



ANNUAL REPORT 2002/2003

WorkCover. **Watching out for you.**



LETTER TO THE

MINISTER

28 NOVEMBER 2003

The Hon John Della Bosca MLC

Special Minister of State

Minister for Commerce

Minister for Industrial Relations

Assistant Treasurer

Minister for the Central Coast

Parliament House

Macquarie Street

Sydney NSW 2000

Dear Minister

In accordance with sections 8, 9A and 10 of the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for your information and presentation to Parliament the Annual Report of the WorkCover Authority of New South Wales (WorkCover NSW) for the financial year ended 30 June 2003.

As in previous years, the Treasurer has granted an extension of one month in order to synchronise the reporting of the WorkCover Scheme Statutory Funds' financial results within WorkCover's Annual Report.

Yours sincerely

Jon Blackwell

Chief Executive Officer

WorkCover Authority of New South Wales



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ABOUT

WORKCOVER NSW

WHO WE ARE

History

WorkCover serves the NSW Government and community in the areas of occupational health and safety, rehabilitation and workers compensation insurance. Establishment of WorkCover on 1 July 1989 made it the first government agency to integrate prevention, rehabilitation and compensation into a single body with a unified mission.

The organisation is funded through a levy on workers compensation premiums. As such, industry bears the direct cost of occupational health and safety services and management of the workers compensation system in NSW.

In 2001, WorkCover assumed key responsibility for introducing the NSW Government's comprehensive reform plan for the workers compensation system.

Role

WorkCover monitors workers compensation and injury management schemes, licenses insurance companies to provide workers compensation insurance, and assists insurers to meet all statutory requirements. WorkCover also provides information and assistance on occupational health and safety in the workplace, as well as licensing defined premises, activities and the operation of hazardous equipment. It enforces occupational health and safety legislation through inspections, investigation of incidents and complaints, mediation of disputes and, when necessary, penalties and prosecutions. Recently, there was significant reform of workers compensation and occupational health and safety legislation to improve workplace safety and injury management programs and address the rising costs of the workers compensation Scheme. Furthermore, WorkCover:

- promotes prevention of work-related injury and diseases and assists workplaces to become healthier and safer
- promotes prompt, efficient and effective management of injuries to persons at work

- ensures efficient operation of workers compensation insurance arrangements
- ensures appropriate coordination of the administration of the schemes under which workers compensation legislation or occupational health and safety legislation relates.

WorkCover is responsible to the Hon John Della Bosca MLC, Special Minister of State, Minister for Commerce, Minister for Industrial Relations, Assistant Treasurer, and Minister for the Central Coast.

Legislation

WorkCover's main statutory functions are to administer the *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998*, *Occupational Health and Safety Act 2000*, *Dangerous Goods Act 1975*, *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987* and the regulations and codes of practice under those Acts.

Vision

Safe secure workplaces.

Mission

To work in partnership with the New South Wales community to achieve safe workplaces, effective return-to-work, and security for injured workers.

Corporate commitment

WorkCover is committed to:

- NSW workplaces being among the safest of the world's modern economies. This will reduce the significant social and economic cost of occupational injury and disease for the individual, industry and the wider community
- ensuring when injuries do occur, the injury management and workers compensation systems operate efficiently and effectively to provide security to those affected.

Values

Integrated: we are committed to an integrated organisational approach to achieving our vision of safe secure workplaces.

Consultative: we recognise the importance of partnerships with the community.

Continuous improvement: we are committed to continuously improving our performance.

Corporate direction and reporting

This 2002/03 annual report is structured against the 2002/03 WorkCover Corporate Plan. The information is presented under the plan's corporate goals and covers outcomes for the whole organisation, not individual divisions of WorkCover.

Our corporate goals for 2002/03 were:

Reform: optimise legislation, regulation and policy to deliver the vision of safe secure workplaces

Compliance: ensure compliance with statutory requirements

Communication and influence: actively engage key stakeholders and the broader community towards the vision of safe, secure workplaces

Performance: enhance organisational performance.

As well as reporting against the four corporate goals, the chapter entitled *Our Operational Environment*, reports on external factors that can affect WorkCover's performance and the initiatives undertaken to manage their impact.

The chapter entitled *Our People*, covers WorkCover's performance as an employer, including information on employee diversity, social justice issues and the occupational health and safety environment for staff.

The chapter entitled *Community and Environment*, reports on consumer response, sponsorship initiatives, energy performance and waste reduction initiatives.

The *Financial Statements* contain the audited financial statements for the year ended 30 June 2003.

The *Appendices* present additional information on WorkCover's annual reporting legislative compliance under the *Annual Reports (Statutory Bodies) Act 1984* and its Regulations, the *Freedom of Information Act*, Treasury Circulars and Premier's Memoranda.

FUTURE OUTLOOK

During 2002/03 WorkCover developed a corporate plan to guide the organisation from 2003 to 2006. The 2003/04 annual report will measure the organisation's progress against the new corporate plan's key outcomes, strategies, performance measures and priorities. An overview of the 2003/04 WorkCover Corporate Plan follows:

Vision – what we aspire to do

Safe secure workplaces.

Mission – the way we get there

- To work in partnership with the NSW community to achieve safe workplaces
- To ensure effective recovery and return to work and security for injured workers.

Values – how we operate

- Integrity
- Accountability
- Customer service.

Objectives – what we deliver

- Injury and illness prevention
- Scheme viability.

Enablers – critical success factors

- Stakeholder engagement
- Organisational capability.



CHIEF EXECUTIVE OFFICER'S

REPORT

I am pleased to present the annual report on WorkCover for the 2002/03 financial year, having commenced as WorkCover's Chief Executive Officer on Monday, 18 August 2003. Previously, I was the Chief Executive Officer of the Central Coast Area Health Service. I came to WorkCover following almost three years of leadership by the former General Manager, Kate McKenzie. During that time, WorkCover successfully undertook a significant program of change and improved corporate governance by setting clear goals and strategies that have strengthened the organisation's capabilities. I take this opportunity to wish Kate success in her role as the Director-General of the newly created Department of Commerce and I look forward to working with Kate following her appointment to the WorkCover Board in April 2003.

I would also like to thank Rob Seljak for his work as Acting General Manager from April to August 2003.

The year included several highlights. Reforms to the Workers Compensation Scheme consolidated during 2002/03 with excellent uptake of the Premium Discount Scheme and improved resolution services for injured workers. The *NSW Workplace Safety Summit* established important industry benchmarks and working parties. A number of high profile educational programs successfully targeted a range of industries, such as small business, agriculture and utilities. In addition, one of the most significant achievements of the organisation during 2002/03 was the relocation of WorkCover's head office to Gosford. I am keen to ensure the consolidation of WorkCover on the Central Coast.

Safety Summit – watching out for each other

The *NSW Workplace Safety Summit* at Bathurst in July 2002 brought together representatives from government, employer groups, unions, and health and safety experts. The Summit produced 132 recommendations and the NSW Government released its response in October 2002, adopting most of the Summit's recommendations and providing \$13 million over three years to help achieve a safer NSW.

The Summit's resolution to reduce workplace injuries by 40 per cent and fatalities by 20 per cent over the next 10 years was adopted as a key objective in WorkCover's 2003-06 Corporate Plan. Another major outcome of the Summit was formation of 11 industry working parties that will focus on occupational health and safety areas in their specific industries.

Legislative and policy reforms

A comprehensive review of the underwriting and financial governance structure of the Workers Compensation Insurance Scheme started in September 2002. The review is examining the current approach to claims and funds management as well as identifying ways to improve the quality of data.

The Premium Discount Scheme has been very successful, with 2,200 employers qualifying for \$67.5 million in premium discounts since the inception of the Scheme in June 2001 to 30 June 2003. These employers have continually improved their occupational health and safety and injury management systems to the benefit of 324,000 workers. The inaugural Premium Discount Scheme awards were presented in November 2002 to recognise employers and their Premium Discount Advisers that had shown exceptional improvement in their occupational health and safety and injury management systems as a result of participating in the Scheme. The Premium Discount Scheme 'Employer of the Year', Marrickville Council, a metropolitan local government authority, showed a 90 per cent reduction in lost-time incidents, an 84 per cent decrease in the number of workdays lost, and a 60 per cent reduction in claims.

The Workers Compensation Commission, established in January 2002, recorded significant progress in its first year by taking a more active role in the dispute resolution process and providing fairer, quicker and simpler ways to settle workers compensation matters.

The Claims Assistance Service, which also commenced in January 2002, has helped reduce the number of disputes that go to the Workers Compensation Commission. The Service provides a vital link between workers, employers and insurers and assists in negotiations between them.

Provisional liability is another very successful initiative of the 2001 reforms that is resulting in faster processing of weekly compensation payments and improving injury management. Provisional liability requires insurers to begin weekly compensation payments and injury management within seven days of notification of injury, unless there is a 'reasonable excuse'. The aim is to facilitate timely decision-making and ensure the prompt management of claims. Since the introduction of provisional liability, there has been a sustained decrease in the percentage of claims that are not yet determined.

