



Annual Report 2002

of the Building Industry Authority for the year ended 30 June 2002. Presented to the House of Representatives pursuant to Section 44 of the Public Finance Act 1989.



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Overview by the Presiding Member and the Chief Executive

The year began under the stewardship of the newly appointed Authority, comprising seven new members and one re-appointed member from the previous Authority. New Presiding Member Barry Brown oversaw an Authority characterised by its members' extensive industry experience and expertise. The new Authority took office on 1 June 2001.

It has proved to be a demanding year for the newly appointed Authority. The issue of weathertightness in particular focused much of its attention over the period.

Weathertightness Issue

The issue of weathertightness of New Zealand buildings developed into a matter of considerable concern for the Authority during the year. The Authority actively supported the early work of BRANZ's "Weathertightness Steering Group" on this issue during 2001. However, the growing evidence of the effects of deteriorating buildings and the increasing awareness of the scale of the problem prompted the Authority to establish an independent "Overview Group" to investigate the extent, the cause and the nature of the problem and to recommend solutions. The Overview Group, established on 18th February 2002 and chaired by Don Hunn, released a preliminary report in May 2002 that signalled the multi-faceted nature of the problem and

the need for a "shared responsibility" approach within the industry to solve it.

In August 2002, before the completion of its report, the Overview Group advised the Authority that it had identified an extremely serious problem facing many home-owners: the risk that certain balconies on houses and apartments could be in danger of collapsing and causing a serious accident. The Authority immediately implemented a communications strategy to warn the public about these risks, using extensive media coverage, public advertisements in the metropolitan newspapers, website information and the establishment of a telephone call centre.

In September 2002, after year end, the final report of the Overview Group was received. The Authority announced that it would act on the recommendations of the Overview Group's Report and would work with the building industry to do so. The Report provided the Authority with many clear action points, such as a review of the relevant parts of the Building Code, and the Authority has already begun to implement some of these. Some of the recommendations require the analysis and the input of a wide range of industry groups, but work will be undertaken with as much speed as possible. The Authority is committed to working with the industry to provide a solution to the weathertightness

problem, within the ambit of the building regulatory framework in which it operates.

Building Act Review

Another important focus of the Authority's attention this year was the ongoing review of the Building Act 1991. Conducted by the Department of Internal Affairs, the review aims to improve the efficiency of New Zealand's building control system. As part of this review, the Authority has commenced a series of strategic planning meetings to review its role, effectiveness and method of operation in the "new millennium" environment. The Authority acknowledges that, as part of its commitment to providing an efficient regulatory framework for the New Zealand building industry, it needs to increase its visibility, awareness and responsiveness to the industry and its concerns. The Authority also looks forward to responding to any recommendations approved by the Minister of Internal Affairs as a result of the review of the Act.

Reviews of Building Code Clauses

The ongoing activities of the Authority are driven by the statutory and regulatory requirements of the Building Act 1991 and the Building Regulations 1992, which oblige it to provide for the necessary building controls to ensure the health and safety of all building users. The technical review of 35 Building Code

clauses and their associated Approved Documents continued over the year and two new projects were initiated: energy efficiency, and the review of Building Code Clause F6 Lighting for Emergency.

Fire Safety

During the year, Cabinet's approval of changes to the Building Code that require the installation of smoke alarms in houses opened the way for the Authority to publish an acceptable solution for complying with the new requirement, following amendment of the Building Act. This new measure came in the wake of the publication of the completely revised Approved Documents for Fire Safety, which took effect on 1 June 2001.

Other fire-safety work undertaken this year included a review of flue safety, and the completion of a new Standard for inclusion in the Approved Document for the installation of solid fuel-burning appliances (including flues), as well as open fires.

Assessment and Strengthening of Earthquake-Risk Buildings

Work continued on the development of procedures for the detailed assessment and strengthening of earthquake-risk buildings. This work complements the current rapid assessment procedure that identifies buildings that are potentially unsafe in an earthquake. Once they are sufficiently developed, the draft procedures

will be released for public comment during the 2003 financial year. This work is intended to assist territorial authorities and building owners in the assessment and strengthening of buildings that are suspected to be earthquake-risk structures, and is in support of the proposed amendments to Section 64 of the Building Act.

