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Practical completion and the final certificate

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What is practical completion?

The date for practical completion is the date nominated in the contract for the works to be substantially completed and available for use. This may be subject to change.

In the case of ABIC contracts, the works are practically complete when in the reasonable opinion of the architect:

- they are substantially complete and any incomplete work or defects is minor in nature or number, their completion or rectification is not practical at this time and they will not unreasonably affect occupation and use
- all commissioning tests of plant and equipment scheduled are successful
- relevant authority approvals have been obtained

Your architect is required to issue a notice of practical completion after being satisfied that all the work has been completed in accordance with the contract, that all equipment and services are fully operational and that the project is fit for occupation.

Once the notice of practical completion is issued, you can occupy the building and you must take responsibility for its insurance from the date of that notice.

Who decides if the building is practically complete?

It is your architect's job to decide whether it is practically complete and whether it can be used for the purpose for which it is built.

What happens at practical completion?

The contractor usually gives notice to the architect that in the contractor's opinion the works have reached practical completion. If your architect agrees, a notice of practical completion is issued to you and the contractor by the architect. If the architect does not agree that the works have reached practical completion, the architect can either issue a notice that lists the matters that are still to be completed before practical completion, or issue a notice that the works are so far from practical completion that it isn't yet practicable to issue a list of matters to be completed.

What are the consequences of the notice of practical completion?

- You may now use your building, subject to the approval of any authorities.
- If the contractor took out the contractor's risk and public risk insurance, you must now take over the responsibility for insuring your building. If you took out the contractor's risk cover it is also likely to expire on practical completion, so building owner's or householder's insurance should be arranged.

NOTE: Contractor's risk insurance is frequently expressed as expiring 'upon practical completion'. The notice of practical completion that you receive will almost always nominate a date of practical completion that is earlier than the date upon which you receive the notice.

ABIC contracts require the person taking out the insurance to retain the cover until 4.00pm on the day the notice is issued by the architect. You should therefore check that the evidence of insurance produced for contractor's risk insurance is consistent with the contract, or preferably you should consult your broker to ensure all the required terms are consistent.

Late practical completion

If practical completion occurs at a date later than that in the contract because of delay caused by the contractor, liquidated damages may

be payable to you in accordance with the contract. Your architect should advise you if they are available and of the procedure.

Can I occupy my building before practical completion?

If you occupy the building before practical completion your occupation will cause practical completion to be deemed to have occurred and the consequences mentioned above will automatically take place. It may be possible to negotiate occupation before practical completion by staging practical completion. You should consult your architect to see what can be arranged before deciding to occupy.

Can I store goods or equipment in my building before practical completion?

Tell your architect as soon as you become aware of this requirement, preferably before tenders are called. If identified early, this can be allowed for without bringing about practical completion and without interfering with your normal rights under the contract.

Defects liability

Under standard building contracts, the contractor remains liable to remedy defects in workmanship or materials which become apparent during the defects liability period specified in the contract. The contractor is required to rectify such defects during the period as instructed by your architect after access is arranged with you.

Prior to the completion of the defects liability period your architect will undertake a 'final certificate inspection' and list any unsatisfactory items for the contractor's attention. All items listed must be rectified to your architect's satisfaction before a final certificate is issued. This gives you protection against faults developing after occupation for the length of the defects liability period.

The final certificate

At the satisfactory completion of any required rectification work, your architect will issue the final certificate. This signifies the successful completion of the defects liability period and formally completes the contract between you and the contractor, as well as making the final monetary adjustments between you and the contractor, such as return of cash retention.

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