During 2002/03, as a result of a review of the *Dangerous Goods Act 1975*, an issues paper was released for public comment and consultation with industry, unions and government agencies. Subsequently, two bills, the Occupational Health and Safety Amendment (Dangerous Goods) Bill and the Explosives Bill were drafted and passed by Parliament.

Getting across the safety message

An assistance strategy was launched in February 2003 to help small business understand and comply with its requirements under the *Occupational Health and Safety Act 2000* and its Regulations which will come into effect from 1 September 2003 for businesses that employ 20 people or less. There are almost 372,500 small businesses in NSW, representing 97 per cent of all businesses. Under our *Small Business Assistance Strategy*, seminars have been held, publications issued and targeted information provided on the recently redesigned WorkCover website.

Inspectors are also available for one-on-one sessions with small businesses to provide advice and information.

WorkCover Assist makes available \$5 million per annum for three years in grants to build understanding of, and compliance with, the changes to workers compensation and occupational health and safety laws among members of employer associations and unions. This program has reached approximately 10,000 workplaces.

To improve safety in the shearing industry, an \$800,000 *ShearSafety* program was launched in 2002/03. *ShearSafety* provides rebates to upgrade equipment, gives incentives to create model shearing sheds, and provides information relevant to the industry.

Improving injury management

An education program that is intended to provide 50 per cent of NSW general practitioners with the latest advice on treatment of acute low back pain was launched in 2002/03. The \$1.7 million initiative was developed in response to the high rate of workers compensation claims for this injury and follows a very successful pilot program in 2001/02.

Raising community awareness

Three high profile campaigns were undertaken during 2002/03 aimed at improving community awareness and expectations in the areas of work-related injury and disease prevention and injury management.

An advertising campaign used television, radio and print to help employers and workers prevent injury, illness and fatalities.

The campaign coincided with the final transitional phase for medium to large enterprises (those with more than 20 staff) to comply with the new occupational health and safety legislation by 1 September 2002.

WorkCover was a major sponsor of the NSW Premier's Forum on Spinal Cord Injury and Conditions, *Making Connections*, to help promote the issues of prevention of work-related injury and diseases.

Another major sponsorship program for 2002/03 was the continuance of *The NSW Paralympian Sponsorship Program*. Five Paralympic athletes, who were seriously injured in workplace incidents, were sponsored for a further 12 months to promote workplace safety at

workplace presentations and by attending meetings, functions and events to reinforce the impact of work-related accidents.

The move to Gosford

Following more than two years of extensive planning and staff consultation, WorkCover moved to a new building in Gosford on 21 October 2002. The head office houses over 500 employees, and provides a high quality workplace incorporating best practice in occupational health and safety and environmentally sustainable design. The move is the biggest relocation of a State government agency to a regional location in over 20 years and is helping to boost the local economy by providing local employment opportunities, and buying services from regional businesses, as well as increasing patronage of facilities in the Gosford CBD.

Moving forward

In the year ahead, WorkCover will be guided by a new three-year corporate plan that incorporates the *NSW Workplace Safety Summit* recommendations in the areas of reducing workplace

injury, illness and fatalities, and the implementation of recommendations arising from the nearly completed WorkCover Scheme design review. The plan also focuses on improving the viability of the Workers Compensation Scheme through initiatives that will improve insurer performance, achieve better return-to-work rates, and speed up dispute resolution.

Underpinning these goals will be initiatives to achieve closer engagement with the community by bringing together all stakeholders to improve awareness among employers and workers of their workplace safety responsibilities. A focus on ensuring our staff are appropriately skilled and resourced, and improvements to our core business systems, will support the efforts of every staff member, and WorkCover as a single organisation, to contribute to the well-being of all workers and their employers in New South Wales.

I look forward over the next year to working with the Minister, WorkCover staff, our stakeholders, and the NSW community to ensure safe workplaces, improved injury management and return-to-work rates.

Jon Blackwell
Chief Executive Officer

REVIEW

Contribute to legislative and policy reform

- ## Implement and monitor reform

- ## Improve employer compliance with statutory requirements

- ## CORPORATE GOAL – COMMUNICATION AND INFLUENCE

Build the capacity of people in workplaces to understand and apply risk management processes

- *Small Business Assistance Strategy*, which provides resources and advice on improving compliance with legislation, was implemented
- By 30 June 2003, 2,200 employers had improved their occupational health and safety and injury management systems to qualify for over \$67.5 million in premium discounts through the Premium Discount Scheme, since its inception in June 2001
- 324,000 workers benefited from safer working conditions, resulting from the Premium Discount Scheme initiative

- A successful advertising campaign on the prevention of injury, illness and death in the workplace was conducted. The target of 85 per cent awareness was exceeded with 98 per cent of workers and 100 per cent of employers surveyed having seen, read or heard one of the advertisements
- \$5 million in grants was provided to assist employer associations and registered unions build understanding among their members of the significant changes to the workers compensation and occupational health and safety legislation
- A total of 59 publications were produced to assist NSW workers and employers meet their occupational health and safety and workers compensation obligations.

Raising awareness in the community

- A rural safety initiative was introduced to improve the safety of rural workers. The project includes *ShearSafe*, an \$800,000 safety program to help shearers and woolgrowers reduce the level of injuries in their industry, and continued the rollover protection structure (ROPS) rebate for fitting ROPS onto tractors
- WorkCover was a major sponsor of *Making Connections*, the NSW Premier's Forum on Spinal Cord Injury and Conditions
- Sponsorship of the *WorkCover NSW Paralympian Sponsorship Program* was continued. As part of the program, Paralympic athletes communicate the issue of serious workplace injuries to NSW employers and workers
- A \$1.7 million education program was launched that is intended to provide 50 per cent of NSW general practitioners with the latest advice on the treatment of acute low back pain
- The insurer remuneration package was restructured to provide strong incentives for insurers to improve their performance.

Build the capability of people in the workplaces to understand and apply the risk management process

- A number of successful campaigns on risk management were conducted, including campaigns focused on providing information for the visually impaired, and compliance with new legislation for small business operators.

CORPORATE GOAL – ENHANCE ORGANISATIONAL PERFORMANCE

Improve service delivery and efficiency

- WorkCover sought to improve its own occupational health and safety management by setting best practice benchmarks in the areas of days lost and return-to-work plans for staff
- An internal communication plan was developed to help provide staff with up-to-date information on the organisation's activities and involve them in decision-making.

Integrate and coordinate all activities

- The strategic corporate plan was reviewed to refocus strategies and identified five priority projects for 2003/04
- Extensive planning ensured the smooth move of WorkCover from Sydney to Gosford with the Premier of NSW, the Hon Bob Carr, officially opening the new WorkCover head office on 15 October 2002.

Make better-informed decisions

- Identified a series of initiatives to improve organisational performance under the Organisational Improvements Program which focuses on records management, data mining and data management, risk management, time management and productivity tools.

BOARD OF DIRECTORS AND SENIOR

MANAGEMENT

The Board of Directors of WorkCover NSW is constituted and defined under the *Workplace Injury Management and Workers Compensation Act 1998*.

Under the Act:

- the Board of Directors determines the administrative policies of WorkCover and ensures activities are carried out properly and efficiently. The Board consists of seven part-time directors (including the Chairperson), and the General Manager. The part-time directors are appointed by the Governor of NSW on the recommendation of the Minister for Commerce
- the General Manager controls and manages the affairs of WorkCover in accordance with the policies of the Board
- both the Board and the General Manager are subject to Ministerial control and direction.

The Board was reappointed on 23 April 2003 for 12 months. The former WorkCover General Manager Kate McKenzie was appointed to the Board, replacing Dr Edward Price. Rob Seljak, Assistant General Manager Occupational Health and Safety Division, was a Board member during the period he acted as General Manager.

SENIOR MANAGEMENT ON 30 JUNE 2003

Acting General Manager Rob Seljak BA, LL.B, M. Bus

Acting Director, Office of the General Manager Murray McLachlan BA, Dip. Ed., GDTL, M. Pub. Pol.

Assistant General Manager, Corporate Governance Division Philip Reed B.Sc. (Hons)

Assistant General Manager, Insurance Division Rod McInnes B.Sc. (Mathematics)

Acting Assistant General Manager, Occupational Health and Safety Division John Watson Ass. Dip. OHS.

Board attendance 2002/03

Name	Number of meetings attended	Date/s absent
Mr J Riordan AO	10	
Mr G Keating	10	
Mr G McCarthy	10	
Ms K McKenzie (appointed 23/4/03)	2	23/6/03
Dr E Price (to 16/4/03)	7	
Mr J Robertson	8	22/7/02, 26/8/02
Ms D Staunton	8	26/5/03, 23/6/03
Mr D Wright	9	30/9/02
Ms K McKenzie (General Manager to 22/4/03)	7	
Mr R Seljak (Acting General Manager from 23/4/03)	3	

Meetings of committees of the Board of Directors 2002/03

Audit Committee:

MEMBERSHIP: All Board members

MEETINGS HELD ON: 22 July 2002, 30 September 2002, 24 February 2003, 23 May 2003.