Barrier Design

A review of the requirements for barriers where there is a change of level of more than one metre in buildings, such as decks and balconies, began in 2001 with barrier tests at a childcare centre. Further tests with young children were undertaken in 2002. The review is also considering the requirements of barriers in places where people publicly congregate. A revised draft Approved Document for Clause F4 has been completed and is expected to be made available for public comment in late 2002.

Environmental Sound

A trend towards more compact dwellings, smaller sites and the construction of multiple-unit town houses and apartments has accentuated the importance of the control of airborne and impact sound in building design. The ongoing review of the relevant Building Code Clause G6 "Airborne and impact sound" should result in draft recommendations for release for public comment in 2002. Environmental sound can also affect the

health of the occupants and the amenity of new buildings constructed in noisy environments. The Authority is working on the proposed provisions in the Building Code and developing an acceptable solution to provide an appropriate level of protection against this effect.

Energy Efficiency

The Authority completed some aspects of the review of Code Clause H1 that began during the year. Further work is planned on energy efficiency, particularly with respect to housing. The Authority is working actively in this area with the Energy Efficiency and Conservation Authority (EECA), which was a key contributor to the development of the National Energy Efficiency and Conservation Strategy.

Building Certifiers

In the field of 'compliance assurance', building certifiers provide a competitive alternative service to that provided by territorial authorities. During the year, the Authority continued to approve suitably qualified people as building certifiers, and to support the enhancement of the skills and experience of current building certifiers.

Both building certifiers and territorial authorities are subject to monitoring by the Authority to ensure the maintenance of building standards and the construction of safe and healthy buildings.

Determinations

Interest in the settlement of technical disputes by the process of determination continued this year. Determinations remain a core activity of the Authority, and the ability to respond quickly to applications for determinations is a high priority. The Authority completed 12 determinations during the year, which was a 50 per cent increase from the previous year.

As Presiding Member and Chief Executive respectively, we would like to acknowledge the contribution to the successful work of the past year made by the members of the Authority. We also acknowledge the dedication of the Authority's staff, who continue to provide a superior level of professional expertise and support, and the important contribution of industry consultants who have worked closely with Authority staff on a range of projects during the year.

We also greatly appreciate the assistance of consultants and practitioners in the building industry whose queries, comments and criticisms have significantly contributed to the quality of service we provide.



Barry Brown
Presiding Member



Dr Bill Porteous
Chief Executive

Financial Statement

The financial information presented in the Statements and Notes to the Accounts pursuant to Section 42 of the Public Finance Act 1989, set out the financial results for the Authority for the year 1 July 2001 until 30 June 2002. Comparative figures are available for 2000/2001.

The internal accounting procedures are designed to ensure reasonable assurance of the integrity and reliability of financial reporting undertaken by the Authority in conjunction with Graeme Fountain, Chartered Accountant. In our opinion, the attached financial statements are a fair reflection of the financial position for the year ended 30 June 2002.

Barry Brown
Presiding Member

Dr Bill Porteous
Chief Executive

Statement of Service Performance 2001 – 2002

Objective: A building control framework that is well understood by the building industry and building owners

| Performance measure | Targets | Achievement |
|---|--|--|
| Meeting preset deadlines for written queries | 95% timeliness 95% quality satisfaction | 85.25% 100.00% |
| Meeting publishing deadlines | Publish 11 issues of <i>BIA News</i> | Achieved |
| Maintaining a current website | 95% timeliness | Updated within 24 hours |
| Maintaining accurate registers of BIA services | Registers accurately maintained | Achieved |
| Achieving event sponsorship objectives | Support industry related events | 1 major event and 6 minor events supported |
| Delivering the target number of seminar series | Undertake two seminar series | 1 BIA series and 2 other series supported |
| Requests for further training | Respond to requests for further training | No requests received |
| Customer surveys | 90% seminar client satisfaction | Not measured during the year |
| Independent review of service where appropriate | An independent review to be carried out if appropriate | Not undertaken |

Estimated cost \$1,624,480

Actual cost \$1,566,033

Objective: Building controls that are efficient, necessary and cost effective

| Performance measure | Targets | Achievement |
|--|----------------------------------|---------------------------|
| Number of Building Code clauses and Approved Documents reviewed | 7 Building Code clauses reviewed | 9 reviewed (11 ongoing) |
| Working within agreed timeframes | No BIA-induced delays | Achieved |
| Effective solutions found for problems that are revealed by reviews of clauses | Find effective solutions | 3 identified (11 ongoing) |

