3,748,455</i>
Other operating expenses		
Auditor's expenses	\$12,000	\$12,300
Bad debt expenses	\$90,000	0
Operating lease rental expenses (Office accommodation)	\$241,000	\$247,025
Fees for service	\$144,000	\$147,600
Staff training and conferences	\$11,000	\$11,275
Minor expenses	\$16,000	\$16,400
<i>Total other operating expenses</i>	<i>\$514,000</i>	<i>\$434,600</i>

	2018-19 Actual	2019-20 Budget
<i>Total expenses</i>	<i>\$3,795,000</i>	<i>\$4,183,055</i>
Revenue		
Accreditation revenue	\$1,781,000	\$1,825,525
Other revenue	\$442,000	\$453,050
Grant revenue	\$500,000	0
Investment revenue	\$12,000	\$12,000
<i>Total revenue</i>	<i>\$2,735,000</i>	<i>\$2,278,575</i>
Crown acceptance liabilities		
Superannuation	\$17,000	\$17,425
Long service leave	\$180,000	\$184,500
Payroll tax	\$1,000	\$1,025
Total Crown acceptance liabilities	\$198,000	\$202,950
<i>Total revenue (including Crown acceptance liabilities)</i>	<i>\$2,933,000</i>	<i>\$2,481,525</i>
Net (surplus) / deficit	\$862,000	\$1,701,530

Consumer response

In 2018-19, most complaints about the Board were about:

- the time taken to determine applications for accreditation or complaints against certifiers
- disciplinary decisions made by the Board following investigations of certifier conduct
- decisions to refuse accreditation
- difficulties experienced by certifiers in obtaining professional indemnity insurance
- the requirement to report certification data to the NSW Government.

Credit card use

Rose Webb, Deputy Secretary, Department of Customer Service and President, Building Professionals Board provided certification in the following terms: *I certify that corporate credit card use in the DFSI during 2018-19 has been in accordance with Premier's Memoranda and Treasurer's directions.*

Disability inclusion action plans

The Department of Customer Service's Disability Inclusion Action Plan applies to the Board and implementation is reported in that department's Annual Report of 2018-19.

Government Information (Public Access) Act 2009

Applications for information under the Government Information (Public Access) Act 2009 are determined by the Department of Customer Service and are reported in that department's Annual Report of 2018-19.

Implementation of price determination

Some of the recommendations made in the *Licence Rationale and Design* review were considered during development of the Building and Development Certifiers Bill 2018.

Multicultural policies and services program

The Department of Customer Service's diversity and inclusion strategies apply to the Board and implementation is reported in that department's annual report of 2018-19.

Numbers and remuneration of senior executives

One Senior Executive staff member was Director of the Board during 2018-19. This staff member is remunerated by Fair Trading, not by the Board.

Payment of accounts

Value of invoices paid	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Before due date	\$7,625.29	\$3,895.79	\$4,086.15	\$8,848.64	\$24,455.87
Sum of 1-30 days	\$17.60	\$542.30	\$6,427.30	0	\$6,987.20
Sum of 31-60 days	0	0	0	0	0
Sum of 61-90 days	0	\$525.94	\$968.00	0	\$1,493.94
Sum of 91-over days	0	0	0	0	0
Total value of invoices paid	\$7,642.89	\$4,964.03	\$11,481.45	\$8,848.64	\$32,937.01
% paid on time by value	100%	78%	36%	100%	74%
No. invoices paid	16	16	17	11	60
No. paid before due date	15	14	13	11	53
No. paid after due date	1	2	4	0	7
Value of invoices paid	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total

% paid on time, by number	94%	88%	76%	100%	88%
Interest paid	0	0	0	0	0
No. payments for interest on overdue invoices	0	0	0	0	0
Interest paid on overdue invoices	0	0	0	0	0

Privacy

The Department of Customer Service's privacy management plan applies to the Board and implementation is reported in that department's annual report of 2018-19.

Requirements arising from employment arrangements

The financial statements in this report provide information on salaries, wages, long service leave and superannuation.

Risk management and insurance liability

The Board's analysis of its key risks informs its business planning. In 2018-19, assets and risks were insured through the NSW Treasury Managed Fund.

Waste

The Board supports the Department of Customer Service's implementation of the Government Resource Efficiency Policy, which is detailed in the Department of Customer Service's annual report of 2018-19.

Workforce diversity

Diversity reporting for the Board is covered in the Department of Customer Service's annual report of 2018-19.

Work health and safety

The Board did not have any reportable workplace injuries during 2018-19.