MEMBERS OF THE BOARD ON 30 JUNE 2003

Joe Riordan, AO



Chairperson and part-time director, Joe Riordan AO is a member of the Administrative Decisions Tribunal and freelance mediator, facilitator and consultant to companies and corporations in the private and public sectors. Mr Riordan has been Chairperson of the WorkCover Board since 20 August 1997. He was a member of the House of Representatives from 1972 to 1975, serving as Minister for Housing and Construction in 1975. Between 1979 and 1982 he was Vice Chairperson of the Electricity Commission of NSW. Mr Riordan was Secretary and Department Head of the NSW Department of Industrial Relations from 1982 to 1986, and Deputy President and Senior Deputy President of the Australian Industrial Relations Commission between 1986 and 1995. In 1995/96, he was Chairperson of the National Occupational Health and Safety Commission (Worksafe Australia).

Greg Keating Dip. Law



Greg Keating is Senior Partner, McClellands Lawyers. He has practised extensively in personal injury law, and is an accredited specialist practitioner. Mr Keating is a Director of the Paraplegic and Quadriplegic Association of New South Wales. He was an Acting Judge of the District Court of NSW from 1996 to 1999. Mr Keating has a Diploma of Law and was admitted as a Solicitor in 1980. He was appointed to the WorkCover Board on 14 October 1998.

Greg McCarthy AAI



Greg McCarthy has been involved in workers compensation and other disability classes of insurance for 30 years. His primary focus in recent years has been strategic and systematic management of injuries and claims. Mr McCarthy is an Associate of the Australian Insurance Institute, has a management Certificate in Insurance and is the current Chairperson of the NSW Workers Compensation and Workplace Occupational Health and Safety Council. Mr McCarthy was appointed to the Board on 30 January 2003.

Kate McKenzie BA, LL.B



Appointed to the Board on 23 April 2003, Kate McKenzie is Director-General of the NSW Department of Commerce. Formerly, she was General Manager of WorkCover from August 2000 to April 2003, and Director-General of the Department of Industrial Relations from January 2001 to April 2003. Previously, Ms McKenzie held senior positions in the NSW public service, including Deputy Director-General of The Cabinet Office from 1998 to 2000. She is a qualified solicitor and barrister with degrees in Arts and Law.

BOARD OF DIRECTORS AND SENIOR

MANAGEMENT

(CONTINUED)

John Robertson Grad. Dip. HR



John Robertson has extensive experience in industrial relations since joining the Labor Council of NSW in 1991, and carrying responsibility for overseeing public sector policy and negotiations, negotiating major disputes, and covering industries that included building and construction, local government, oil, and Sydney Water. He is currently Secretary of the Labor Council. Formerly, he held the position of Assistant Secretary of the Council for two terms. Mr Robertson is on the boards of Labor Media Pty Ltd, Getonboard Pty Ltd, Labor Campaign Pty Ltd, Parramatta Stadium Trust and the North South West Co-operative Housing Society and is on the Building and Construction Industry Long Service Payments Committee. He was appointed to the WorkCover Board on 22 August 2001.

Donna Staunton BA, LL.B



Donna Staunton is the Principal of Staunton Consultancy. Ms Staunton is one of Australia's most experienced public affairs executives and has held senior management positions, including Senior Vice President, Corporate Affairs and Communications at AMP Ltd. Ms Staunton is legally qualified, and is on the boards of the National Breast Cancer Centre and the Global Foundation. She was appointed to the WorkCover Board on 14 October 2001.

Doug Wright AM, BA, BEc



Doug Wright is a former Director of the Metal Trades Industry Association (NSW Branch), and a member of the TAFE Commission Board, NSW Long Service Leave Payments Corporation Review Committee, the Board of the Vocational Education and Training Accreditation Agency, and the Board of the Hunter Valley Training Co. He represents the Australian Industry Group on the Australian National Training Authority's National Training Quality Council. Mr Wright is Chairman of the Manufacturing, Engineering and Related Services Industry Training Advisory Body, and Director of Commonwealth Study Conferences Australia (Incorporation). He was appointed to the WorkCover Board on 16 August 1995 and holds degrees in Economics and Arts.

Acting General Manager and Director of the Board

Rob Seljak BA, LL.B, M. Bus (Acting since 23 April 2003)



Rob Seljak is the Assistant General Manager, Occupational Health and Safety Division and since April 2003 has been Acting General Manager of WorkCover. He has over 20 years experience working in workers compensation and workplace health and safety. Before joining WorkCover, he spent five years as General Manager of the Division of Workplace Health and Safety in Queensland. He obtained his Bachelor of Arts degree from the University of Toronto and a law degree from Queen's University in Canada. He obtained a Masters of Business from QUT in 1996, and is an Honorary Member of the Safety Institute of Australia.

ORGANISATION

STRUCTURE

ON 30 JUNE 2003





OUR OPERATIONAL

ENVIRONMENT



WorkCover is a statutory authority reporting to the Minister for Commerce and is chartered to work with the NSW community to achieve safe workplaces, and effective return-to-work and security for injured workers.

Many external factors can affect WorkCover's operations, such as economic pressures and the investment climate that can improve or reduce the viability of the WorkCover Workers Compensation Scheme. Other factors are non-insurance and under-insurance by employers which affects funding for the organisation. There is also the cost of rehabilitating injured workers that can vary significantly year-by-year.

The performance of the WorkCover Scheme for workers compensation can be measured by its ability to fund long-term outstanding claims by drawing on the assets held by the Scheme. At 30 June 2003, an independent actuarial report measured the funding ratio of the Scheme (assets to claim liabilities) as 66 per cent, down from 67 per cent in June 2002. The main factors outside WorkCover's control that can affect this funding ratio are:

- the amount of premiums collected, which is affected by economic activity. These premiums are the major source of funding for the WorkCover Scheme
- performance of the Workers Compensation Scheme's Managed Fund. WorkCover sets the underlying investment approach that is followed by the insurers responsible for investing and managing the Scheme's funds.

PROTECTING ASSETS

All NSW employers must have a workers compensation policy that should accurately reflect the wages paid to workers and the industry within which the employer operates.

Between March 2000 and June 2002, WorkCover identified that non-insurance and under-insurance by employers totalled more than \$27 million in underpaid premiums. As a result of the success of the data-mining model used during this period, the number of policies selected for audit in 2002/03 was increased. In total, 6,590 wage audits were completed and a further \$20.6 million in underpaid or additional premiums was identified. Penalty notices issued in 2002/03 for non or under-insurance totalled \$110,950.

In December 2002, the government introduced new legislation which included a compliance initiative to prevent under-reporting

of wages and to ensure all employers pay their fair share.

The new definition of wages became effective 30 June 2003 and was expanded to substantially align with the definition for payroll tax used by the Office of State Revenue. The expanded definition of wages was intended to be revenue neutral, and not a mechanism to increase the WorkCover Scheme's premium income. To help achieve this objective, all industry classification rates were reduced by at least 10.3 per cent and F factors were similarly adjusted. The expanded definition should ensure that, regardless of the type of payment, all remuneration will count as wages for workers compensation insurance purposes. In addition, insurers will check that all employers are reporting against the new definition.

REDUCING LIABILITIES

Numerous strategies have been identified to reduce liabilities, including improvements in return-to-work rates, elimination of over-servicing by rehabilitation providers, doctors and allied health professionals, a lessening of fraudulent claims, and reducing the incidence of injury and illness in the workplace.

The *Occupational Health and Safety Act 2000* places responsibility on employers and others in workplaces in NSW to provide a safe and healthy work environment. The Act brings a systematic approach to occupational health and safety through consultation, risk and hazard identification and assessment, and controlling exposure to identified risks and hazards.

WorkCover received 9,802 occupational health and safety complaints and compliance referrals in 2002/03. WorkCover responded to these in a number of ways, including issuing penalty notices or referring non-compliance for prosecution. In 2002/03, 3,004 incidents were investigated by WorkCover. There were 443 convictions, and 19 unsuccessful prosecutions under occupational health and safety legislation. Fines for breaches of the legislation in 2002/03 totalled \$13 million.

In addition, the Premium Discount Scheme continued to provide employers with incentives to implement programs for improved workplace safety, and return-to-work strategies for injured workers. The primary incentive is a discount on the employer's workers compensation premium, for a maximum of three years, and employers qualify for the discount by meeting benchmarks established by WorkCover and verified by independent audits.

COMMUNICATING WITH STAKEHOLDERS

To effectively regulate workplaces, WorkCover maintains a high public profile and supports relationships with stakeholders across NSW, including:

- the NSW Government
- employers and workers
- industry groups
- Scheme investors and actuaries
- insurers
- the National Occupational Health and Safety Council
- the Workers Compensation Commission
- medical practitioners and health care providers
- occupational health and safety professionals.

Stakeholder relationships continued to be enhanced through the activities of the 13 Industry Reference Groups established in 1999 that are made up of representatives from major industries, occupational health and safety experts, insurers and WorkCover personnel.

The role of these groups is to identify emerging issues and develop effective occupational health and safety strategies relevant to their particular industry.

INCIDENCE OF WORK-RELATED INJURY AND ILLNESS

- In 2001/02*, new major claims increased 1.6 per cent from the previous year to 54,674, while incidence rates remained steady at 20.3 per 1,000 employees. New major claims are claims that result in death, permanent disability or temporary disability when five or more days were paid for total incapacity.
- Incidence rates of employment injuries have fallen for the previous six consecutive years from 28.6 per 1,000 workers in 1994/95 to 20.3 per 1,000 workers in 2000/01, and remained steady in 2001/02 at 20.3.

