

ANNUAL REPORT OF THE
**BUILDING
INDUSTRY
AUTHORITY**

PRESENTED TO THE HOUSE OF
REPRESENTATIVES PURSUANT
TO SECTION 44 OF THE PUBLIC
FINANCE ACT 1989.

FOR THE YEAR ENDED 30 JUNE
2004



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Highlights of 2003/2004

1 The BIA gives consumers more protection from weathertightness problems, by announcing amendments to the requirements for dealing with treated and untreated timber and for controlling external moisture. **2** The BIA strengthens its relationship with territorial authorities (TAs) and building certifiers by establishing the Building Industry Performance Group. The Group undertakes 18 technical reviews of TAs and certifiers nationally during the year. **3** The BIA initiates a review of the building certifier scheme of insurance. **4** The BIA launches a new website to improve the flow of information to the sector and to consumers. **5** The BIA significantly increases its technical and organisational capacity and engages proactively with the sector on current issues and concerns. **6** The BIA contributes strongly to the work of the Joint Building Controls Taskforce, which undertakes a nationwide roadshow to highlight the changes proposed in the Building Bill. **7** The BIA continues its work of researching, reviewing and recommending amendments to the Building Code. This includes research and guidance on emerging trends, such as medium and high density housing, and structural and fire engineering practice, along with work to amend and promulgate changes to a number of Code clauses.

CHAIRMAN'S REPORT



“Well built buildings meeting the needs of New Zealanders”

BIA Vision.

The last year has seen the Building Industry Authority (BIA) deliver on past commitments. We have delivered on our commitment to make changes to the Building Code to improve weathertightness performance in our buildings. We have developed our capacity and capability to be an active participant in the sector and to positively contribute to improved outcomes for homeowners. And we have been active in addressing

issues and concerns that have come to light during the year.

While there is still much for the regulator and others to do to ensure New Zealanders develop and maintain confidence in the outcomes they are getting from the building and construction sector, the BIA is now positioned to provide appropriate leadership in assisting the sector to meet that challenge.

In December, the BIA announced new requirements for the use of treated timber in buildings. And in June it published new requirements to ensure buildings are designed and constructed in a way that will achieve weathertightness. These changes are significant and are key to resolving the technical problems underlying the weathertightness issue. The BIA developed these changes in an open and consultative manner and has been encouraged by the widespread support for them. While we recognise issues surrounding weathertightness will require constant vigilance going forward, it is satisfying to have completed the major technical revisions required in this area.

The BIA is also encouraged by the sector response to the more active performance monitoring and improvement regimes we have put in place. During the year we have developed closer relationships with the territorial authorities (TAs) and building certifiers who are responsible for maintaining the building controls regime at the coal face. For our sector to deliver on what New Zealanders need from us, we must ensure the central regulator, TAs and certifiers have a common view of outcomes, and work consistently and cooperatively to achieve them. While potential liabilities have made aspects of this relationship difficult at times, the need for change in this area is tangible, and we are working at all levels within the sector to make this happen.

One real aspect of this cooperation is the work the BIA has been undertaking to support the implementation of the Building Act 2004. During the year the BIA established a Joint Building Controls Task Force (JBC Task Force) with senior building officials, Local Government New Zealand and certifier representatives. The JBC Task Force ran a road show series throughout the country to discuss the changes proposed in the Building Bill. We have continued to prepare for the changes the Act will bring and look forward to working in the coming year with TAs and certifiers on their implementation.

CHAIRMAN'S REPORT CONTINUED

In the midst of this period of significant change, the BIA has of course also undertaken its business-as-usual work. I wish to take this opportunity to thank the Authority members and all employees of the BIA for their significant efforts in making the year such a success.

The BIA becomes part of the new Department of Building and Housing on 30 November 2004. As such, this is our final annual report. While we have achieved much in upgrading the structure and capacity of the BIA, and in leading the sector over the last two years, we recognise there is still much to do. The Government has provided many of the mechanisms for change in the new Building Act. It will be up to all in the sector to make them work so New Zealanders continue to get well built buildings that meet their needs, and we have a confident and vibrant building and construction sector.

Barry Brown
Chairman

FUNCTIONS AND GOVERNANCE

OVERVIEW

The Building Industry Authority is a Crown entity established by the Building Act 1991. Its fundamental purpose has been to manage New Zealand's building controls regime. The BIA has the following Output Classes for 2003/04:

- Maintain and actively update building controls
- Provide guidance on how to meet the requirements of the Building Code
- Oversee and improve administration of building controls
- Inform consumers.

In 2003/04, the Authority comprised five members. Authority members met every month and were supported by a team of technical and professional staff.

ROLES AND SERVICES

The following functions were funded by a levy on building consents:

- To advise the Minister of Commerce on matters relating to building controls
- To administer and review the New Zealand Building Code
- To produce Approved Documents that specify detailed methods of complying with the New Zealand Building Code
- To provide information and advice on building controls to all sectors of the building industry and public.

The BIA also offered the following services for a fee:

- Determinations – technical rulings on matters of interpretation or dispute relating to compliance with the Building Code or the issuing of consents and certificates
- Accreditations – approving specific products, systems or methods as complying with the Building Code
- Building certifier approval – registration of individuals and firms approved by the Authority to check building plans and specifications, and building work during and after construction.

FUNCTIONS AND GOVERNANCE CONTINUED

AUTHORITY MEMBERS

As at 30 June 2004, the Authority members were:

- Barry Brown, Chairman (Auckland) – Director with Fraser Thomas Consulting Engineers of Auckland; extensive experience in structural engineering, specialises in building design for commercial and industrial uses.
- Kemp Broughton (Stratford) – part-time engineering consultant; former Chief Executive of Stratford District Council and a member of the Institution of Professional Engineers New Zealand; of Ngarauru, Ngati Ruanui and Ngaruahine descent.
- John Hill (Auckland) – a registered architect who has had a long involvement with local body and community work; past examiner for the Architects Education and Registration Board, and tutor at the Auckland School of Architecture.
- Alexia Pickering (Wellington) – operates a consultancy ‘Accessible Options’; has been an advocate for people with disabilities in the areas of access and design since 1970; prominent in administration, education and advocacy for improvements to the built environment for all members of society; has considerable public sector and local body experience.
- Andrew King (Wellington) – Section Manager Geohazard Solutions at the Institute of Geological and Nuclear Sciences; highly skilled in earthquake and wind resistant design and assessment procedures; more than 30 years’ experience as a structural engineering consultant, research engineer and technical advisor to New Zealand and international Standards.

MANAGEMENT

During the year, John Ryan was appointed Chief Executive of the BIA. He took over from acting Chief Executive Richard Martin on 10 November 2003.

CHIEF EXECUTIVE'S REPORT



"Well built buildings meeting the needs of New Zealanders"

BIA Vision.

New Zealanders expect their buildings to be built well, and that when built they will meet their needs over the building's life. The BIA performs three primary functions to ensure this occurs. Firstly it develops the Building Code to ensure the standards contained in that Code meet the ever-changing needs of New Zealanders. Secondly it guides and monitors the application of that Code by territorial authorities (TAs) and building certifiers. And finally it researches and reviews the outcomes New Zealanders are achieving from the building controls regime, and takes action on those outcomes as appropriate.