Reporting requirements with 'not applicable' or 'nil' response

The Board reports a nil response, or as otherwise indicated, for the following reporting requirements under the *Annual Reports (Statutory Bodies) Act 1984*:

- after balance date events having a significant effect on operations and clientele
- agreements with Multicultural NSW – nil
- consultants costing \$50,000 or more – nil
- consultants costing less than \$50,000 – nil
- disclosure of controlled entities and subsidiaries – not applicable
- external costs incurred in the production of this report – nil
- funds granted to non-government community organisations – nil
- human resources – refer to the Department of Customer Service annual report of 2018-19
- investment performance – nil
- land disposal – nil
- liability management performance – Board debt is less than \$20 million
- promotion – nil
- public interest disclosures – nil
- research and development.

Digital information security policy attestation

The Board's operational activities, including those that relate to and/or make use of information and communications technology, are provided by the Department of Customer Service.

The Department of Customer Service met the requirements of the *NSW Government Digital Information Security Policy* in 2018-19. Refer to the Department of Customer Service's annual report of 2018-19.

Therefore, I, Emma Hogan, am of the opinion that the Board had an Information Security Management System in place during the 2018-19 financial year that is consistent with the core requirements set out in the *NSW Government Digital Information Security Policy*.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Board are adequate.

There is no agency under the control of the Board which is required to develop an independent Information Security Management System in accordance with the *NSW Government Digital Information Security Policy*.



Rose Webb

Deputy Secretary, Department of Customer Service and President, Building Professionals Board

Date: 19 November 2019

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for the NSW Government Building Professionals Board

I, Rose Webb, Deputy Secretary and Chair, am of the opinion that the Building Professionals Board has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements		Compliant, non-compliant or in transition
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Internal Audit Function		
2.1	An internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

- Carol Holley, Independent Chair, from 2 December 2015 to 1 December 2020
- Dianne Hill, Independent Member, from 1 February 2016 to 31 January 2021
- Nirmal Hansra, Independent Member, from 20 December 2017 to 19 December 2020

- Bruce Turner AM, Independent Member, from 22 January 2016 to 21 January 2021.

This Audit and Risk Committee has been established under a Treasury approved shared arrangement which includes the following departments/statutory bodies:

- Department of Finance, Services and Innovation
- Rental Bond Board
- Building Professionals Board
- NSW Government Telecommunications Authority



Rose Webb

Deputy Secretary, Department of Customer Service and President, Building Professionals Board

Date: 31/10/2019

Agency Contact Officer

Geoff Campbell

Chief Audit and Risk Officer, 9372 8040

geoff.campbell@customerservice.nsw.gov.au



INDEPENDENT AUDITOR'S REPORT

Building Professionals Board

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Building Professionals Board (the Board), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Board as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the financial statements' section of my report.

I am independent of the Board in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Board's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Board of the Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Members' Statement.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Board's Responsibilities for the financial statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the members of the Board determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the financial statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Board carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 September 2019
SYDNEY

BUILDING PROFESSIONALS BOARD

MEMBERS' STATEMENT

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* we declare, on behalf of the Board, that in our opinion:

- (1) the accompanying financial statements exhibit a true and fair view of the financial position of the Board as at 30 June 2019 and transactions for the year ended 30 June 2019;
- (2) the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, Australian Accounting Standards and the Treasurer's Directions.

Further, the Members of the Board are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'Peter Dunphy', written in a cursive style.

Peter Dunphy
President (Acting)
27 September 2019

**BUILDING PROFESSIONALS BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Expenses excluding losses			
Personnel services	2(a)	3,281	2,660
Other operating expenses	2(b)	514	523
Total Expenses excluding losses		3,795	3,183
Revenue			
Investment revenue	3(a)	12	27
Grants and contributions	3(b)	500	1,129
Personnel services revenue	3(c)	198	47
Other revenue	3(d)	2,223	1,850
Total Revenue		2,933	3,053
NET RESULT			
		(862)	(130)
Other comprehensive income			
		-	-
Total other comprehensive income/(loss)		-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(862)	(130)

The accompanying notes form part of these statements.

BUILDING PROFESSIONALS BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,110	1,187
Receivables	5	144	66
Total Current Assets		1,254	1,253
Total Assets		1,254	1,253
LIABILITIES			
Current Liabilities			
Payables	6	1,636	832
Provisions	7	327	276
Total Current Liabilities		1,963	1,108
Non-Current Liabilities			
Provisions	7	10	2
Total Non-Current Liabilities		10	2
Total Liabilities		1,973	1,110
Net Assets / (Liabilities)		(719)	143
EQUITY			
Accumulated funds		(719)	143
Total Equity		(719)	143

The accompanying notes form part of these statements.