- There were 178 compensable work-related fatalities in 2001/02, 67 in the workplace, 42 from occupational disease and 69 relating to non-workplace incidents. Figures include fatalities resulting from accidents or occupational diseases contracted in the course of employment, as well as workplace and non-workplace incidents. Non-workplace incidents include road traffic accidents, those occurring away from work during recess periods, and commuting accidents.
- Deafness remained the major occupational disease, making up 36 per cent of all major occupational disease claims. However, the total number of deafness claims reduced from 4,095 in 2000/01 to 3,576 in 2001/02, continuing the downward trend in claims since the 1994/95 peak of 11,212. This constitutes a reduction of 68 per cent since 1994/95.
- Mental disorder claims continued their upward trend from 1,916 in 2000/01 to 2,643 in 2001/02, a 38 per cent increase. Mental disorders represent 27 per cent of all major claims for occupational diseases.
- The number of back injury cases reported increased 4.2 per cent from 12,033 in 2000/01 to 12,539 in 2001/02, or around 31.2 per cent of all injuries.

*Latest data available.

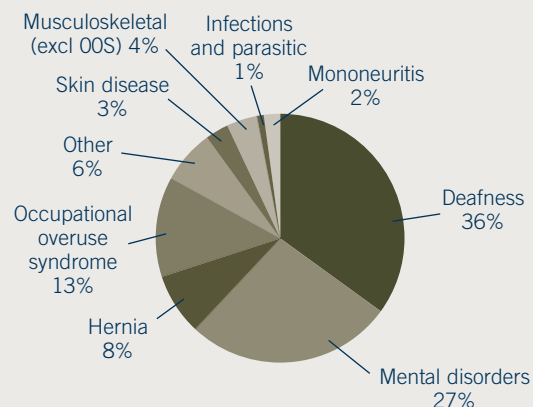
INCIDENCE RATE¹ (EMPLOYMENT INJURIES)

INDUSTRY	MAJOR CLAIMS ²		
	2001/02	2000/01	1999/2000
Accommodation, cafes and restaurants	20.8	20.0	22.7
Agriculture, forestry and fishing	32.9	32.9	39.2
Communication services	12.9	11.6	14.6
Construction	38.9	42.1	39.9
Cultural and recreational services	15.5	14.7	16.5
Education	11.9	9.9	10.3
Electricity, gas and water supply	24.4	21.8	25.6
Finance and insurance	6.6	6.5	5.9
Government administration and defence	24.7	21.8	25.8
Health and community services	20.1	20.3	20.8
Manufacturing	32.5	31.4	33.4
Mining	54.2	63.8	55.0
Personal and other services	23.3	20.1	20.7
Property and business services	10.0	9.7	11.1
Retail trade	13.1	14.8	14.1
Transport and storage	37.6	36.4	35.0
Wholesale trade	19.2	21.2	18.1
All industry divisions	20.3	20.3	21.3

1. Incidence rate represents the number of workplace incidents per 1,000 workers

2. Major claims are claims that result in death, permanent disability or temporary disability when five or more days were paid for total incapacity

OCCUPATIONAL DISEASES, 2001/02



OCCUPATIONAL DISEASES

	2001/02 Major Claims	2001/02 %	2000/01 %
Deafness	3,576	36	44
Mental disorders	2,643	27	21
Hernia	767	8	9
Occupational overuse syndrome	1,260	13	11
Other	638	6	6
Skin diseases	279	3	2
Musculoskeletal (excl OOS)	381	4	3
Infections and parasitic	110	1	1
Mononeuritis	224	2	3
TOTAL	9,878	100	100

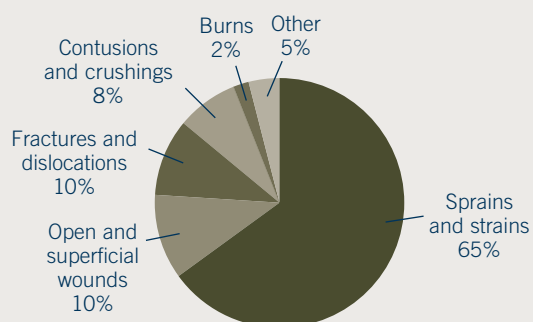
WORKERS COMPENSATION CLAIMS PAYMENTS

- Total payments for 2001/02* were \$3.5 billion, an increase of around \$590 million on 2000/01 or approximately 20 per cent.
- Major contributors were commutations, which increased by 20.7 per cent for workplace injuries and 16.4 per cent for occupational diseases payments, and damages and common law payments, which increased by 55.7 per cent in workplace injury payments and 36 per cent in occupational diseases payments.
- The largest components of workplace injury payments were commutations totalling \$666 million (24 per cent), damages and common law payments of \$620 million (22 per cent), and total payments for incapacity benefits of \$535 million (19 per cent).
- Compensation payments include weekly benefits, lump sum payments and medical expenses. Non-compensation payments comprise largely of damages and common law legal costs and investigation expenses.
- Compensation payments were \$2.2 billion. Non-compensation payments totalled \$1.3 billion. Viewed as a percentage of total payments, compensation made up 63 per cent, down from 67 per cent in 2000/01, while non-compensation payments increased from 33 per cent to 37 per cent.
- Workplace injuries accounted for 80 per cent of payments, and occupational diseases accounted for 12 per cent of payments, while non-workplace injuries made up the remaining 8 per cent. These percentages are essentially the same as in 2000/01.

- The long-term trend in increased workers compensation payments has continued and is shown in the table opposite on the breakdown of payments.

*Latest data available.

INJURY TYPES (WORKPLACE INJURIES) 2001/02



INJURY TYPES (WORKPLACE INJURIES) – BY PERCENTAGE & NUMBER

	2001/02 Major claims	2001/02 %	2000/01 %
Sprains and strains	26,060	65	64
Open and superficial wounds	4,083	10	11
Fractures and dislocations	3,871	10	10
Contusions and crushings	3,388	8	8
Burns	748	2	2
Other	2,054	5	5
TOTAL	40,204	100	100

BREAKDOWN OF PAYMENTS

	2001/02		2000/01	
	\$'000	%	\$'000	%
Compensation payments				
Ambulance services	8,395	0.2	7,166	0.2
Medical treatment	277,054	7.8	232,692	7.9
Hospital treatment	60,620	1.7	60,990	2.1
Rehabilitation treatment	88,096	2.5	74,258	2.5
Physiotherapy and chiropractic treatment	66,189	1.9	63,069	2.1
Damage to artificial limbs and clothing	3,636	0.1	3,328	0.1
Death payments	20,643	0.6	22,964	0.8
Permanent injury	156,373	4.4	135,930	4.6
Pain and suffering	57,753	1.6	51,068	1.7
Commutations	812,501	23.0	665,565	22.6
Partial incapacity (weekly benefit)	257,042	7.3	236,758	8.1
Total incapacity (weekly benefit)	423,582	12.0	416,987	14.2
Total compensation payments	2,231,884	63.1	1,970,775	66.9

Non-compensation payments

Transport and maintenance	15,802	0.5	15,312	0.5
Damages and common law	704,657	19.9	460,308	15.6
Investigation expenses	173,112	4.9	150,152	5.1
Interpreter services	2,234	0.1	1,624	0.1
Legal costs	408,399	11.5	347,938	11.8
Total non-compensation payments	1,304,204	36.9	975,334	33.1
TOTAL	3,536,088	100	2,946,109	100

HELPING SMALL BUSINESSES

To complement its existing Premium Discount Scheme and to improve safety and reduce the incidence and cost of workers compensation claims among small businesses, WorkCover developed the *Small Business Strategy*. Approximately 1,700 small businesses applied and were approved to participate in the pilot strategy, which will be evaluated by WorkCover in 2003/04.