The 2003/04 year was a period of intense activity for the BIA across all of these areas and one where we can point to significant achievements.

DEVELOPMENT OF THE BUILDING CODE

Weathertightness

Weathertightness remained one of the most significant issues for the BIA during the year.

In December, the BIA announced amendments to its Acceptable Solution (B2/AS1) dealing with the use of treated timber. In short, the new requirements take a risk-informed approach, requiring the use of treated timber in those parts of a building more at risk of leaking. While this change has had significant consequences for those in the timber and building industries, I have been encouraged by the effort and commitment across the sector to learn and apply the requirements. A more robust second line of defence from leaking will pay significant dividends to homeowners in the longer term, and will go a long way to building confidence in the robustness of new houses.

In June the BIA published a new Acceptable Solution for external moisture (E2/AS1). The revised requirement uses an innovative weathertightness risk assessment of building features to define acceptable cladding types and construction. It also adopts the internationally recognised best practice for weathertightness – summarised as the "4Ds" (deflection, drainage, drying and durability). The new Acceptable Solution provides significantly more detail about the way buildings should be designed and constructed to achieve weathertightness and covers all cladding types commonly used in New Zealand. It also introduces new standards for some building products and new requirements for approved installers of some products and systems.

CHIEF EXECUTIVE'S REPORT CONTINUED

The implementation of these changes has been supported by considerable guidance material and seminars to ensure the changes are understood and appropriately applied.

While we will maintain constant vigilance on weathertightness issues, I am pleased we have addressed the technical problems underlying the weathertightness issue through these requirements.

Structure

During the year the BIA released a report on concerns raised in the previous year by engineer John Scarry about design and construction standards in structural engineering. The BIA's report addressed technical concerns raised by Mr Scarry, while a report issued at the same time by the Institution of Professional Engineers New Zealand (IPENZ) addressed matters relating to the engineering profession.

Both reports highlighted the need for further research, and identified areas where specific guidance information or action is required. While the Building Act 2004 addresses many of the issues raised by Mr Scarry, the BIA has also taken action to revise standards and develop further industry guidance in response to the report. The BIA encouraged the revision of NZS 3101, the Concrete Structures Standard, and NZS 3109, the Construction Standard. Amendments to each were issued covering hollow-core floors and Grade 500E steel.

Fire

While weathertightness and structural issues have dominated the year's technical work programme, we have also worked hard to ensure any concerns that may emerge in the fire area are identified and addressed.

This year the BIA established the first advisory panel to provide input into our work plan in the fire area. The panel is drawn from experienced sector participants and also has consumer representation. The first task of the panel will be to provide a 'state of play report' to the Authority on fire engineering in New Zealand.

Alongside the establishment of this panel, we have also worked on fire engineering guidelines for the sector, the revision of aspects of the fire clauses of the Building Code and examined the issue of single means of escape. We expect to be able to report on these issues in the first half of the 2004/05 year.

Medium and High Density Residences

In order to anticipate issues that may arise from the intensification of our cities, a study of apartment living in inner-city Auckland was completed in April 2004. The study identified a range of issues for ongoing consideration by the building industry and the BIA. The study highlighted the need for further work into the noise, ventilation, interior environment, natural light, safety and security, building management, hygiene and accessibility of apartments. Some of the issues raised in the study have already been actioned. In particular, a number of proposed changes to Building Code Clause G6, Airborne and Impact Sound, have been issued for public comment following a review of the Clause. This provides for increased protection for consumers. Other issues in the study have been included in the BIA's future work plans.

CHIEF EXECUTIVE'S REPORT CONTINUED

GUIDING AND MONITORING THE APPLICATION OF THE CODE

Territorial Authorities and Building Certifiers

The establishment of the Building Industry Performance Group (BIPG) during the year was a significant step in managing and strengthening the BIA's relationship with territorial authorities (TAs) and building certifiers. We have employed a very strong team of building control officials in this group, and will continue to build capability in this area in the coming year.

Among the BIPG's tasks are monitoring, reporting on and improving the performance outcomes of the building regulatory system. During the year the group undertook 18 technical reviews of TAs and building certifiers nationally. This group then provided the advice, guidance material and support to ensure the findings of the technical reviews were implemented.

Certifier Registration

In April 2004 the Authority announced a review of the building certifier scheme of insurance. This followed a reduction in the level of insurance cover available to certifiers in the market place and difficulties experienced by certifiers fully complying with the scheme of insurance. The review will determine whether any changes are required to the current scheme of insurance.

Insurance issues have dominated the certifier industry in recent times and the review provides a process to address these issues for the medium to long term.

Determinations

In early December some Auckland TAs began declining to issue code compliance certificates for monolithic clad houses without a cavity, and to recommend to homeowners they apply to the BIA for a Determination.

The BIA issued advice to the TAs on the requirements of the Building Act in this regard. It also fielded a large number of calls from affected and distressed homeowners. The law requires that TAs make code compliance decisions on a case-by-case basis. That is to say a blanket policy decision cannot be taken; each house's code compliance has to be assessed on its own merits.

Recognising the issues this matter has caused for homeowners and builders, the BIA has taken a very proactive approach in dealing with these Determinations. This has included:

- commissioning a team of building assessors to undertake site inspections of the affected houses
- providing clear guidance on the criteria and process for assessing houses for weathertightness
- reorganising our internal processes and applying additional resources to Determinations
- issuing guidance on inspections
- providing further education to TAs
- focusing our technical reviews on weathertightness compliance issues.

The BIA now expects TAs to apply this guidance, and is encouraged that many of them are acting accordingly.

CHIEF EXECUTIVE'S REPORT CONTINUED

OUTCOMES MEASUREMENT

The first 'Building Industry Performance Report' was published during the year. This report analyses recent industry trends and issues, and features a range of statistics relating to building quality, building cost, and industry performance. The report is one of the tools the BIA has developed to support its proactive performance monitoring function. It will provide a valuable reference point for planning.

Regular measurement of outcomes such as building quality and cost is key to understanding and managing the performance-based system. At the present time, the report is based on information already collected by central and local government and by industry participants for other purposes. The BIA is also actively developing a new framework for future systematic reporting of building industry performance. That work will result in the development of new indicators over time to help the regulator better understand key performance issues and outcomes.

OTHER ACTIVITIES

Building organisational capacity

Good progress was made during the year on building the organisational capacity of the BIA. The organisational structure was consolidated and key management appointments were made. The BIA has particularly focused on increasing technical building and construction capability while balancing this with improved communications to consumers and the building sector.

Litigation

The BIA has continued to be involved in litigation related to weathertightness matters. These cases are fully reported on in the financial statements, which form part of this report.

Building Act 2004

The Building Act 2004 marks an important milestone in the development of a balanced regulatory framework for the building industry. A programme manager was appointed during the year and the overall implementation programme plan was put in place. The BIA has issued a range of discussion papers on implementing the Building Act and will be active in supporting its implementation over the coming year.