Estimated cost \$849,160
Actual cost \$818,609

Objective: Legislation that provides safe and sanitary buildings for the people of New Zealand

| Performance measure | Targets | Achievement |
|---|--------------------------|---|
| Feedback from the Minister's Office, Department of Internal Affairs and other government agencies | 95% quality satisfaction | No adverse feedback received |
| Working within agreed timeframes | 95% timeliness | Parliamentary time-frame met in all cases |

Estimated cost \$295,360
Actual cost \$284,733

Objective: Building solutions arising from choice, certainty and innovation

| Performance measure | Targets | Achievement |
|---|--|---|
| Feedback from customers by both anecdote and survey | 95% quality satisfaction with processing | No negative anecdotal feedback received No survey undertaken |
| Independent review of service where appropriate | As appropriate | No review undertaken during the year |
| | | Estimated cost \$923,000 Actual cost \$889,791 |

Objective: Systems to support outputs and to satisfy statutory requirements that will include:

Business planning: in accordance with good business practice to improve the efficiency and effectiveness of the organisation

Human resource planning: maximising staff performance and potential in accordance with good employment practice and equal employment opportunities

Financial management: in accordance with the provisions of the Building Act 1991 and the Public Finance Act 1989

| Performance measure | Targets | Achievement |
|---|------------------------------------|-----------------------|
| All systems operating | All systems operating | All systems operating |
| Number of justified written complaints relating to staff manner and conduct | No justified written complaints | None received |
| Staff morale and turnover | Low absenteeism and staff turnover | Achieved |

Statement of Costs of Services for the year ended 30 June 2002

| | Note | 2002 (\$) | 2001 (\$) |
|---|------------------------------|--------------------|--------------------|
| Personnel costs | | | |
| Staff Salaries and Wages | | 1,210,578 | 1,100,242 |
| Staff Recruitment and Training | | 39,398 | 14,585 |
| Members' Fees | | 114,857 | 80,300 |
| | | 1,364,833 | 1,195,127 |
| Other costs | | | |
| Education and Training | | 520,187 | 581,276 |
| Consultancy and Advisory Services | | 835,207 | 604,442 |
| Travel and Accommodation | | 147,026 | 111,073 |
| Printing and Stationery | | 22,254 | 16,980 |
| Auditors Remuneration | | | |
| KPMG Audit Services | | 3,520 | 6,300 |
| KPMG Other Services | | 138,252 | 158,659 |
| Depreciation | 2 | | |
| Office Equipment | | 75,172 | 17,601 |
| Furniture and Fittings | | 13,522 | 9,564 |
| Motor Vehicles | | 6,690 | 3,182 |
| Leasehold Improvements | | 4,971 | 2,648 |
| Loss on Disposal of Fixed Assets | | 20,560 | 0 |
| Office Accommodation | | 154,537 | 112,915 |
| Bank Charges & Funds Management Fees | | 33,578 | 9,362 |
| Communications | | 42,400 | 39,677 |
| Postage and Couriers | | 6,039 | 5,822 |
| Administration Support | | 61,250 | 48,626 |
| Fringe Benefit Tax | | 5,651 | 5,197 |
| Insurance | | 44,957 | 45,035 |
| Library Services, Magazines and Subscriptions | | 52,593 | 49,031 |
| Maintenance and Repairs | | 3,809 | 1,417 |
| International Levies | | 2,158 | 2,069 |
| | | 3,559,166 | 3,026,003 |
| LESS | Cost and Fee Recoveries | (18,561) | (26,161) |
| | Royalties and Document Sales | (1,528) | (61,833) |
| | | (20,089) | (87,994) |
| | | 3,539,077 | 2,938,009 |
| ADD | Work in Progress – Opening | 14,537 | 14,002 |
| LESS | Work in Progress – Closing | (41,738) | (14,537) |
| | NET Cost of Services | \$3,511,876 | \$2,937,474 |

The attached notes form part of and should be read in conjunction with these financial statements.