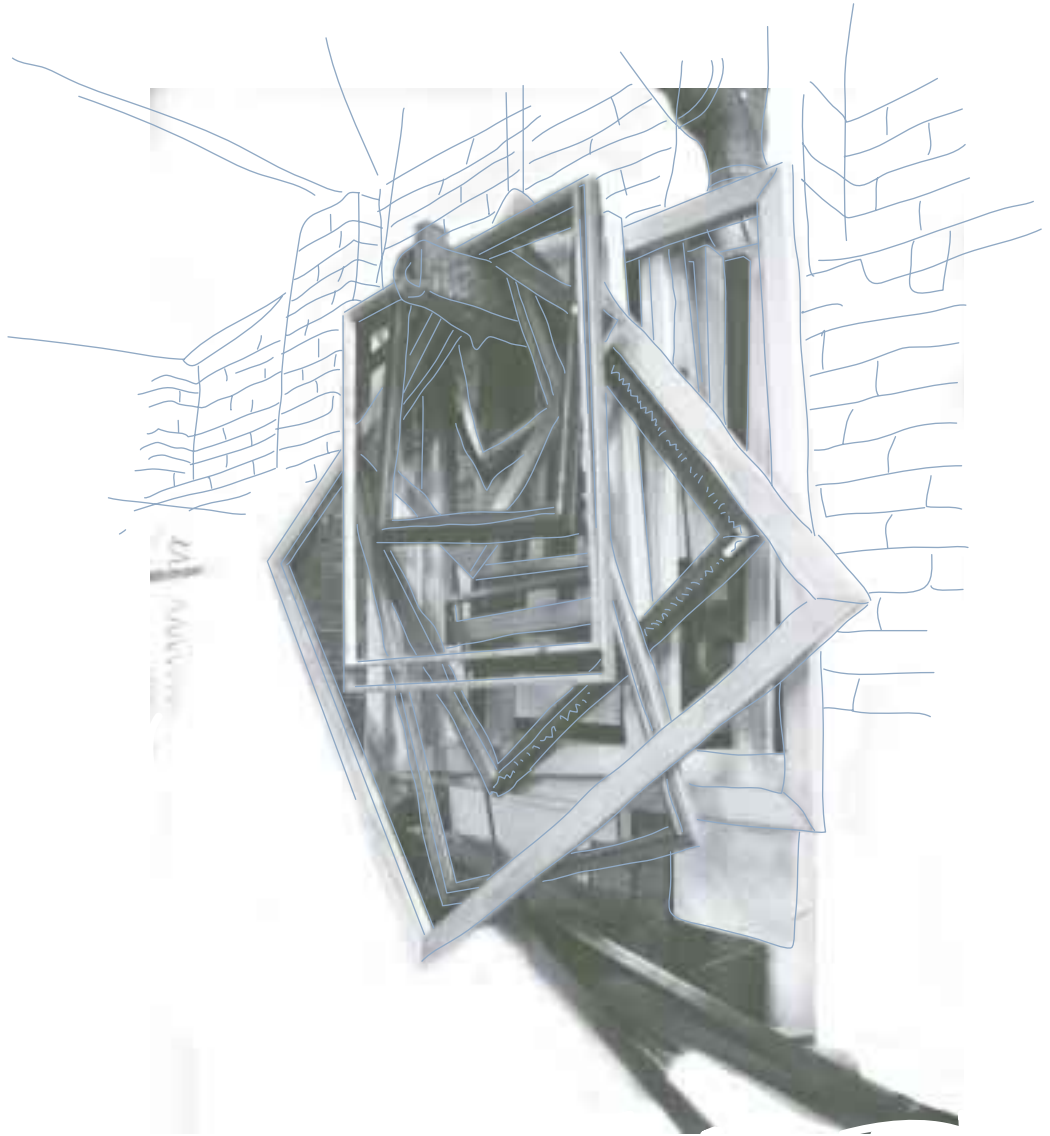
The Strategy assists small businesses with 20 or less full-time employees, or equivalent, to meet WorkCover benchmarks by participating in a practical program that includes:

- introducing measures and activities to improve occupational health and safety and injury management
- developing strategies to prevent major causes of injury or reduce claims for injuries that are prevalent in their particular industry or regional group.

As a result, the participating business gains a set discount on its workers compensation insurance premium that totals:

- 10 per cent of the employer's premium in the first and second policy years
- 5 per cent of the employer's premium in the third policy year.

Other small businesses not participating in the *Small Business Strategy* can improve safety and reduce the incidence of workers compensation claims by participating in the Premium Discount Scheme.



CORPORATE GOAL

REFORM

OBJECTIVE

Optimise legislation, regulation and policy to deliver the vision of safe secure workplaces.

STRATEGIC FOCUS 1

Contribute to legislative and policy reform at both State and national levels.

CONTEXT

WorkCover develops legislative reforms and policies to address existing and emerging occupational health and safety, workers compensation and injury management issues. WorkCover represents NSW on the National Occupational Health and Safety Commission and the Heads of Workplace Safety and Workers Compensation Authorities.

PRIORITY ACTIVITIES

1. Workers Compensation Scheme – comprehensive review of the underwriting and financial governance structure of the WorkCover Managed Fund Insurance Scheme.
2. Dangerous goods legislation – develop and implement modernised dangerous goods legislation.

STRATEGIC FOCUS 2

Implement and monitor reform.

CONTEXT

The Government is developing comprehensive reforms for occupational health and safety, workers compensation and injury management.

WorkCover has a key role in implementing these reforms.

PRIORITY ACTIVITIES

1. Common law tail claims – develop a more proactive approach to the management of Common Law Claims.
2. 2001 workers compensation reforms – implement the 2001 workers compensation reforms.
3. New notification system – develop and implement a new incident notification system.

PERFORMANCE

Implementation of the 2001 workers compensation reforms resulted in total savings of \$1,533m, comprising \$913m savings on outstanding claims and \$620m on payments, as per the actuarial evaluation of the Scheme as at 30 June 2003.

FUTURE OUTLOOK

Major reform initiatives identified on the 2003-06 WorkCover Corporate Plan include the Workers Compensation Scheme Design, following on from the independent review conducted in 2002/03.

STRATEGIC FOCUS 1

Contribute to legislative and policy reform at both State and national levels.

Priority activity 1

Workers Compensation Scheme – comprehensive review of the underwriting and financial governance structure of the WorkCover Managed Fund Insurance Scheme.

In 2002/03, a review of the WorkCover Scheme commenced by McKinsey & Company.

The objective of the review is to achieve a fully funded Scheme within 5-10 years. In meeting this objective there must also be fair treatment of workers, an affordable and efficient Scheme for employers, successful implementation of the 2001 reforms to workers compensation, transparent and sustainable performance of the WorkCover Scheme, real competition and choice for employers, and no detrimental financial impact on the State.

The first step of the Scheme Design Project was a scoping review by McKinsey and Company that was completed in late 2002 and identified the following main areas for attention:

- determining the most effective claims, premium and funds management model
- exploring options to improve competition and transparency in the Scheme
- resolving existing information technology issues, including data quality and architecture.

Work has already commenced on the areas for attention that can be undertaken without the need for legislative change. These include improving fraud detection and workers compensation compliance, building WorkCover's people capacity, increasing recoveries from third parties, and improving data quality, long tail claims and case management.

The main themes emerging from the review are that:

- privatisation is not the answer to improving performance of the WorkCover Scheme
- fundamental changes to claims management are needed to improve performance

- greater competition and transparency can be promoted by encouraging new players to enter the market and making the performance of insurers/agents more transparent to employers
- information technology issues must be resolved as a priority
- WorkCover must be a stronger Scheme manager
- work that has already commenced on the immediate projects must continue.

The Minister will receive the final report in late August 2003 with recommendations for the Scheme Design Project. The report will then be considered by the Government. Following this consideration, the report will be released for consultation.

Implementation of approved recommendations will occur over 24 months. Detailed planning has begun so that as soon as the agreed recommendations are known, WorkCover can commence implementation.

Priority activity 2

Dangerous goods legislation – develop and implement modernised dangerous goods legislation.

The aim of this project is to ensure NSW implements the nationally agreed *National Standard for the Storage and Handling of Dangerous Goods*, as well as complying with national competition policy and meeting the NSW and Commonwealth Government's objective of ensuring more efficient and effective legislation.

Expected outcomes include:

- fewer deaths, injuries, illnesses and incidents arising out of the storage and handling of dangerous goods
- improved security for the storage and handling of dangerous goods, including explosives
- improved consistency with new occupational health and safety legislation in NSW, as well as contributing to a nationally consistent approach that will reduce costs for industry in complying with different State and Territory legislation.

Following release of an issues paper, there was extensive consultation with stakeholders, unions, Industry Reference Groups, the Government Agency Reference Group, and government agencies. As a result two bills, the Occupational Health and Safety Amendment (Dangerous Goods) Bill and the Explosives Bill, were drafted and passed by Parliament. Supporting regulations for both bills are being developed. The *Dangerous Goods Act* will be repealed and both bills will commence as Acts when the regulations are finalised.

STRATEGIC FOCUS 2

Implement and monitor reform.

Priority activity 1

Common law tail claims – develop a more proactive approach to the management of common law tail claims.

WorkCover is responding to the urgent need to improve management of common law claims by taking a more proactive approach to reducing them. Initiatives include identifying claims that can be processed quickly and introducing the principles of alternative dispute resolution to speed up resolution. As a result, the target of reducing claims by 2,000 by June 2003 was nearly met with 1,850 resolved.

A database and tracking system for claims was implemented and a review of all common law insurer files was carried out in consultation with insurers. The review showed 20 per cent have the potential to settle early. Settlement conferences of the identified matters will take place over the next few months between WorkCover, the insurers, the insurer solicitors and the plaintiff. These conferences bring forward the resolution of matters and are dealt with outside the usual court timetable, encouraging the use of alternative dispute resolution principles.

Since commencement of this evaluation process in March 2002, 6,927 matters have been resolved out of 9,241.

WorkCover has identified the potential to considerably reduce the Workers Compensation Scheme liabilities, and has included a targeted reduction in tail claim liabilities over two years as a performance measure on the 2003-06 WorkCover Corporate Plan.