CHIEF EXECUTIVE'S REPORT CONTINUED

MOVING FORWARD

The proposed changes in the building and housing sector are driven by the principle of improving decision-making throughout the industry in order to ensure better buildings.

That means more clarity, guidance, certainty, scrutiny and protection for homeowners and consumers.

The combination of a heightened government focus on housing issues, a connected and active regulator, and competent practitioners undertaking all critical work bodes well for the industry moving forward.

The 2003/04 year has seen the BIA take significant strides in developing its capacity and in playing its part in the sector. The organisation is well positioned for the future.

John Ryan

Chief Executive

OUTPUT CLASSES

Based on the four Output Classes identified in the 2003/04 Statement of Intent (SOI), the following specific outputs were agreed.

- 1** Maintain and actively update building controls
 - Output 1.1: Review Building Code Clauses and Approved Documents
 - Output 1.2: Respond to major issues in the building industry, new technologies and emerging industry developments.

- 2** Provide guidance on how to meet the requirements of the Building Code
 - Output 2.1: Make the BIA's knowledge base accessible to stakeholders
 - Output 2.2: Define the approach and objectives for guidance information and publish this information
 - Output 2.3: Delivery of education programmes.

- 3** Oversee and improve administration of building controls
 - Output 3.1: Conduct technical and levy audits of territorial authorities and technical audits of building certifiers
 - Output 3.2: Work in partnership with territorial authorities and building certifiers to achieve best practice for effective management of the building controls regime
 - Output 3.3: Develop and implement a measurement framework to score the performance of the building controls regime.

- 4** Inform customers
 - Output 4.1: Implement a Web portal strategy
 - Output 4.2: Establish a consumer liaison group to ensure consumer feedback to the BIA
 - Output 4.3: Publish *BIA News* and *Weathertightness News*.

STATEMENT OF RESPONSIBILITY

Pursuant to section 42 of the Public Finance Act 1989, management accepts responsibility for:

- the preparation of the financial statements for the Building Industry Authority and for the judgements used therein
- the establishment and maintaining of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of management, the financial statements of the Building Industry Authority for the year ended 30 June 2004 set out on pages 14 to 38 fairly reflect the financial position and operations of the Building Industry Authority.

Barry Brown
Chairman

John Ryan
Chief Executive

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004**1. MAINTAIN AND ACTIVELY UPDATE BUILDING CONTROLS**

The BIA is responsible for the Building Code and Approved Documents which are core elements in the building controls regime. The BIA operates a process of continuous review, including a regular review cycle, to ensure the adequacy and relevance of the Building Code and Approved Documents. It also undertakes reviews in response to major issues that arise in the building industry, and in response to new technologies or emerging industry developments.

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
1.1 REVIEW BUILDING CODE CLAUSES AND APPROVED DOCUMENTS		
	<p>Reviews completed and any amendments to the Building Code or Approved Documents finalised by 31 July 2004.</p> <p>Any amendments to the Building Code are submitted to the Minister.</p> <p>The BIA's processes for carrying out the reviews and the process for public consultation on amendments meet required quality standards.</p>	
Playground Standard Development		<p>Complete.</p> <p>New Standard NZS 5828 published in March 2004.</p>
Safety from Falling		<p>Complete.</p> <p>Code Clause change recommendations in the regulations review process.</p> <p>Approved Document review complete and signed off by the Authority.</p>
CCA Treatment of Timber		<p>BIA studies complete.</p> <p>Ongoing monitoring of international trends and research in conjunction with ERMA.</p>
Acoustic Performance of Classrooms		<p>Code Clause and Approved Document approved in principle by the Authority.</p> <p>Project will link with Airborne and Impact Sound project (G6) that is in consultation.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
Safety in Day-Care Centres		<p>First stage of two-year project complete. Research undertaken and proposed amendments to the Acceptable Solution have been developed.</p> <p>Public consultation and publication of revised Acceptable Solution to occur in 2004/05 year.</p>
Minimum Fire Rating Values		<p>Amendments to Acceptable Solution developed.</p> <p>Public consultation and publication of revised Acceptable Solution to occur in 2004/05 year.</p>
Lighting for Emergency		<p>Proposals developed and public consultation process held.</p> <p>Final amendments in preparation.</p> <p>Publication of new documents in 2004/05 year.</p>
Industrial Waste		<p>Code change recommendations in the regulations review process.</p> <p>Approved Document review complete and signed off by the Authority.</p>
Durability		<p>Project complete.</p> <p>Amendments to Approved Document published in December 2003.</p>
External Moisture		<p>Project complete.</p> <p>Approved Document published in June 2004.</p> <p>Code change recommendations in the regulations review process.</p>
Timber Structures Standard/ Timber Framed Buildings		<p>Draft amendment to timber structural Standard NZS 3603 completed.</p> <p>Links to other Standards to be finalised.</p> <p>Standards New Zealand to publish in 2004/05 year.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
Energy Efficiency		<p>This is an ongoing project that links with the national energy efficiency and conservation strategy.</p> <p>A draft amendment to NZS 4218 has been developed.</p> <p>Research has been undertaken that will lead to future Standard and Code revisions.</p>
1.2 RESPOND TO MAJOR ISSUES IN THE BUILDING INDUSTRY, NEW TECHNOLOGIES AND EMERGING INDUSTRY DEVELOPMENTS		
Weathertightness programme	<p>Projects completed to the approved project time-frame, within budget and to required quality standard.</p>	<p>Approved Document published.</p> <p>Seminar series planned for 2004/05 year.</p>
Structural issues	<p>The BIA will report progress on the response to structural issues arising from concrete design and construction practices under the following.</p> <ul style="list-style-type: none"> – Specific nature of design and construction deficiencies. – Scope and extent of the problem. – Required changes in practice for new buildings. – Guidance provided to industry stakeholder communications. 	<p>Concerns investigated regarding Grade 500E reinforcing steel.</p> <p>Sample products tested and industry consulted.</p> <p>Summary report currently being drafted.</p> <p>Survey of hollow-core floors to determine risk profile of use in Christchurch completed and Wellington survey started. Auckland survey planned.</p> <p>Supported research at University of Canterbury on Hollow-core Finite Element Analysis.</p> <p>Period for comments on concrete Standard NZS 3101 closed 26 June 2004.</p> <p>BIA is involved in the review of comments through membership of the NZS 3101 committee.</p> <p>Preparation of advice to industry to improve practice on issues raised by John Scarry.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
Structural issues		<p>Commenced investigation on slender concrete wall panels and industry concerns using questionnaires and interviews.</p> <p>Preparation of Earthquake Prone Buildings Guidelines was started and due for completion in 2004/05.</p>
Emerging trend for medium and high-density multi-unit residences	<p>Complete a report on medium- and high-density multi-unit residences, provide an assessment of issues relating to this building form, and complete work plan to address those issues by the end of the third quarter.</p>	<p>Report completed in April 2004.</p> <p>Issues identified and transferred into BIA work plan for 2004/05.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**2. PROVIDE GUIDANCE ON HOW TO MEET THE REQUIREMENTS OF THE BUILDING CODE**

In addition to its responsibility for the building regulatory framework, the BIA is also charged with providing guidance to consumers, the building industry and TAs on how to fulfil the requirements of the Building Code. The BIA runs briefings and seminars on current building issues, and it has an extensive knowledge base that it makes available to stakeholder groups. The proposed changes to the Building Act envisage the introduction of 'guidance information' from the BIA to better inform stakeholders on how to go about achieving the outcomes sought by the Building Code. The BIA planned for the production of three guidance documents in 2003/04.