Statement of Financial Performance for the year ended 30 June 2002

| | 2001 (\$) | 2002 (\$) | 2002 (\$) Forecast |
|---------------------------------|---------------------|-------------------|-----------------------|
| Income | | | |
| Consent Levies | 3,594,599 | 3,835,202 | 3,078,000 |
| Interest Earned | 690,150 | 595,576 | 594,000 |
| Total Income | 4,284,749 | 4,430,778 | 3,672,000 |
| Expenditure | | | |
| Net Cost of Services | (2,937,474) | (3,511,876) | (3,672,000) |
| Net Surplus for the Year | \$ 1,347,275 | \$ 918,902 | \$ 0 |

Statement of Movements in Accumulated Funds for the year ended 30 June 2002

| | 2001 (\$) | 2002 (\$) | 2002 (\$) Forecast |
|--|----------------------|----------------------|-----------------------|
| Accumulated Funds | | | |
| at Start of the Year | 9,911,029 | 11,258,304 | 11,258,304 |
| Net Surplus for the Year | 1,347,275 | 918,902 | 0 |
| Total Recognised Revenues and Expenses for the Year | 1,347,275 | 918,902 | 0 |
| Accumulated Funds at End of the Year | \$ 11,258,304 | \$ 12,177,206 | \$ 11,258,304 |

Statement of Financial Position as at 30 June 2002

| | Note | 2001 (\$) | 2002 (\$) | 2002 (\$) Forecast |
|---------------------------------------|------|----------------------|----------------------|-----------------------|
| Accumulated Funds | | | | |
| Retained Surpluses | | 4,879,834 | 5,041,894 | 4,879,834 |
| Levy Reserve | 3 | 6,378,470 | 7,135,312 | 6,378,470 |
| Total Accumulated Funds | | 11,258,304 | 12,177,206 | 11,258,304 |
| <i>Represented by:</i> | | | | |
| Current Assets | | | | |
| Bank | 4 | 3,807,780 | 834,678 | 546,546 |
| Work in Progress | | 14,537 | 41,738 | 25,000 |
| Accounts Receivable | | 210,900 | 0 | 0 |
| Interest Receivable | | 208,960 | 1,045 | 0 |
| Prepayments | | 9,895 | 18,192 | 10,000 |
| AMP Henderson Fixed Interest Funds | | 7,194,746 | 11,675,884 | 10,938,746 |
| Total Current Assets | | 11,446,818 | 12,571,537 | 11,520,292 |
| Fixed Assets | 5 | 298,012 | 227,739 | 368,012 |
| Total Assets | | 11,744,830 | 12,799,276 | 11,888,304 |
| Less Current Liabilities | | | | |
| Accounts Payable | | 390,389 | 501,423 | 500,000 |
| Accrued Leave | | 81,581 | 119,728 | 120,000 |
| GST Payable | | 14,556 | 919 | 10,000 |
| Total Current Liabilities | | 486,526 | 622,070 | 630,000 |
| Net Assets | | \$ 11,258,304 | \$ 12,177,206 | \$ 11,258,304 |

B.J. Brown
Presiding Member

Dr W.A. Porteous
Chief Executive

Statement of Cash Flows for the year ended 30 June 2002

| | 2001 (\$) | 2002 (\$) | 2002 (\$) Forecast |
|--|---------------------|---------------------|-----------------------|
| Cash Flow From Operating Activities | | | |
| Cash was Provided from: | | | |
| Interest Earned | 775,029 | 803,491 | 594,000 |
| Sale of Publications/Royalties | 48,240 | 15,121 | 0 |
| Cost Recoveries | 26,616 | 18,561 | 20,000 |
| Consent Levies | 3,594,599 | 3,835,202 | 3,078,000 |
| | 4,444,484 | 4,672,375 | 3,692,000 |
| Cash was Disbursed to: | | | |
| Payments to Suppliers | (1,675,954) | (1,972,623) | (1,906,678) |
| Payments for Goods and Services Tax | 13,567 | (13,637) | (4,556) |
| Payments for Members' Fees | (80,300) | (114,857) | (150,000) |
| Payments for Personnel Costs | (1,102,788) | (1,209,887) | (1,210,000) |
| | (2,845,475) | (3,311,004) | (3,271,234) |
| Net Cash Flow From Operating Activities | \$ 1,599,009 | \$ 1,361,371 | \$ 420,766 |
| Cash Flow From Investing Activities | | | |
| Cash was Provided from: | | | |
| Sale of Fixed Assets | 0 | 16,250 | 0 |
| Landlord's contribution to fit-out | 0 | 197,307 | 180,000 |
| | 0 | 213,557 | 180,000 |
| Cash was Applied to: | | | |
| Purchase of Fixed Assets | (396,275) | (66,892) | (118,000) |
| Purchase of Fixed Interest Funds | (7,194,746) | (4,481,138) | (3,744,000) |
| | (7,591,021) | (4,548,030) | (3,862,000) |
| Net Cash Flow From Investing Activities | (7,591,021) | (4,334,473) | (3,682,000) |
| Net Increase/(Decrease) in Cash | (5,992,012) | (2,973,102) | (3,261,234) |
| Opening Cash | 9,799,792 | 3,807,780 | 3,807,780 |
| Closing Cash | \$ 3,807,780 | \$ 834,678 | \$ 546,546 |