IMPROVED MANAGEMENT OF COMMON LAW CLAIMS

For the period 25 March 2002 to 1 July 2003

13% of finalised matters resolved by informal settlement conference

9% resolved without managed fund contribution (historically this figure was around 5%)

39% resolved prior to arbitration

26% resolved prior to hearing

12% determined by the court

1% other

Priority activity 2

2001 workers compensation reforms – implement the 2001 workers compensation reforms.

Crucial to the success of reforms to workers compensation is ongoing monitoring and evaluation to reduce and manage disputes more effectively. WorkCover is committed to implementing administrative and legislative changes to ensure reform objectives are met. At the same time, educational and communication initiatives will continue to assist in the understanding and implementation of reforms by stakeholders.

Under the reform initiatives, insurers must begin weekly compensation payments and injury management within seven calendar days of initial injury notification. Notification can be made by the worker, employer or by another person acting on behalf of the worker, such as the treating doctor. Provisional liability payments can continue for up to 12 weeks, with an additional provision for payment of medical expenses up to \$5,000. Payment under these provisions is not an admission of liability by the insurer.

Following the implementation of provisional liability, the number of claims not yet determined were reduced from 13-14 per cent prior to 2001 to 3-4 per cent in 2002/03, with more than 75 per cent of injured workers receiving benefits within seven days. More claims are being closed in the early stages of development and fewer claims are developing to 13 weeks of payment, indicating that claims are being paid and closed earlier as a result of provisional liability reforms.

CLAIMS ASSISTANCE HELPS EMPLOYERS AND WORKERS

Helping employers

The Claims Assistance Service received a call from a disgruntled employer who believed a claim by one of his workers was fraudulent. He had received information that the worker had since found alternative employment involving heavy manual labour, which his alleged injury would have prevented him from performing. The matter was to be settled in the Workers Compensation Commission within days, as the worker was shortly to re-locate overseas. As the employer was concerned about the impact this would have on his claims experience, he had asked his insurer to investigate the matter. The insurer claimed it was too late as the matter was already scheduled for settlement. The Claims Assistance Service responded to the employer's concerns by contacting the insurer's technical manager, who agreed to investigate the claim, and giving the concerned employer the manager's contact details for follow-up. The employer was extremely satisfied that the Service was able to convince the insurer to review the claim and stated that he was pleased that the Service's staff gave such serious consideration to an important concern that had previously been ignored.

Helping injured workers

A worker contacted the Claims Assistance Service as he was experiencing problems with his insurer. He had been waiting three months for his medical expense reimbursements, even though he had posted as well as hand delivered the requests. He also had concerns about late benefits payments and was worried about not receiving any group certificates since starting to receive workers compensation payments. The Claims Assistance Service organised immediate payment of the medical reimbursements and benefits. The worker then rang the Service to say his settlement cheque had also been delayed and he still hadn't received his group certificates. The Service negotiated with the insurer to courier the outstanding monies and reissue the group certificates, which had apparently gone astray in the mail. The worker was most appreciative of the Service's prompt and thorough assistance as he had previously experienced many communication breakdowns with this insurer.

A reduction in disputes from approximately 8,000 per quarter prior to implementation of the 2001 reforms to approximately 2,000 disputes post reforms indicates the initial success of these initiatives.

Another major initiative is development of the Claims Assistance Service to provide advice to injured workers and employers about claims for compensation and work injury damages.

In 2002/03, the Claims Assistance Service has:

- achieved a high rate of 82 per cent in resolution of the 5,023 cases received
- resolved a high 82 per cent of cases within 10 days.

During 2003/04, the Claims Assistance Service will institute a business process improvement practice that should further increase the number of cases resolved within the target 10-day period.

Priority activity 3

New notification system – develop and implement a new incident notification system.

A new system for employers to notify incidents and injuries was developed during 2002/03 and will be introduced in September 2003. The system is designed to reduce processing and costs by simplifying and streamlining procedures and administration for employers.

Currently, employers must meet a number of requirements under separate pieces of legislation when notifying incidents and injuries. Under the *Occupational Health and Safety Act 2000* (OHS Act), employers are required to give 'notification of accidents and other matters' to WorkCover. Under the *Workplace Injury Management and Workers Compensation Act 1998* (WIMWC Act) employers are required to report work-related injuries to their insurer. Insurers are then required to provide WorkCover with information on action taken on claims management of work-related injuries.

However, only 30 per cent of notifications received under the OHS Act are compliant with legislation. Duplication in notifications is also evident given that approximately 30 per cent of the 60,000 major claims that are reported annually under the WIMWC Act are also being reported under the OHS Act. The current system is also labour intensive and relies on a paper-based incident report form.

It is anticipated that the new system will improve notification compliance to 90-100 per cent as well as eliminating dual handling of notifications. It will also improve monitoring of the system and the quality of information.

The new system will also provide relevant, reliable, accurate and timely information about incidents on which WorkCover can base operational responses, prevention strategies and policies.

Initial monitoring and evaluation of the new incident notification system will be completed in December 2004.

THREE-YEAR BLITZ ON WORKPLACE SAFETY

Response to the NSW Workplace Safety Summit 2002

Working under the banner of 'watching out for each other' the *NSW Workplace Safety Summit* brought together over 200 occupational health and safety experts representing government, employers, workers and unions in July 2002. The aim of the Summit was to build on the legislative framework developed under the recently introduced *Occupational Health and Safety Act 2000* and included speakers from Canada and the European Union.

The Summit's agreement to a general target to reduce injuries by 40 per cent and deaths by 20 per cent over 10 years has been adopted as a key objective in WorkCover's 2003-06 Corporate Plan. A major achievement of the Summit was the establishment of 11 industry-specific working groups to develop solutions to occupational health and safety problems. In response to the more than 100 recommendations made by the Summit, the NSW Government has dedicated a \$13 million package to a three-year program that focuses on developing practical solutions to prevent injury in high-risk areas.

These initiatives, that include industry-specific actions, cover:

- developing a safer towns and cities program to provide occupational health and safety leadership to regional NSW
 - extending the Premium Discount Scheme's Small Business Strategy to not-for-profit organisations
- extending WorkCover's Rollover Protective Structures Rebate Scheme, which aims to decrease injury from tractor rollovers
 - establishing a new Workplace Fatality Investigation Unit in WorkCover
- integrating basic safety and risk management principles into school curriculums
 - extending the popular *YouthSafe* program
- making occupational health and safety competency a prerequisite for holding building or liquor licences
 - researching the issue of managing work-related stress
- helping employers and workers work together to find new solutions by funding forums for five industries and establishing a Forestry Industry Safety Council.

Workplace Fatality Investigation Unit

WorkCover's Workplace Fatality Investigation Unit was established as part of WorkCover's Legal Group in September 2002 to assist in improving the coordination of investigations and associated legal action following a workplace fatality. The Unit is staffed by four senior solicitors experienced in the conduct of criminal prosecutions, and has the capacity to increase the number of solicitors on a needs basis.

A solicitor from the Unit is allocated at the time of receipt of Legal Group's notification of the fatality to case manage, with the WorkCover inspectors, the ongoing conduct of the investigation. A critical focus of the Unit's work is close liaison and frequent communication with the inspectors. The dedicated Unit solicitor will facilitate the analysis and review of all evidence required to base a prosecution under occupational health and safety legislation, and ensure that investigating inspectors have access to timely legal advice. The dedicated solicitor will also make and remain in contact with the family of the deceased and be available to provide information as to the course of the investigation and occupational health and safety prosecution where commenced.





CORPORATE GOAL

COMPLIANCE

OBJECTIVE

Ensure compliance with statutory requirements.

STRATEGIC FOCUS

Implement a comprehensive occupational health and safety, workers compensation and injury management program of targeted compliance initiatives to ensure a high level of compliance with statutory requirements.

CONTEXT

Achieving compliance with occupational health and safety and workers compensation legislation requires the right mix of compliance activities:

- information ■ assistance
- licensing ■ enforcement.

All compliance activities reinforce the primary aim of encouraging systematic management of risk to both prevent and manage workplace injury and disease.

PRIORITY ACTIVITIES

1. Employer compliance with workers compensation legislation – develop and implement new proposals for improved employer compliance with workers compensation legislation.
2. Develop a single strategy for workplace interaction.

PERFORMANCE

Improved workers compensation compliance strategies have led to an increase in successful prosecutions and the identification of substantial unpaid premiums for recovery.

FUTURE OUTLOOK

The *Targeted Use of Resources* strategy to ensure compliance with occupational health and safety legislation is an identified initiative of the 2003-06 WorkCover Corporate Plan. Recent initiatives to improve compliance with workers compensation legislation will also continue under the 2003-06 Plan.

STRATEGIC FOCUS

Implement a comprehensive occupational health and safety, workers compensation and injury management program of targeted compliance initiatives to ensure a high level of compliance with statutory requirements.

Priority activity 1

Employer compliance with workers compensation legislation – develop and implement new proposals for improved employer compliance with workers compensation legislation.

All NSW employers must have a workers compensation policy. This policy must accurately reflect the wages paid to workers and the industry in which the employer operates.

WorkCover has implemented a comprehensive program to improve employer compliance with workers compensation premium obligations and minimise premium evasion.

Objectives of the program are to:

- improve employer compliance with premium obligations
- implement a simpler system that increases compliance
- increase the number of employers paying the correct premium for their risk categories
- continue exchanging information with the Office of State Revenue.