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
2.1 MAKE THE BIA'S KNOWLEDGE BASE ACCESSIBLE TO STAKEHOLDERS		
<p>The BIA will publish the Building Code and Approved Documents. These documents and other information sources held by the BIA will be accessible to stakeholders via the BIA website.</p>	<p>Stakeholders are adequately informed of proposed changes to the Building Code and Approved Documents and given a minimum of two months to provide comment.</p> <p>The Building Code and Approved Documents are readily available for purchase by stakeholders. Amendments are published within three months following approval by the Authority or the Minister.</p> <p>The Building Code and Approved Documents and other documents held by the BIA are accessible to stakeholders via the BIA website.</p>	<p>E2/AS1 third edition (external moisture) published.</p> <p>B2/AS1 amendment (treated and untreated timber) published.</p> <p>The New Zealand Building Act and Building Code are accessible to stakeholders via the BIA website.</p> <p>Approved Documents are not accessible via the website. They are available at Victoria University Bookcentre in hard copy, CD-ROM or PDF (internet) format.</p>
<p>The BIA will develop and implement a communications plan to ensure stakeholders are informed of its work plan, proposed changes to the Building Code and Approved Documents and the outcome of any review process. This will include a review of stakeholder information needs.</p> <p>The BIA will develop a Web portal strategy to maximise the accessibility of its knowledge base. This will include a Web 'networking' strategy to facilitate intra-industry information sharing.</p>	<p>A review of stakeholder information needs and delivery mechanisms will be completed by 31 December 2003.</p> <p>Scoping of the Web portal strategy will be completed by 31 December 2003.</p>	<p>First draft of BIA Web portal strategy completed in March 2004.</p> <p>Document outlines online development progress and contains a number of milestones and possible development projects. Document then left in draft form while the wider BIA publishing strategy is resolved, and context of website in relation to the new consumer website is finalised.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
2.2 DEFINE THE APPROACH AND OBJECTIVES FOR NEW GUIDANCE INFORMATION AND PUBLISH THIS INFORMATION		
<p>Under proposed changes to the Building Act, the BIA will be directed to publish a new category of information – guidance information. Much of this is likely to be in document form.</p>	<p>The framework for the guidance information is defined and supported by key stakeholders: TAs and building certifiers, consumers, the construction industry, manufacturers and suppliers.</p>	<p>A framework for guidance information has been completed and includes processes for developing guidance information and appropriate distribution channels.</p>
<p>The information is intended to be a guide to industry and consumers on ways and means to achieve the performance required by the Building Code and Approved Documents.</p>	<p>A minimum of three new guidance documents are developed and published by the end of 2003/04 and are favourably received by stakeholder groups.</p>	<p>The first guidance document, <i>Critical Requirements for the Assessment of 'Monolithic' Claddings</i>, was sent to building officials, certifiers and relevant industry organisations in April.</p> <p>Other documents covering Producer Statements, the processing of Alternative Solutions and weathertightness risk factors are currently being processed.</p>
2.3 DELIVERY OF EDUCATION PROGRAMMES		
<p>The BIA will continue to provide education programmes to TAs and the industry during 2003/04, but will also conduct a review of TA and industry requirements to guide ongoing education activity.</p>	<p>The BIA will deliver education programmes around Building Act changes, weathertightness, medium-density housing and structural engineering issues as priorities.</p>	<p>A review of the BIA's education programme, along with territorial authority and industry education needs, was completed during the year.</p> <p>Additional recruitment for the BIA's education function is also under way.</p>
<p>A key focus will be the education needs of TA building officers in light of Building Act changes.</p>	<p>A review of TA and industry education needs will be completed by March 2004.</p>	<p>The BIA continues to deliver education programmes around a range of issues. During the year, this included the changes to timber treatment requirements. There was also a major education programme for the Building Code Clause E2 Acceptable Solution (E2/AS1) announcement.</p> <p>Both programmes were carried out in partnership with other organisations, for example, the Building and Research Association of New Zealand (BRANZ) and Standards New Zealand.</p>

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**3. OVERSEE AND IMPROVE ADMINISTRATION OF BUILDING CONTROLS**

The TAs and building certifiers are key partners with the BIA in ensuring the effective operation of the building controls regime. The aims of the Building Act will only be achieved if the processes for applying for and granting a building consent, and inspecting the works and issuing a code compliance certificate, operate effectively and to the required standard. This is in the hands of the TAs and building certifiers. The BIA has two roles to play: to audit the TAs and building certifiers to ensure their performance is satisfactory, and to support the development of improved processes and performance.

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
3.1 CONDUCT TECHNICAL AND LEVY AUDITS OF TAs AND TECHNICAL AUDITS OF BUILDING CERTIFIERS		
The BIA will complete a minimum of 12 technical audits and seven levy audits of TAs in 2003/04, supplemented by a new process for self-assessment for building consent levies.	The planned number of audits are completed (12 technical audits and seven levy audits), the TAs and building certifiers accept the findings from the audits and, where required, TAs and building certifiers take appropriate remedial action to address any issues identified.	Eleven Technical Reviews (nine preliminary reviews and two follow-up reviews) were undertaken on 10 different territorial authorities. Six preliminary reviews have been undertaken on different certifying operations.
The BIA will complete annual or biennial reviews of all building certifiers in conjunction with the renewal of their accreditation.	Follow-up audits are conducted when issues are identified.	Work was undertaken with seven local authorities to follow up on issues raised in Technical Reviews and to assist the local authorities to plan and implement performance improvement work.
3.2 WORK IN PARTNERSHIP WITH TAs AND BUILDING CERTIFIERS TO ACHIEVE BEST PRACTICE FOR EFFECTIVE MANAGEMENT OF THE BUILDING CONTROLS REGIME		
The BIA is establishing a new group, the Building Industry Performance Group, to work with TAs and building certifiers on the management of the building controls processes, including: the design of the processes, how to operate them to the standard required to ensure all construction complies with the Building Code, and how to measure the performance of the processes in ensuring compliance with the Building Code.	A new Building Industry Performance Group is resourced according to the business plan. A work programme is being developed in consultation with the TAs, and four major performance improvement projects are completed in partnership with TAs in 2003/04.	The Building Industry Performance Group is now established and resourced. The Group tackled a number of significant industry performance issues, including improvements to: – weathertightness – durability – assessment of Building Code compliance – consumer protection. These issues were addressed through a work programme that included the development of guidance documents, industry liaison, problem solving, seminars, and operational policy improvement.
The BIA will identify and carry out projects with the TAs and building certifiers to address issues with the current regulatory processes and to improve the performance of those processes.		

