

Appendix C:

Review scope and method

Scope of this review

Who we examined

We examined the following agencies:

Agency	Their key responsibilities in relation to DBI at the time of our engagement
DGS, including CAV	DGS oversees the consumer affairs portfolio, which includes CAV. Under the <i>Domestic Building Contracts Act 1995</i> , the director of CAV can take regulatory action against builders if they breach certain conduct obligations.
DTP	The Minister for Planning is responsible for administering the <i>Building Act 1993</i> and sets out expectations for VBA. DTP provides ministerial support to the Minister for Planning.
DTF	DTF provides ministerial support to the Minister for Finance, whom VMIA reports to.
VBA	VBA regulates the building industry and practitioners.
VMIA	VMIA is the Victorian Government's insurer. It began offering DBI in 2010 under a direction from the Minister for Finance after most private insurers left the market.

Note: The responsibility of these agencies in relation to DBI may change subject to the building reforms announced by the government in October 2024.

Our review objective

To determine if the management of DBI arrangements in Victoria is protecting consumers building or renovating a home.

What we examined

We examined if:

- VMIA effectively manages its DBI responsibilities
- relevant regulatory bodies make sure that builders obtain DBI.

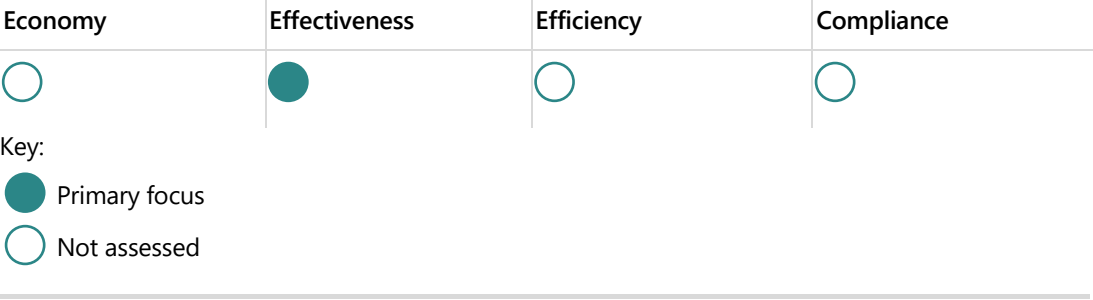
Why we conducted this review

Recent major builder insolvencies led to a significant increase in the number of DBI claims made by homeowners to VMIA. This raised questions about how well DBI is being managed to protect homeowners. We did this review to examine current DBI arrangements and identify matters relevant to how DBI is managed in the future.

Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this review we focused on the following aspects:



Conducting this review

Assessing performance

To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. VMIA effectively manages its responsibilities for DBI.	1.1 VMIA appropriately manages builders' applications for DBI eligibility, including: <ul style="list-style-type: none">using appropriate underwriting criteriasetting accurate construction limitsfollowing clear review and declinature processes.
	1.2 VMIA resolves DBI claims in a procedurally fair and timely manner.
	1.3 VMIA monitors and advises DTF on the financial sustainability of DBI.
2. Relevant regulatory bodies ensure that builders obtain DBI.	2.1 CAV ensures that the disclosure requirements for DBI are in line with the <i>Domestic Building Contracts Act 1995</i> .
	2.2 VBA monitors and enforces compliance with DBI requirements.
	2.3 DBI management functions are clearly assigned to relevant regulatory bodies to enable DBI's effectiveness.

Our methods

As part of the review, we:

- reviewed and analysed information related to DBI, including:
 - VMIA's DBI management process
 - VMIA's claims and policies data
 - VBA's processes for regulating and enforcing compliance with DBI
 - CAV's communication and information-sharing strategy for DBI
 - relevant agencies' coordination on DBI matters
- reviewed and analysed external independent reports
- interviewed key staff from VMIA, VBA, DTP, DTF and DGS.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Compliance

We conducted our review in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain limited assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements. We also provided a copy of the report to the Department of Premier and Cabinet.

Cost and time

The full cost of the review and preparation of this report was \$453,456.

The duration of the review was 9 months from initiation to tabling.