A key performance measurement of the effectiveness of the program was to achieve a return for every \$1 spent in audit costs. In 2002/03, a return of \$3.03 was received for

every \$1. While this was short of expectation, it was still considered satisfactory. The target for 2003/04 is a \$3 return on every \$1 invested in wage audits, which will produce \$25 million in additional revenue.

Under the program in 2002/03 a number of positive outcomes were achieved:

- approximately \$20.6 million in additional premiums have been identified as a result of 6,590 audits
- an additional \$5.8 million in late payment fees were identified against policies shown by the wage audit to have under-declared wages
- 12,000 employer policies were selected for investigation for correct premium calculations through wage audits as a result of data mining and complaint referrals
- 244 penalty notices were issued, totalling \$110,950
- 94 section 156 certificates were issued for a total of \$965,733. Section 156 certificates are issued to uninsured employers to recover unpaid premiums. A value equal to twice the amount of unpaid premiums is collected from the employer

WorkCover targets many types of fraud, including claim-related fraud and service provider fraud.

If a worker is receiving benefits, they must advise their employer's insurer if they are doing any paid work.

Injured workers who work while receiving benefits, without advising their insurer, may be acting fraudulently. Other cases of fraudulent activity include workers who fabricate an injury for the purpose of claiming workers compensation, or

Providers who over-service an injured worker, deliberately continue treatment when it is no longer necessary, or claim for non-existent procedures are defrauding the Scheme and are liable for prosecution and face severe penalties.

existing fraud investigations unit, a dedicated prosecutions unit was created, and more robust data-mining capabilities were developed. As a result of these initiatives, WorkCover expects to produce more focused outcomes in employer and worker's compliance with workers compensation legislation.

Currently, WorkCover receives approximately 200 referrals for fraud and a further 200 compliance referrals annually for investigation. To strengthen workers compensation compliance, WorkCover intends to recruit additional compliance and fraud analysts and further develop the data-mining models to identify claims avoidance and incorrect classifications.

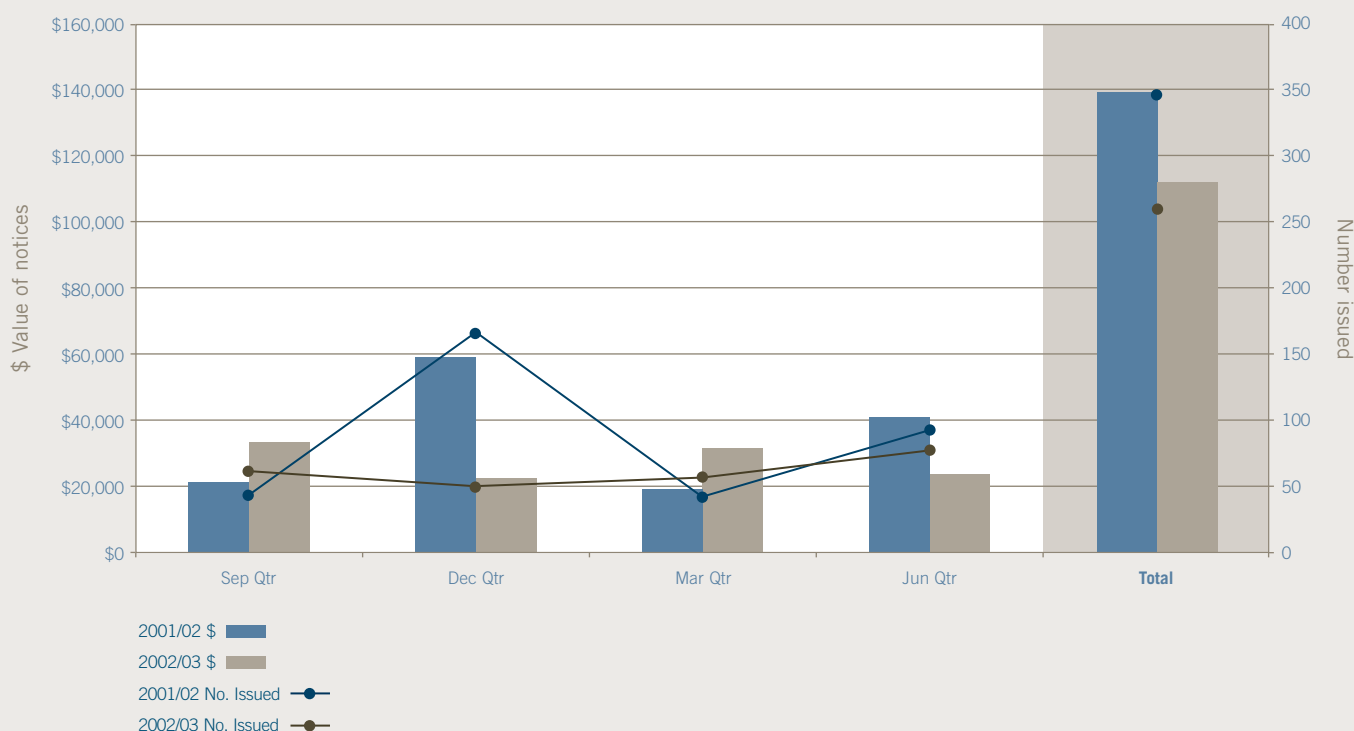
Quarter	Cost (\$M)	Net Premium (\$M)	Number of audits
Sep Qtr	1.5	7.5	1,500
Dec Qtr	2.5	7.0	2,500
Mar Qtr	1.8	4.5	1,500
Jun Qtr	1.5	2.5	1,300
Total	6.5	20.5	6,500

COMPLIANCE

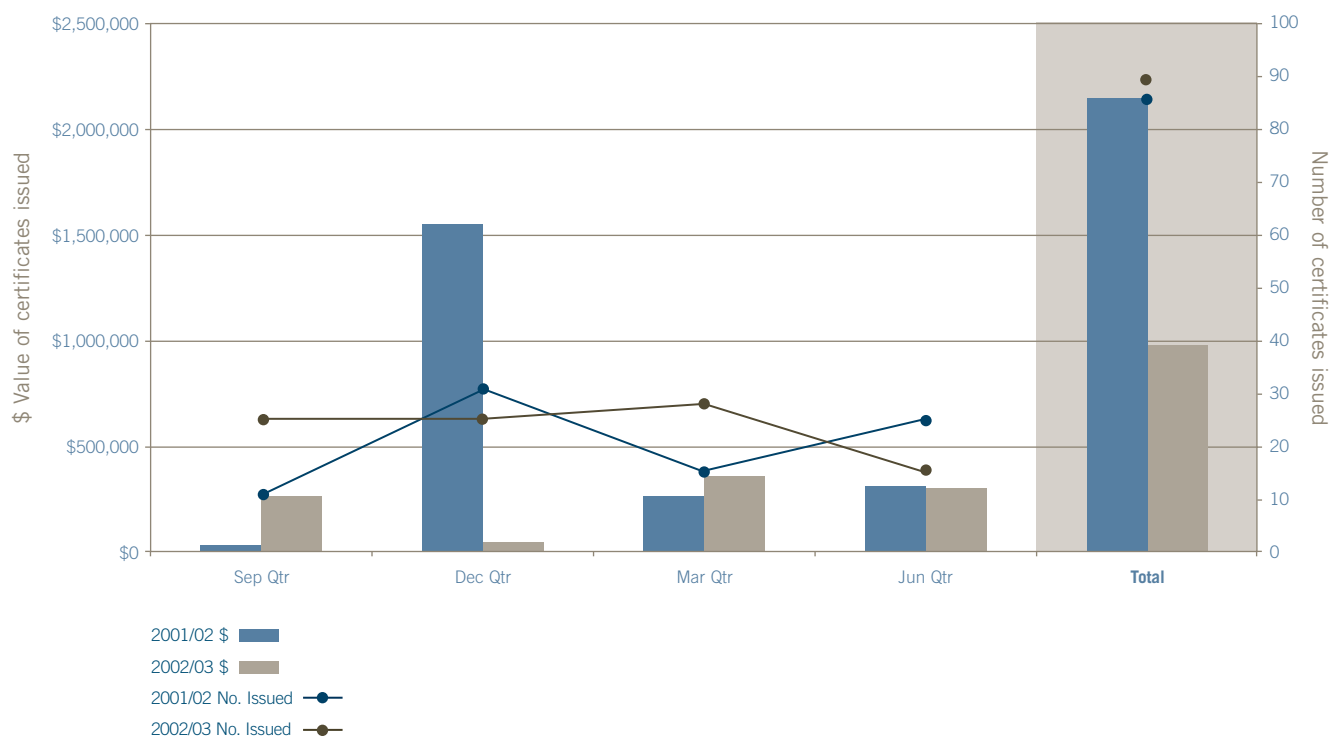
As an essential part of this aggressive compliance program, the sophisticated data-mining software technology is designed to target high-risk areas of non-compliance. The software uses a number of variables, including wages and industry risk, to identify potentially non-compliant activities. Additionally, it is planned to ensure data quality of the wage audit database through the roll-out of a procedures manual and the introduction of validation checks on data. WorkCover will also finalise a risk assessment plan for investigation of compliance referrals. A key performance measure of improved compliance with the *Workers Compensation Act 1987* is the number of fraud cases referred for

prosecution. The target for 2002/03 was 30 cases, double the number referred in 2001/02. Results were well above this target with 41 referrals for fraud prosecution. Since creation of the new prosecutions unit in February 2003, 23 prosecutions involving fraud and non-compliance have commenced. As at 30 June 2003, there were a total of 28 matters before the court. Four successful prosecutions for fraud and two for non-compliance have been obtained since creation of the unit. The total number of successful prosecutions for 2002/03 was 11 (six for fraud and five for non-compliance). The remaining matters are before the court. These figures show the early success of the enhanced prosecutions unit.