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
		<p>Highlights of this work included:</p> <ul style="list-style-type: none"> - sponsoring and presenting at two national Building Officials' Institute of New Zealand (BOINZ) conferences and numerous regional building officials meetings - presenting national seminar programmes on weathertightness and durability compliance - undertaking a national roadshow during September/October 2003 to communicate issues around the introduction of the Building Bill - publication of two substantial guidance documents to assist industry to address weathertightness compliance issues associated with external cladding systems - initiating a review of building certifier insurance requirements to address consumer protection issues.

3.3 DEVELOP AND IMPLEMENT A MEASUREMENT FRAMEWORK TO SCORE THE PERFORMANCE OF THE BUILDING CONTROLS REGIME

<p>The BIA will develop a framework for the systematic reporting of information on the performance of the building controls regime, and will publish a performance report quarterly.</p>	<p>The first report is published at the end of the third quarter in 2003/04 and reports are published quarterly.</p>	<p>The first report into building industry performance to 31 March 2004 was published in May 2004. This report will be updated each quarter.</p> <p>The first report introduced a framework to monitor (a) building industry activity, (b) building quality and (c) the effectiveness of the building control system.</p> <p>Work is continuing to improve the monitoring framework and to identify new performance measures. Improvements will be introduced progressively as the new Building Act is implemented during 2005.</p>
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STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**4. INFORM CONSUMERS**

One of the BIA's key roles is to lead the provision of information about the building controls regime to consumers. This information is not primarily about how to construct a building in accordance with the requirements of the Building Code and Approved Documents, but about how the building control processes operate and the roles and responsibilities of all of the parties involved, including consumers themselves, building professionals (architects, engineers, designers, etc), building and construction contractors, TAs and building certifiers, and suppliers. This is to enable consumers to make informed choices and to successfully navigate the building control processes they will encounter when embarking on a building project.

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
4.1 IMPLEMENT A WEB PORTAL STRATEGY		
The BIA will develop a Web portal as the primary means for consumers to access information they need on the building controls regime.	The planned redevelopment of the BIA's website is completed and provides access to all of the information consumers require on how to successfully navigate through the building control processes.	The new and improved BIA website went live in October 2003. In January 2004 the website was ranked number one (score 93.6 percent) out of 25 public sector sites for alignment with the New Zealand Government Web Guidelines.
	The project is completed on time, to budget and to the required quality standard.	The project was completed on time, to budget and to the required quality standard.
4.2 ESTABLISH A CONSUMER LIAISON GROUP TO ENSURE CONSUMER FEEDBACK TO THE BIA		
To succeed with its goal of informing consumers, the BIA will need to have very good input and feedback from consumers. The key vehicle for this will be the establishment of a consumer liaison group.	The consumer liaison group is established, the group has a timetable for regular meetings and it is providing effective input to the BIA's consumer information strategy.	This work has been discontinued. It has been decided instead to include consumer representatives within other advisory groups (eg, fire) so that consumer issues are dealt with in an integrated manner

STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

OUTPUT	PERFORMANCE MEASURES	RESULTS ACHIEVED
4.3 PUBLISH BIA NEWS AND WEATHERTIGHTNESS NEWS		
<p>The BIA will continue to publish <i>BIA News</i> and <i>Weathertightness News</i> to inform consumers and other stakeholders of topical matters relating to building and construction and the building controls regime.</p>	<p>The BIA will publish 10 issues of <i>BIA News</i>, and six supplementary issues (focusing on topics such as weathertightness, new legislation, etc) in 2003/04, with a circulation of approximately 11,000 copies for each issue.</p>	<p>Ten issues of <i>BIA News</i> were published. Five issues of <i>Weathertightness News</i> were published.</p> <p>Circulation varied as a result of a major subscription verification process undertaken from September 2003 to June 2004, during which the <i>BIA News</i> subscriber database was comprehensively updated to ensure accuracy and currency.</p> <p>A <i>BIA News</i> reader survey was sent out to 1000 subscribers, with feedback and results helping to ensure <i>BIA News</i> stays relevant to stakeholder needs.</p>

SUMMARY OF EXPENDITURE BY OUTPUT FOR THE YEAR ENDED 30 JUNE 2004

	2004 Actual \$	2004 SOI Budget \$
Maintain and Proactively Update Building Controls		
Programmes and Projects	2,738,613	2,386,833
Operating and Overhead Costs	1,219,745	1,229,782
	3,958,358	3,616,615
Provide Guidance on How to Meet the Requirements of the Building Code		
Programmes and Projects	677,565	2,402,633
Operating and Overhead Costs	301,779	1,237,923
	979,344	3,640,556
Oversee Administration of Building Controls		
Programmes and Projects	2,179,350	747,905
Operating and Overhead Costs	970,656	385,347
	3,150,006	1,133,252
Inform Consumers		
Programmes and Projects	321,071	1,062,262
Operating and Overhead Costs	143,001	547,315
	464,072	1,609,577
Building Bill Implementation		
Programmes and Projects	589,904	-
Operating and Overhead Costs	262,736	-
	852,640	-
Weathertightness Litigation		
Programmes and Projects	1,118,059	1,056,000
Operating and Overhead Costs	497,970	-
Less: Crown Funding	(1,109,533)	1,056,000
	506,496	-
Total Expenditure	9,910,917	10,000,000
Total Expenditure on Projects and Programmes	6,515,029	7,655,633
Total Operating and Overhead Costs	3,395,888	3,400,367
Net Cost of Services	9,910,917	10,000,000

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

2003 \$		Note	2004 \$	Budget 2004 \$
	Income			
4,648,707	Consent Levies		5,650,394	5,197,307
27,897	Interest on Deposits		21,771	–
4,676,604	Total Operating Income		5,672,165	5,197,307
	Expenses			
(5,658,512)	Net Cost of Services	1	9,910,917	9,978,000
(981,908)	Net Operating Surplus/(Deficit) for the Year		(4,238,752)	(4,780,693)
797,722	Investment Income	6	450,740	859,413
(184,186)	Net Deficit for the Year		(3,788,012)	(3,921,280)

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2004

2003 \$		2004 \$	Budget 2004 \$
(184,186)	Net Deficit for the Year	(3,788,012)	(3,921,280)
(184,186)	Total Recognised Revenues and Expenses for the Year	(3,788,012)	(3,921,280)
12,177,206	Accumulated Funds at Start of the Year	11,993,020	11,993,020
	Crown Capital Contributions	3,500,000	-
11,993,020	Accumulated Funds at End of the Year	11,705,008	8,071,740