Reconciliation of Net Surplus with Net Cash Flows from Operating Activities for the year ended 30 June 2002

| | 2002 (\$) | 2001 (\$) |
|---|---------------------|---------------------|
| Net Surplus | 918,902 | 1,347,275 |
| Add Non-cash Items: | | |
| Depreciation and loss on disposal of fixed assets | 120,915 | 32,995 |
| | 1,039,817 | 1,380,270 |
| Add/(Less) Movements In Working Capital Items: | | |
| Decrease/(Increase) in Accounts Receivable | 13,593 | (13,138) |
| Increase in Work in Progress | (27,201) | (535) |
| Increase in Accounts Payable | 149,181 | 134,452 |
| Decrease in Interest Receivable | 207,915 | 84,879 |
| (Decrease)/Increase in Net GST Payable | (13,637) | 13,567 |
| Decrease/(Increase) in Prepayments | (8,297) | 7,625 |
| (Decrease)/Increase in Deposits Received | 0 | (8,111) |
| | 321,554 | 218,739 |
| Net Cash Flow From Operating Activities | \$ 1,361,371 | \$ 1,599,009 |

The attached notes form part of and should be read in conjunction with these financial statements.

Notes to Accounts for the year ended 30 June 2002

Note 1: Accounting Entity

The Building Industry Authority (the Authority) was established under the Building Act 1991 (the Act) on 15 February 1992. The functions of the Authority are defined by that Act.

Note 2: Statement of Accounting Policies

General Accounting Policies

- (a) The measurement base adopted is that of historical cost.
- (b) Reliance is placed on the fact the Authority is a going concern.
- (c) Accrual accounting is used to match expenses against revenue.

Particular Accounting Policies

Fixed Assets

Fixed Assets are valued at cost less accumulated depreciation. They are depreciated as follows:

| | |
|------------------------|----------------------------|
| Office Equipment | 40 % DV |
| Furniture and Fittings | 20-33 % DV |
| Motor Vehicles | 20 % DV |
| Leasehold Improvements | 11.11% - 20% Straight line |

Work in Progress

Work in progress is stated at the lower of cost and net realisable value.

Work in progress includes materials and a portion of direct labour and production overhead appropriate to the stage of completion attained.

Accounts Receivable

Accounts receivable are stated at estimated realisable value, after due allowance for amounts which are not considered recoverable.

Investment Income

Interest income is accrued at balance date.

Accounts Payable

Costs to complete research projects in progress at balance date have been accrued in the Statement of Financial Position.

Goods and Services Tax (GST)

All revenue and expense transactions have been recorded net of GST. Where applicable, all assets and liabilities have been stated net of GST, with the exception of receivables and payables which are stated inclusive of GST.

Levy Income

In accordance with the Building Act, levy income is recognised on a cash basis.

Levy Reserve

Amounts in excess of the budget surplus as approved by the Ministers of Internal Affairs and Finance are transferred to the Levy Reserve throughout the period.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- (a) Cash is considered to be cash on hand, current accounts in banks and short-term deposits, net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- (c) Operating activities include all transactions and other events that are not investing or financing activities.

Changes in Accounting Policy

There have been no changes in accounting policy during the year. All policies have been applied on a consistent basis with previous years.