BUILDING PROFESSIONALS BOARD			
STATEMENT OF CHANGES IN EQUITY			
FOR THE YEAR ENDED 30 JUNE 2019			
	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2018		143	143
Net Result for the year		(862)	(862)
Other comprehensive income		-	-
Total comprehensive income for the year		(862)	(862)
Balance at 30 June 2019		(719)	(719)
Balance at 1 July 2017		273	273
Net Result for the year		(130)	(130)
Other comprehensive income		-	-
Total comprehensive income for the year		(130)	(130)
Balance at 30 June 2018		143	143

The accompanying notes form part of these statements.

BUILDING PROFESSIONALS BOARD			
STATEMENT OF CASH FLOWS			
FOR THE YEAR ENDED 30 JUNE 2019			
	Notes	Actual 2019 \$'000	Actual 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Personnel services		(2,548)	(2,660)
Other payments		(382)	(1,041)
Total Payments		(2,930)	(3,701)
Receipts			
Contributions received		500	1,129
Interest received		12	27
Other revenue		2,341	1,980
Total Receipts		2,853	3,136
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	(77)	(565)
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH		(77)	(565)
Opening cash and cash equivalents		1,187	1,752
CLOSING CASH AND CASH EQUIVALENTS	4	1,110	1,187

The accompanying notes form part of these statements.

BUILDING PROFESSIONALS BOARD
FOR THE YEAR ENDED 30 JUNE 2019
NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Building Professionals Board (the Board) is a NSW government entity. The Building Professionals Board is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The administrative functions for the Board are performed by the Department of Finance, Services and Innovation. Employee related expenses and office accommodation costs were recharged to the Board.

These financial statements for the year ended 30 June 2019 have been authorised for issue by the Board on 27 September 2019.

(b) Basis of Preparation

The Board's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015* and
- the Financial Reporting Directions mandated by the Treasurer

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Going Concern Basis

While Building Professionals Board has negative net assets at the reporting date, the financial statements have been prepared on a going-concern basis after taking into account future funding from government appropriations. Therefore, the Building Professionals Board will have sufficient funds to pay its debts as and when they fall due.

(e) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience.

(f) Accounting for the Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except where:

- The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST component of cash flows arising from investing and financing activities which is recoverable from, payable to, the Australian Taxation Office are classified as operating cashflows.

(g) Income Recognition

Revenue is measured at the fair value of the consideration or contribution received or receivable to the extent it is probable that the economic benefits will flow to the Board and the amount can be reliably measured. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses). Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Grants and contributions

Contributions from other bodies (including grants and donations) are generally recognised as revenue when the Board obtains control over the contributions. The Board is deemed to have assumed control over the contributions upon receipt of cash.

(ii) Rendering of services

Revenue from the rendering of services is recognised as revenue when the services are provided. Revenue received from building certifiers is recognised over the period to which the fees are applicable.

(h) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value plus any directly attributable transaction costs. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Subsequent measurement under AASB 9 (from 1 July 2018)

The entity holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Subsequent measurement under AASB 139 (for comparative period ended 30 June 2018)

Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Board and other amounts, including interest. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Plant and equipment costing \$5,000 and above individually are capitalised. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Personnel services and other provisions

(a) Salaries and Wages, Long Service Leave and Superannuation

The Board's accounts include a provision for personnel services. This reflects the Board's liability to the Department of Finance, Services and Innovation for the recreation leave entitlements due to personnel services provided to the Board.

The Board's accounts do not include Provision for Long Service Leave or Superannuation, nor is there any comparable Provision for Personnel Services to reflect these liabilities. All of the Board's liabilities for long service leave and superannuation up to the end of the financial year have been paid. As staffs are employed by the Department of Finance, Services and Innovation, any unfunded liability for these items have been transferred to the State, in accordance with relevant Treasury guidelines.

(b) Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, worker's compensation insurance premiums and fringe benefits tax.

(c) Other provisions

Other provisions exist when the Board has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation:

The Board is in the opinion that the time value of money is immaterial and hence other provisions are not discounted.

(j) Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

A number of the Board's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Board categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets/liabilities that the Board can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (unobservable inputs).

The Board holds non-specialised assets with short useful lives. The entity has assessed that any difference between the fair value and the depreciated historical costs is immaterial. Plant and equipment is measured at depreciated historical cost as a surrogate for fair value.

(k) Equity

The category "Accumulated Funds" includes all current and prior retained funds.