STATEMENT OF COSTS OF SERVICES FOR THE YEAR ENDED 30 JUNE 2004

2003 \$		Note	2004 \$	Budget 2004 \$
Personnel Costs				
1,476,427	Staff Salaries and Wages	10	2,457,135	2,776,549
96,362	Staff Recruitment and Training		179,782	255,443
182,343	Members' Fees	8	221,834	150,000
1,755,132			2,858,751	3,181,992
Other Costs				
371,783	Education and Training		145,625	208,607
1,974,419	Programmes and Projects		3,568,608	4,012,714
513,978	Transitional Management Fees		–	–
155,370	Travel and Accommodation		267,782	445,788
41,524	Printing and Stationery		589,239	876,500
16,071	Auditors' Remuneration		13,324	15,000
263,071	Agent Compliance Assurance		52,586	–
Depreciation				
43,910	– Office Equipment		88,124	(2,442)
14,242	– Furniture and Fittings		14,722	15,425
4,906	– Motor Vehicles		–	–
5,770	– Leasehold Improvements		17,124	16,696
430	Loss on Disposal of Fixed Assets		–	–
184,679	Office Accommodation		223,702	196,000
2,318	Bank Charges		5,188	38,000
52,171	Information Technology and Telecommunications		143,632	86,000
5,956	Postage and Couriers		20,691	20,000
102,284	Administration Support		1,614,389	577,400
4,637	Fringe Benefit Tax		–	–
–	Other Administration Costs		66,035	85,320
94,016	Insurance		130,033	150,000
38,328	Library Services, Magazines and Subscriptions		99,129	55,000
6,020	Maintenance and Repairs		6,650	22,000
2,332	International Levies		–	–
–	Weathertightness Litigation Costs		1,117,375	1,056,000
5,653,348	Total Expenditure	1	11,042,709	11,056,000
(17,223)	LESS Cost and Fee Recoveries		(40,723)	–
–	Royalties and Document Sales		(887)	(22,000)
–	Crown Funding of Weathertightness Litigation		(1,109,533)	(1,056,000)
(17,223)			(1,151,143)	(1,078,000)
5,636,125			9,891,566	9,978,000
41,738	ADD Work in Progress – Opening		19,351	–
(19,351)	LESS Work in Progress – Closing		–	–
5,658,512	Net Cost of Services		9,910,917	9,978,000

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

2003 \$		Note	2004 \$	Budget 2004 \$
Accumulated Funds				
5,614,550	Retained Surpluses		1,342,363	833,857
6,378,470	Levy Reserve		6,862,646	7,237,883
–	Crown Capital Contributions		3,500,000	–
11,993,020	Total Accumulated Funds	5	11,705,009	8,071,740
Current Assets				
375,545	Cash at Bank	7	665,295	303,103
19,351	Work in Progress		–	–
50,215	GST Receivable		97,972	–
–	Debtors		1,164,888	23,431
66,886	Prepayments		103,194	–
12,509,535	Investments	4	10,993,702	8,096,327
13,021,532	Total Current Assets		13,025,051	8,422,861
Current Liabilities				
1,104,946	Accounts Payable		1,755,080	79,838
–	GST Payable		–	21,000
130,758	Employee Entitlements		169,999	100,000
8,972	Accrued Expenses		–	636,515
1,244,676	Total Current Liabilities		1,925,079	837,353
11,776,856	Working Capital		11,099,972	7,585,508
216,164	Fixed Assets	2	605,037	486,232
11,993,020	Net Assets		11,705,009	8,071,740

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

2003 \$	Note	2004 \$	Budget 2004 \$
Cash flows from Operating Activities			
Cash was Provided from:			
28,942	Interest and Other Income	21,771	–
17,223	Sales of Publications	887	–
–	Cost Recoveries	40,723	22,000
4,648,707	Consent Levies	5,595,039	5,328,322
4,694,872		5,658,420	5,350,322
Cash was Disbursed to:			
(3,349,212)	Net Payments to Suppliers	(7,485,704)	(6,978,645)
919	Payments for Goods and Services Tax	–	–
(182,343)	Payments for Members' Fees	(221,834)	(385,000)
(1,529,757)	Payments for Personnel Costs	(2,618,863)	(3,031,993)
(5,060,393)		(10,326,401)	(10,395,638)
(365,521)	Net Cash Flow from Operating Activities	(4,667,981)	(5,045,316)
Cash Flow from Financing Activities			
Cash was Provided from:			
–	Capital Contribution from the Crown	3,500,000	3,472,621
Cash was Disbursed to:			
–	Repayment of Capital Contribution to the Crown	–	(3,472,621)
–	Net Cash Flow from Financing Activities	3,500,000	–
Cash Flow from Investing Activities			
Cash was Provided from:			
23,944	Refunds of Goods and Services Tax	–	–
–	Sale of Fixed Interest Funds	2,000,000	5,272,621
717,310	Investment Income	480,625	909,413
741,254		2,480,625	6,182,034
Cash was Applied to:			
(81,627)	Purchase of Fixed Assets	(508,843)	(299,747)
(716,847)	Purchase of Fixed Interest Funds	(480,616)	(859,413)
(36,392)	Funds Management Fees	(33,436)	(50,000)
(834,866)		(1,022,895)	(1,209,160)
(93,612)	Net Cash Flow from Investing Activities	1,457,730	4,972,874
(459,133)	Net Increase/(Decrease) in Cash	289,749	(72,442)
834,678	Opening Cash	375,545	375,545
375,545	Closing Cash	665,295	303,103
Cash and Bank Comprise:			
100	Petty Cash	100	100
375,445	Bank of New Zealand – Cheque Account	13,833	303,003
–	Bank of New Zealand – Money Market on Call	651,362	–
375,545		7	665,295
			303,103

THE ATTACHED NOTES FORM PART OF AND SHOULD BE READ IN CONJUNCTION WITH THESE FINANCIAL STATEMENTS.

**RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH NET CASH FLOWS
FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2004**

2003 \$		2004 \$	Budget 2004 \$
(981,900)	Net Operating Surplus/(Deficit for the Year)	(4,238,752)	(4,780,693)
Add non-cash items			
69,258	Depreciation and Loss on Disposal of Fixed Assets	119,970	29,679
(912,642)		(4,118,782)	(4,751,014)
Add/(Less) Movements in Working Capital Items:			
(50,215)	Decrease/(Increase) in GST Receivable	(47,757)	50,215
1,045	Decrease/(Increase) in Interest Receivable	-	-
-	Decrease/(Increase) in Accrued Income	(1,164,888)	(23,431)
22,387	Decrease/(Increase) in Work in Progress	19,351	19,351
(48,694)	Decrease/(Increase) in Prepayments	(36,308)	66,886
-	(Decrease)/Increase in GST Payable	-	21,000
602,605	(Decrease)/Increase in Creditors, PAYE and Withholding Tax	650,134	(1,025,108)
11,029	(Decrease)/Increase in Employee Entitlements	39,241	(30,758)
8,972	(Decrease)/Increase in Accrued Expenses	(8,972)	627,543
547,128		(549,199)	(294,301)
(365,521)	Net Cash Flow from Operating Activities	(4,667,981)	(5,045,316)

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004**REPORTING ENTITY**

The Building Industry Authority (the Authority) is a Crown entity established under the Building Act 1991 as defined in the Public Finance Act 1989.

STATUTORY BASE

The financial statements are prepared pursuant to section 42 of the Public Finance Act 1989, and cover all the activities of the Authority as set out in the 2003/04 Statement of Intent.