Note 3: Levy Reserve

The Levy Reserve Account represents the uncommitted surplus from payment of levy to the Authority in excess of the net estimates of expenditure, as approved by the Ministers of Internal Affairs and Finance. The amount will be taken into account in calculating the estimates of expenditure for the succeeding year.

| | 2002 (\$) | 2001 (\$) |
|--|--------------|--------------|
| Opening Balance | 6,378,470 | 5,483,871 |
| Transfer to Levy Reserve During the Year | 756,842 | 894,599 |
| Closing Balance | \$ 7,135,312 | \$ 6,378,470 |

Retained Surplus

The Retained Surplus Account represents uncommitted surplus from non-levy income to the Authority.

| | 2002 (\$) | 2001 (\$) |
|--|----------------------|----------------------|
| Opening Balance | 4,879,834 | 4,427,158 |
| Transfer to Retained Surplus During the Year | 162,060 | 452,676 |
| Closing Balance | \$ 5,041,894 | \$ 4,879,834 |
| Total Accumulated Funds | \$ 12,177,206 | \$ 11,258,304 |

Note 4: Bank

| | 2002 (\$) | 2001 (\$) |
|--|-------------------|---------------------|
| Petty Cash Imprest | 100 | 100 |
| Bank of New Zealand – Cheque Account | 84,578 | 157,680 |
| Bank of New Zealand – Money Market on Call | 750,000 | 0 |
| Bank of New Zealand – Money Market Fixed Deposit | 0 | 2,150,000 |
| ASB Bank Term Deposit | 0 | 500,000 |
| National Bank Short-Term Deposit | 0 | 1,000,000 |
| | \$ 834,678 | \$ 3,807,780 |

Note 5: Fixed Assets

| | 2002 (\$) | 2001 (\$) |
|--------------------------|------------------|-------------------|
| Office Equipment | | |
| Cost | 191,072 | 322,890 |
| Accumulated Depreciation | (92,873) | (129,009) |
| Book Value | \$ 98,199 | \$ 193,881 |

During the course of the year, management determined that the carrying value of office equipment did not reflect the estimated realisable value of the assets, and consequently disposed of computer hardware and software identified as obsolete. This resulted in management recognising a loss on disposal of \$20,560 to be recognised in the Statement of Financial Performance.

During the course of the year, management increased the depreciation rates used for items of office equipment from 20% diminishing value, to 40% diminishing value based on a reassessment of the estimated useful lives of the assets. Consequently the depreciation expense recognised in the Statement of Financial Performance has increased by \$36,821.

Note 5: Fixed Assets (continued)

| | 2002 (\$) | 2001 (\$) |
|-------------------------------|-------------------|-------------------|
| Furniture and Fittings | | |
| Cost | 173,666 | 151,755 |
| Accumulated Depreciation | (107,781) | (98,333) |
| Book Value | \$ 65,885 | \$ 53,422 |
| Motor Vehicles | | |
| Cost | 33,449 | 25,280 |
| Accumulated Depreciation | (6,690) | (12,552) |
| Book Value | \$ 26,759 | \$ 12,728 |
| Leasehold Improvements | | |
| Cost | 44,516 | 40,629 |
| Accumulated Depreciation | (7,620) | (2,648) |
| Book Value | \$ 36,896 | \$ 37,981 |
| Total Fixed Assets | \$ 227,739 | \$ 298,012 |

Note 6: Financial Instruments

Credit

In the normal course of its business, the Authority incurs credit risk from trade debtors and financial institutions.

There are no significant concentrations of credit risk.

The Authority does not require any collateral or security to support financial instruments due to the quality of the financial institutions.

All financial instruments are carried out at cost which equates to fair values in the Statement of Financial Position.

All financial instruments will mature within twelve months of balance date. The effective interest rate on bank deposits is 5.55%.

As at balance date, the Authority's reserves of \$11.7m are managed by AMP Henderson (2001: \$7.2m). AMP New Zealand Limited has been assigned an "A" credit rating by Standard and Poor's. The investment policy is to invest in low-risk, New Zealand fixed interest loans.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Note 7: Lease Commitments

At 30 June 2002 the Authority was committed to a lease on premises in Wellington.

At 1 May 2001 the Authority entered into a lease for additional space and renewal of the current lease. The new lease is for nine years, incorporating 2 rights of renewal of 3 years. The lease costs \$10,777 per month plus GST and expires on 30 April 2010.

The future lease commitments are as follows:

| | 2002 (\$) | 2001 (\$) |
|-----------------------|-----------|-----------|
| Not later than 1 year | 129,329 | 129,329 |
| 1 – 2 years | 129,329 | 129,329 |
| 2 – 5 years | 387,987 | 387,987 |
| Greater than 5 years | 366,432 | 495,761 |

Note 8: Contingencies

The Authority had no contingent liabilities at 30 June 2002 (2001 \$ Nil).