(l) Impairment of Financial Assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the Board has transferred substantially all the risks and rewards of the asset; or
- the Board has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

Impairment under AASB 9 (from 1 July 2018)

The Board recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. For trade receivables, the entity applies a simplified approach in calculating ECLs.

The Board recognises a loss allowance based on lifetime ECLs at each reporting date. The entity has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable.

Impairment under AASB 139 (for comparative period ended 30 June 2018)

An allowance for impairment is established when there is objective evidence that the Board will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, if objectively related to an event occurring after the impairment was recognised.

Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(m) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(n) Changes in Accounting Policy, including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2018-19

Building Professionals Board has adopted AASB 9 Financial Instruments (AASB 9), which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments and impairment of financial assets.

AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 Financial Instruments: Disclosures (AASB 7R).

The adoption of AASB 9 has no material impact to the Building Professionals Board.

(ii) Issued but not yet effective

The following new Australian Accounting Standards have not been applied and are not yet effective. These new Standards will not have any direct impact on the financial performance or position of the Authority.

- *AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers*
- *AASB 1058 Income for Not-for-profit Entities*
- *AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- *AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Materiality*
- *AASB 16 Leases*

2. EXPENSES EXCLUDING LOSSES

As mentioned in Note 1(a) and (h), the Department of Finance, Services and Innovation (DFSI) has applied Personnel Services charge for the recovery of employee related expenses that it has incurred on behalf of the Building Professionals Board.

(a) Personnel Services

	2019	2018
	\$'000	\$'000
Salaries and wages (including recreation leave)	2,519	1,924
Contractors	-	396
Superannuation	225	157
Long service leave	210	58
Payroll tax and fringe benefits tax	169	125
Voluntary Redundancy	158	-
	3,281	2,660

(b) Other Operating Expenses

	2019	2018
	\$'000	\$'000
Auditor's remuneration	12	9
Bad debt expense	90	-
Operating lease rental expense	241	237
Consultants	-	23
Fees for services	144	207
Staff training and conferences	11	7
Travel Costs	-	6
Minor equipment purchases	4	12
Other	12	22
	514	523

3. REVENUE

(a) Investment Revenue

	2019	2018
	\$'000	\$'000
Bank interest	12	27
	12	27

(b) Grants and Contributions

	2019	2018
	\$'000	\$'000
Contribution from NSW Fair Trading	500	1,129
	500	1,129

(c) Personnel Services Revenue

	2019	2018
	\$'000	\$'000
Superannuation	17	16
Long service leave	180	30
Payroll tax	1	1
	198	47

(d) Other Revenue

	2019	2018
	\$'000	\$'000
Accreditation revenue	1,781	1,750
Other revenue	442	100
	2,223	1,850

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019	2018
	\$'000	\$'000
Cash at Bank	1,110	1,187
	1,110	1,187

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes money deposited with banks and cash on hand.

Cash and cash equivalent assets recognised in the Statement of Financial Position is reconciled at the end of the financial year to the Statement of Cash Flows as follows:

Cash and cash equivalents (per statement of financial position)	1,110	1,187
Closing cash and cash equivalents (per statement of cash flows)	1,110	1,187

Refer to Note 10 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. CURRENT ASSETS - RECEIVABLES

	2019	2018
	\$'000	\$'000
Debtors	200	37
Less Allowance for impairment	(90)	-
GST receivable	1	1
Prepaid expenses	33	28
	144	66

Movement in the allowance for impairment

	2019	2018
	\$'000	\$'000
Balance at 1 July 2018	-	-
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase in allowance recognised in net result	90	-
Balance at 30 June 2018	90	-

Details regarding credit risk, liquidity risk and market risk including financial assets that are either past due or impaired, are disclosed in Note 10.

6. CURRENT/NON-CURRENT LIABILITIES - PAYABLES

	2019	2018
	\$'000	\$'000
Creditors	14	39
NSW Fair Trading	60	58
Revenue received in advance	830	727
Accrued personnel services	732	8
	1,636	832

Refer to Note 10 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. CURRENT/NON-CURRENT LIABILITIES - PROVISIONS

	2019	2018
	\$'000	\$'000
Personnel services provision(current)	327	276
Personnel services provision(non-current)	10	2
	337	278

Current Personnel Services provisions expected to be settled:

Within 12 months from reporting date	230	182
After 12 months from reporting date	107	94
	337	276

Aggregate Personnel Services

	2019	2018
	\$'000	\$'000
Provisions	337	278
	337	278

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Board is not aware of any contingent liabilities or contingent assets at the date of these financial statements.

9. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2019	2018
	\$'000	\$'000
Net Cash from Operating activities	(77)	(565)
Increase/(Decrease) in Receivables	78	(7)
(increase)/Decrease in Payables	(804)	443
Decrease/(Increase) in Provision	(59)	(1)
Net result	(862)	(130)

10. FINANCIAL INSTRUMENTS

The Board's principal financial instruments are outlined below. These financial instruments arise directly from the Board's operations or are required to finance its operations. The Board does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees on policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set limits and controls and to monitor risks. Compliance with policies is reviewed by the Board on a regular basis.

The Building Professionals Board's financial instruments include cash, receivables and payables.

(a) **Financial Instrument Categories**

As at 30 June 2019 under AASB 9

Financial Assets	Note	Category	2019 \$'000
			Carrying Amount
Class:			
Cash and cash equivalents	4	Not applicable	1,110
Receivables(i)	5	Amortised cost	110
Financial Liabilities	Note	Category	
Class:			
Payables(ii)	6	Financial liabilities measured at amortised cost	805

(i) Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

As at 30 June 2018 under AASB 139(Comparative Period)

Financial Assets	Note	Category	2018 \$'000
			Carrying Amount
Class:			
Cash and cash equivalents	4	Not applicable	1,187
Receivables(i)	5	Loans and receivables (at amortised cost)	37
Financial Liabilities	Note	Category	
Class:			
Payables(ii)	6	Financial liabilities measured at amortised cost	105

(i) Excludes statutory receivables and prepayments (ie not within scope of AASB 7)

(ii) Excludes statutory payables and unearned revenue (ie not within scope of AASB 7)

(b) **Credit Risk**

Credit risk arises when there is the possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Board, including cash and receivables. No collateral is held by the Board. The Board has not granted any financial guarantees.

Credit risk associated with the Board's financial assets, other than receivables, is managed through the selection of counter parties and establishment of minimum credit rating standards.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are generally made on 30-day terms.

The Board is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently past due or impaired whose terms have been renegotiated.

(c) Liquidity Risk

Liquidity risk is the risk that the Board will be unable to meet its payment obligations when they fall due. The Board continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. The rate of interest applied during the year was 9.96% (2018: 9.77%).

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Board operates and the time frame for the assessment (ie until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of Financial Position date. The analysis is performed on the same basis as for 2017-18. The analysis assumes that all other variables remain constant.

Interest Rate Risk

A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Board's exposure to interest rate risk is set out below.

	2019		2018	
	\$'000		\$'000	
	-1%	1%	-1%	1%
Net Result	(11)	11	(12)	12
Equity	(11)	11	(12)	12

* Payables and Receivables are excluded as the Board deems there exists no interest exposure.

(e) Fair Value Measurement

Financial Instruments are recognised at cost. The amortised cost of financial instruments recognised in the statements of financial position approximates the fair value due to a short-term nature. They are recognised in the Statement of Financial Position at amortised cost.

The Board is of the opinion that the values at which these instruments are recognised in the Statement of Financial Position reflect their fair value.

11. RELATED PARTY DISCLOSURES

The board does not have any key management personnel compensations for the financial year 2018-19.

During the year, the Board has not entered into any transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, the Board entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by NSW Government. These transactions in aggregate are a significant portion of the entity's sale of goods/ rendering of services/ receiving of services.

Other related party transactions- 2019

Nature of transaction	Transaction Value	Net Receivable/(Payable)
	\$'000	\$'000
Accommodation - Fair Trading	241	(60)
Grant Received - Fair Trading	500	-
Audit Fee – NSW Audit Office	12	(6)
Personnel Services - Department of Finance, Services & Innovation	3,083	(732)
OneGov Support Fees - Department of Finance, Services & Innovation	56	-
	<u>3,892</u>	<u>(798)</u>

Other related party transactions- 2018

	Transaction Value	Net Receivable/(Payable)
Nature of transaction	\$'000	\$'000
Accommodation - Fair Trading	237	(58)
Grant Received - Fair Trading	1,129	-
Interest Income- Tcorp	27	-
Audit Fee – NSW Audit Office	9	(4)
OneGov minor system enhancement - Department of Finance, Services & Innovation	10	(10)
	1,412	(72)
	1,412	(72)

12. AFTER BALANCE DATE EVENTS

In accordance with the Administrative Arrangements (Administrative Changes – Public Services Agencies) Order 2019 under the *Constitution Act 1902* dated 2 April 2019, the administrative arrangement with DFSI will be referenced to the Department of Customer Services effective 1 July 2019. The Machinery of Government (MoG) changes announced on 2 April 2019 have no impact to the Building Professionals Board.

END OF AUDITED FINANCIAL STATEMENTS