MEASUREMENT BASE

The financial statements have not been prepared on a going concern basis as the Building Industry Authority will be disestablished following the commencement of the Building Act 2004 (enacted on 24 August 2004) on 30 November 2004. There has been no change to the measurement base – all rights, assets, liabilities and debts to the Crown will be transferred to the Department of Building and Housing at net book value on that commencement. Accordingly, the measurement base adopted is that of historical cost.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied.

Budget

The budget figures are derived from the Estimates of Expenditure and Supplementary Estimates as approved by the Minister of Commerce.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the BIA for the preparation of the financial statements.

Revenue

The Authority derives revenue from the Building Consent Levy (the Levy) paid by building owners on the value of building consents issued at \$0.65 per \$1000 of the value of building work. The Levy is collected by territorial local authorities (TLAs) on behalf of the Authority and paid in the month following collection of the Levy. The Building Act allows for TLAs to deduct a 3 percent commission from the Levies collected on behalf of the Authority. The Authority recognises the net amount collected as revenue in the month that it is received from the TLAs.

The Authority derives investment income (interest and gains on market values of securities) from deposits held with registered banks in New Zealand using surplus Levies collected and retained surpluses accumulated since 1992 and interest earned thereon.

Funding the Current Year Operating Deficit

The Authority has power under the Building Act 1991 to offset a deficit in any year with any surplus carried forward from the preceding year. The reported operating deficit for 2003/04 represents a direct charge against the retained surpluses held since 30 June 1994 generated from Crown-funded activities (\$1.230 million including accumulated interest).

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**Cost Allocation**

The Cost of Services Statement, as reported in the Statement of Service Performance, reports the net cost of services for the outputs of the Building Industry Authority represented by the costs of providing the output.

The Authority has derived the net cost of service for each output using the following cost allocation system.

- 1 Direct costs, which are those costs directly attributable to an output, are charged to outputs wherever possible.
- 2 Overheads are allocated to outputs proportionate to the actual direct costs allocated to outputs. Overheads are those costs which cannot be identified in an economically feasible manner against a specific output.

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 labour appropriate to the stage of completion attained.

Operating Leases

The BIA leases office premises and some office equipment, mainly furniture. As all the risks of ownership are retained by the lessor, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred.

Depreciation

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

Leasehold Improvements	11.11% – 20% SL
Office Equipment	40% DV
Furniture and fittings	20 – 33% DV

All fixed assets are expected to have no residual value. The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease.

Taxation*Income Tax*

The Authority is a Public Authority and is exempt from paying income tax in accordance with the Income Tax Act 1994 and the Building Act 1991.

Fringe Benefit Tax

Fringe benefit tax is payable on all fringe benefits.

Goods and Services Tax (GST)

All revenue and expense transactions have been recorded net of GST. With the exception of Receivables and Accounts Payable, which are stated inclusive of GST, all assets and liabilities have been stated net of GST.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**Employee Entitlements**

Provision is made in respect of the BIA's liability for annual leave and retirement leave. Annual leave is recognised when it accrues to employees.

Financial Instruments

The Authority is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors and accounts payable. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Statement of Cash Flows

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

- Cash means coins, notes, current accounts and short-term deposits held from time to time with the Bank of New Zealand.
- Operating activities include cash received from all income sources of the BIA and record the cash payments made for the supply of goods and services.
- Investing activities are those activities relating to the acquisition and disposal of non-current assets.
- Financing activities are those activities that result in changes to equity or debt.

COMPARATIVE FIGURES

To ensure consistency with the current period, comparative figures have been restated, where appropriate, for presentation purposes.

CHANGES IN ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: APPROVED EXPENDITURE

Ministers approved net operating expenditure of \$10,000,000 in July 2003 for the financial year ending 30 June 2004 contained in the 2003/04 SOI. Additional expenditure of \$1,056,000 was approved for responding to litigation claims in the High Court and through the Weathertight Homes Resolution Service during the year. The Crown has agreed to meet all expenditure incurred by the BIA in responding to these claims.

NOTE 2: FIXED ASSETS

2003 \$		2004 \$	Budget 2004 \$
	Office Equipment		
256,684	Cost	589,269	341,431
(132,181)	Less: Accumulated Depreciation	(220,305)	(129,739)
124,503	Book Value	368,964	211,692
	Furniture and Fittings		
177,810	Cost	240,821	262,810
(122,024)	Accumulated Depreciation	(136,746)	(137,449)
55,786	Book Value	104,075	125,361
	Leasehold Improvements		
49,265	Cost	162,512	179,265
(13,390)	Accumulated Depreciation	(30,514)	(30,086)
35,875	Book Value	131,998	149,179
216,164	Total Fixed Assets	605,037	486,232

NOTE 3: FINANCIAL INSTRUMENTS

The BIA is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and trade creditors.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the BIA, causing the BIA to incur a loss. In the normal course of its business, the BIA incurs credit risk from trade debtors and transactions with financial institutions. The BIA does not require any collateral or security to support financial instruments with financial institutions that it deals with as these entities have high credit ratings. For its other financial instruments, the BIA does not have significant concentrations of credit risk.

Fair value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**Currency risk**

The BIA does not hold any foreign currency, financial instruments or have any exposures. From time to time the BIA purchases foreign currency for payment of overseas subscriptions and travel-related costs. These purchases are immaterial to the overall results and transacted at the rates applicable at the date of the transaction.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. The BIA has exposure to interest rate risk on its investment financial instruments.

The Building Act gives the BIA powers to borrow funds or raise a loan without ministerial approval; however, no such loans have been raised. Accordingly, there is no interest rate exposure for funds borrowed.

NOTE 4: INVESTED FUNDS

Investment funds controlled by the BIA are invested in line with the BIA's investment strategy. Investments were held with the following counterparties at 30 June. Investments are valued at book value.

Current	2004 \$
Bank of New Zealand	2,500,962
National Bank of New Zealand	2,500,810
WestpacTrust	2,500,812
Kiwibank	2,481,799
ASB Bank	1,009,319
	10,993,702

NOTE 5: ACCUMULATED FUNDS

2003 \$	Levy Reserve	2004 \$	Budget 2004 \$
7,135,312	Opening Balance	6,378,470	6,378,470
(756,842)	Transfer to/(from) Levy Reserve During the Year	450,740	859,413
6,378,470	Closing Balance	6,829,210	7,237,883
2003 \$	Retained Surpluses	2004 \$	Budget 2004 \$
5,041,894	Opening Balance	5,614,550	5,614,550
572,656	Transfer to/(from) Retained Surplus During the Year	(4,238,751)	(4,780,693)
5,614,550	Closing Balance	1,375,799	833,857
	Crown Capital Contributions	3,500,000	–
11,993,020	Total Accumulated Funds	11,705,009	8,071,740

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**Levy Reserve**

The Levy Reserve represents the uncommitted surplus from payment of Levies to the BIA in excess of net estimates of expenditure, as approved by the Ministers of Commerce and Finance.

Retained Surplus

The Retained Surpluses represent the uncommitted surpluses from non-Levy income to the BIA.