There were no capital expenditure commitments at 30 June 2002 (2001 \$ Nil).

Note 9: Events Subsequent to Balance Date

1 Weathertightness

During the past year the Authority appointed a Weathertightness Overview Group to independently inquire into the weathertightness of buildings in New Zealand in general and in particular into the concerns regarding housing that was leaking and causing decay. The Group's report was published in September 2002. The Authority considers that there is no liability arising from that report which would impact the Authority's financial position.

2 Distribution to the Crown

The Authority is currently considering distributing approximately \$1.1 million of equity to the Crown. This amount represents the repayment of Crown grant funding prior to the establishment of the consent levy regime in 1994, plus interest to date.

Note 10: Remuneration Disclosure

| | | |
|--------------|-------------------------|------------|
| Salary Range | \$ 110,000 – \$ 119,999 | 1 employee |
| | \$ 140,000 – \$ 149,999 | 1 employee |

Fees Paid to Members of the Authority

| | | |
|------------------|------------------|-----------|
| Mr B Brown | Presiding Member | \$ 35,722 |
| Mr P Fehl | Member | \$ 14,302 |
| Mr P K Broughton | Member | \$ 12,600 |
| Mr J Hill | Member | \$ 8,640 |
| Ms H Horswell | Member | \$11,800 |
| Mr S Meredith | Member | \$ 10,000 |
| Mrs A Pickering | Member | \$ 13,000 |
| Mr W Wrightson | Member | \$ 10,800 |

To the readers of the financial statements of the Building Industry Authority for the year ended 30 June 2002

We have audited the financial statements on pages 8 to 21. The financial statements provide information about the past financial and service performance of the Building Industry Authority and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out in the Notes to Accounts pages 16 to 17.

Responsibilities of the Members

The Public Finance Act 1989 requires the Members to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Building Industry Authority as at 30 June 2002, the results of operations and cash flows, and service performance achievements for the year ended on that date.

Auditors' responsibilities

Section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Members. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Roy Tiffin, of KPMG, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Members in the preparation in the financial statements; and
- whether the accounting policies are appropriate to the Building Industry Authority's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Building Industry Authority in relation to general accounting services, the levy and education review of Territorial Authorities, and risk management. Partners and employees of our firm may also deal with the Authority on normal terms within the ordinary course of trading activities of the business of the Authority. These matters have not impaired our independence as auditors of the Authority. Other than the relationships disclosed above and in our capacity as auditor acting on behalf of the Auditor-General, the firm has no other relationship with, or interest in, the Building Industry Authority.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Building Industry Authority on pages 8 to 21:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Building Industry Authority financial position as at 30 June 2002;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 31 October 2002 and our unqualified opinion is expressed as at that date.

Roy Tiffin

KPMG

On Behalf of the Auditor-General

Wellington, New Zealand

List of Building Code Clauses

B1 Structure
B2 Durability
C1 Outbreak of fire
C2 Means of escape
C3 Spread of fire
C4 Structural stability during fire
D1 Access routes
D2 Mechanical installations for access
E1 Surface water
E2 External moisture
E3 Internal moisture
F1 Hazardous agents on site
F2 Hazardous building materials
F3 Hazardous substances and processes
F4 Safety from falling
F5 Construction and demolition hazards
F6 Lighting for emergency
F7 Warning systems
F8 Signs
G1 Personal hygiene
G2 Laundering
G3 Food preparation and prevention of contamination
G4 Ventilation
G5 Interior environment
G6 Airborne and impact sound
G7 Natural light
G8 Artificial light
G9 Electricity
G10 Piped services
G11 Gas as an energy source
G12 Water supplies
G13 Foul water
G14 Industrial liquid waste
G15 Solid waste
H1 Energy efficiency

List of Abbreviations

- BOINZ** Building Officials Institute of New Zealand
BRANZ Building Research Association of New Zealand
DoC Department of Conservation
ERMA Environmental Risk Management Authority
HSNO Act Hazardous Substances and New Organisms Act
LGITO Local Government Industry Training Organisation
MCA Ministry of Consumer Affairs
MED Ministry of Economic Development
MfE Ministry for the Environment
MoH Ministry of Health
NZIA New Zealand Institute of Architects
TA Territorial authority

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*Building
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