NOTE 6: INVESTMENT INCOME ON INVESTED FUNDS

2003 \$		2004 \$
604,059	Interest Income	677,926
73,245	Accrued Interest Income	3,551
113,251	Realised gains on investments	46,917
(41,490)	Realised losses on investments	(244,022)
85,049	Unrealised gains/(losses) on investments	–
834,114	Total Direct Investment Income	484,372
(36,392)	Less: Funds Management Fees	(33,632)
797,722	Net Investment Income Recognised	450,740

Realised and unrealised gains relate to the movements in security values between the date of purchase and the date of disposal prior to balance date arising from fluctuations in market interest rates.

NOTE 7: CASH AT BANK

2003 \$		2004 \$
100	Petty Cash	100
375,445	Bank of New Zealand – Cheque Account	13,834
–	Bank of New Zealand – Money Market on Call	651,361
375,545		665,295

NOTE 8: PAYMENTS TO BOARD MEMBERS

2003 \$	Member	Board Position	2004 \$
54,867	B J Brown	Presiding Member	92,091
24,600	P K Broughton	Member	41,675
28,133	J Hill	Member	41,506
18,467	A Pickering	Member	29,929
–	A King	Member	16,633
13,600	S Meredith	Member to May 2003	–
15,400	H Horswell	Member to May 2003	–
8,876	W Wrightson	Member to May 2003	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED**NOTE 9: RELATED PARTY TRANSACTIONS**

The Building Industry Authority is a Crown entity. Crown entities are expected to give effect to government policy. The BIA enters into transactions with other government departments, Crown agencies and state-owned enterprises on an arm's-length basis.

NOTE 10: REMUNERATION RANGES OF EMPLOYEES

2003 No of Employees	Remuneration Range \$	2004 No of Employees
–	100,000 – 109,999	3
–	110,000 – 119,999	1
1	120,000 – 129,999	1
–	130,000 – 139,999	2
1	140,000 – 149,999	–

NOTE 11: COMMITMENTS**Operating Lease Commitments**

2003 \$		2004 \$
129,329	Not later than 1 year	173,437
129,329	1–2 years	144,566
387,987	2–5 years	387,805
237,103	Greater than 5 years	107,665

NOTE 12: CONTINGENT LIABILITIES

The BIA is one of a number of defendants in lawsuits alleging negligence on the part of the BIA regarding its performance on weathertightness issues. As at balance date, the BIA has recorded contingent liabilities arising out of the following proceedings.

In the High Court:

Body Corporate 200200 and Ors v Approved Building Certifiers and Ors. Total claim against all defendants \$22,260,699 plus stigma and consequential loss, but to be finalised. Strike out hearing set for 24 September, but was adjourned until November 2004.

Body Corporate 202254 and Ors v Approved Building Certifiers and Ors. Total claim against all defendants \$2,732,313 plus stigma and consequential loss, but to be finalised. No fixture to date.

Struthers v Patterson Co-Partners Architects Ltd and Ors. Total claim against all defendants \$3,312,775 plus stigma and consequential loss, but to be finalised. No fixture to date.

Body Corporate 207024 v David Atkins and Ors. Total claim against all defendants \$2,417,640 plus stigma and consequential loss, but to be finalised. Possible fixture date of 2 May for seven weeks.

Body Corporate 193791 v Auckland City Council and Ors. Total claim against all defendants \$660,000, plus stigma. No fixture to date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 CONTINUED

Body Corporate 195756 v Auckland City Council and Ors. Total claim against all defendants \$4,777,858 plus stigma. No fixture to date.

Body Corporate 161113 and Ors v Auckland City Council. Total claim against all defendants \$4,880,000. No fixture to date.

In the District Court:

G D Knight and Ors v Green Ice Ltd and Ors. Total claim against all defendants \$272,049. No fixture to date.

Under the Weathertight Homes Resolution Services Act:

Cases 00018, 00027, 00062, 00104, 00118, 00134, 00136, 00492, 00512, 00527, 00657, 00736, 00845, 00932, 00939, 01640, 01778. Total claims unknown. No fixtures to date.

Case 00545. Total claim against all defendants \$120,896. No date set for hearing.

The BIA considers that other proceedings are likely to be brought against it both in the High Court and under the Weathertight Homes Resolution Services Act.

The BIA had no direct involvement with any of the buildings concerned. The outcome of the claims essentially depends on questions of law relating to the BIA's performance of its statutory duties. The BIA considers that it has at all times performed those duties properly. In the absence of decided cases on the relevant questions of law, there is no certainty as to the outcome of the claims. Notwithstanding the outcomes of the claims, should the BIA be found to be liable, the amounts payable will depend on the amounts paid by other defendants who are also held to be liable.

It is therefore not currently possible to quantify the BIA's contingent liabilities.

NOTE 13: SIGNIFICANT EVENTS AFTER BALANCE DATE

As outlined in the Measurement Base in the Statement of Accounting Policies, the Building Industry Authority will be disestablished following the commencement of the Building Act 2004 (enacted on 24 August 2004) on 30 November 2004. The Building Act 2004 repeals the Building Act 1991 and introduces a new regulatory framework for building work, building practitioners, and product certification and accreditation.

On that date the Building Industry Authority will be absorbed into the Department of Building and Housing. All rights, assets, liabilities and debts of the Crown that the BIA had immediately before the commencement of the Building Act 2004 must be treated as the rights, assets, liabilities and debts of the Crown.

REPORT OF THE AUDITOR-GENERAL



BDO SPICERS
Chartered Accountants & Advisers

TO THE READERS OF THE BUILDING INDUSTRY AUTHORITY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of the Building Industry Authority. The Auditor-General has appointed me, Rhys Barlow, using the staff and resources of BDO Spicers, to carry out the audit of the financial statements of the Building Industry Authority, on his behalf, for the year ended 30 June 2004.

Unqualified Opinion

In our opinion the financial statements of Building Industry Authority on pages 14 to 38, that are prepared on a disestablishment basis:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Building Industry Authority's financial position as at 30 June 2004;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 27 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion, which refers to the financial statements being appropriately prepared on a disestablishment basis, is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

REPORT OF THE AUDITOR-GENERAL CONTINUED



We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

The Financial Statements are Appropriately Prepared on a Disestablishment Basis

In forming our opinion, we considered the accounting policy on page 31 about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate as the Building Industry Authority will be disestablished following the commencement of the Building Act 2004 (enacted on 24 August 2004) on 30 November 2004. The policy explains that there has been no change to the measurement base as all rights, assets, liabilities and debts of the Crown will be transferred to the Department of Building and Housing at net book value on that commencement.

Fundamental Uncertainty – Potential Outcome of Litigation

In forming our unqualified opinion, we have considered the adequacy of the disclosures in note 12 of the financial statements about the potential outcome of litigation. The Building Industry Authority is one of a number of defendants in lawsuits alleging negligence on the part of the Building Industry Authority regarding its performance on weathertightness issues. The outcome of the lawsuits is uncertain. The financial statements do not include any adjustment that would result from the potential outcome of the lawsuits.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Building Industry Authority as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and Section 43(1) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Building Industry Authority.

Rhys Barlow

BDO Spicers

On behalf of the Auditor-General

Wellington, New Zealand

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