NUMBER AND \$ VALUE OF PENALTY NOTICES ISSUED



UNPAID PREMIUM RECOVERY – s.156 CERTIFICATES ISSUED*



*s.156 certificates are issued to uninsured employers to recover unpaid premiums.

Priority activity 2

Develop a single strategy for workplace interaction.

The purpose of this initiative was to develop a standardised process for identifying, prioritising and addressing workplace problems and applying solutions that will improve occupational health and safety, injury management and workers compensation.

The project resulted in development of a strategy to ensure WorkCover uses its resources in the most efficient and effective manner. It includes allocating resources where they will make

the most impact in workplaces in NSW and will help meet the organisation's objectives. The strategic planning and management model that was developed enables WorkCover to re-evaluate its priorities, guide its managerial decision-making, and focus its attention on significant problems. Development of the WorkCover data-mining unit and the knowledge management functions incorporate elements of the single workplace interaction strategy by establishing a central point for collection and analysis of data used across the organisation.

MAKING SCHOOLS SAFER AND HEALTHIER

In partnership with the NSW Department of Education and Training, WorkCover is working to make schools safer and healthier places for staff, students and all people who visit them, under the *SchoolSafe* project.

Under the initiative, which includes both primary and secondary schools, WorkCover officers visit Department of Education and Training workplaces and speak with personnel from all areas of the organisation. The collaborative initiative also involves the NSW Teachers Federation, the NSW Public Service Association, the Secondary Principals' Council and the Primary Principals' Association, as well as other interested parties.

The project covers 60 schools, 12 district offices, key specialist directorates and senior management. In the project's first phase, schools of all types, sizes and profiles around NSW are being visited.

These school visits involve interviewing the principal and occupational health and safety representatives, carrying out workplace inspections of classrooms, industrial arts rooms, farms, science labs and workshops. This activity is an opportunity to exchange information on a range of health and safety issues and for WorkCover staff to provide advice on corrective actions that may be required to promote a safer working and learning environment for staff and students.

REDUCING THE HIGH RATE OF INJURIES FROM MANUAL HANDLING

A new resource kit has been developed by WorkCover to give guidance to the utilities industry on developing and implementing manual handling programs, based on the principles of risk management.

The *Utilities Manual Handling Resource Kit* responds to a review of workers compensation statistics that showed these incidents and injuries represent the highest percentage of all workers compensation costs in the utilities industry. For example, from 1996 to 2001 there were 5,383 manual handling claims, costing more than \$40 million.

The Kit which includes a video, provides a model to assist managers and supervisors effectively manage workplace manual handling issues, and gives case studies and guidelines to help identify potential manual handling hazards, assess the risks and develop appropriate solutions.

Although the Kit was developed by the utilities industry, unions and government for this sector, it is suitable for other industries and can be obtained by contacting the publications hotline on 1300 799 003.

ON TARGET: ENSURING SAFE OCCUPATIONAL HEALTH AND SAFETY PRACTICES

WorkCover provides information, advisory, compliance and enforcement services to ensure that workplaces meet their health and safety obligations.

For example, part of a WorkCover inspector's role is to provide advice and assistance. At the same time, inspectors are responsible for ensuring that all persons and organisations meet their occupational health and safety and workers compensation obligations.

Visits by WorkCover inspectors to workplaces or worksites can be random or part of specific targeted programs. These strategically targeted compliance programs aim to help collaborating industry sectors better implement the legislation.

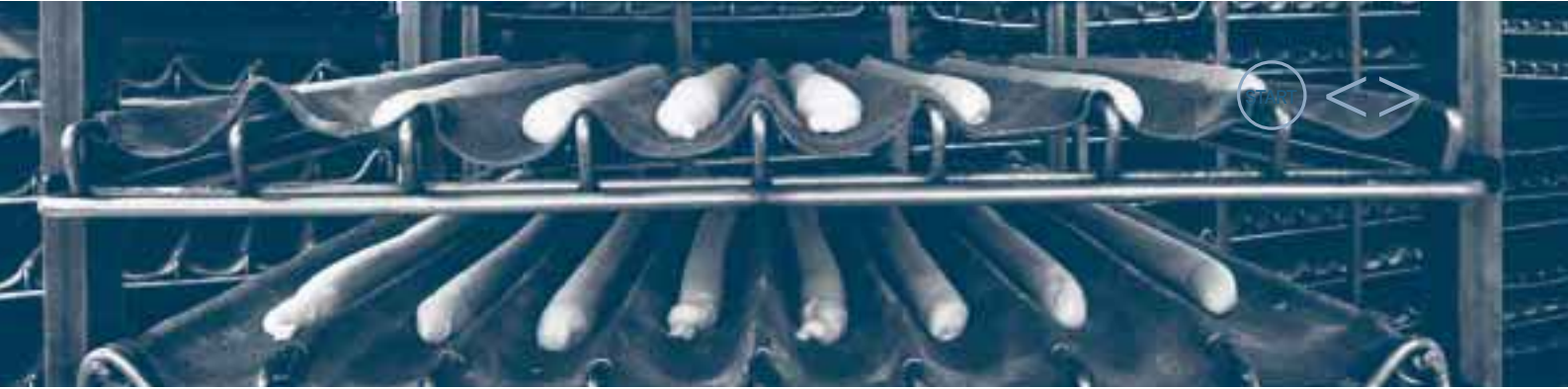
Major strategically targeted compliance programs during 2002/03 were:

- monitoring, educating and training operators and owners on amusement device safety and safety to the public, including visits by WorkCover inspectors to the Sydney Royal Easter Show and other local festivals
- carrying out the first stage of the grocery warehousing program by targeting grocery warehouses and large supermarkets to identify hazards relating to grocery warehousing. Particular emphasis was on manual handling systems of work, maintenance of plant (eg. forklifts, racking, conveyors) and dangerous goods. This WorkCover intervention indicated improvement in the management of occupational health and safety at grocery warehouses
- visiting 291 sites throughout NSW to inspect asbestos removal and demolition and meeting licensed contractors that ranged from high profile industry figures to single sole trader businesses and owner-builders. These contractors showed willingness to comply with legislation and directions. At the conclusion of the program, follow-up site inspections showed 136 of the 254 contacts that were not initially compliant were fully compliant following WorkCover intervention
- inspecting formwork and concrete installation systems including formwork companies that supply and erect formwork for suspended slabs, and owners/operators of concrete booms. Site visits throughout NSW resulted in 104 notices, including 92 improvement notices to remedy unsafe working conditions or hazards.

Other compliance programs targeted:

- fireworks
- nail artistry
- NSW public schools
- rail construction and maintenance
- residential construction safety
- tractor rollover protective structures.

In total, for the 2002/03 year, 771 prohibition notices, 1,259 penalty notices and 12,616 improvement notices were issued.



PROSECUTING WORKERS COMPENSATION FRAUD

The employer

The former director of a Dapto bricklaying firm was convicted on five counts of workers compensation fraud by the NSW Chief Industrial Magistrate's Court at Wollongong in 2002/03.

A WorkCover audit showed that the former director of the company had used false business cards and invoices to reduce workers compensation premiums by \$3,781 and had falsified the number of subcontractors and paid workers employed by the company.

The number of subcontractors who were responsible for their own workers compensation policies was exaggerated and the number of paid workers employed had been understated.

The former director was fined \$1,500 on one charge and ordered to enter good behaviour bonds totalling two years on the other four charges brought under the *NSW Crimes Act 1900*. He will also be required to pay WorkCover double the amount of avoided premium, totalling \$7,562.

To further improve compliance with the State's workers compensation laws by both employers and claimants, a package of initiatives was introduced by NSW Industrial Relations Minister John Della Bosca in February 2003.

These included doubling staff in WorkCover's fraud unit, setting up a dedicated fraud prosecution unit within WorkCover's legal branch, improving cooperation between government agencies, and helping insurers develop more sophisticated fraud detection teams.

The worker

In March 2003, a worker who defrauded the Workers Compensation Scheme of travel expenses connected with his workers compensation claim was fined \$5,625, and ordered to pay \$4,491 costs by the Chief Industrial Magistrate's Court.

The man, who failed to appear in court, was convicted of 45 counts of obtaining benefits by providing false information under section 67(1)(b) of the *Workplace Injury Management and Workers Compensation Act 1998*.

The maximum penalty under the Act is \$11,000 and/or two years' imprisonment.

Some of the dates the worker claimed he had attended medical appointments did not match records held at his treating doctor's surgery, and distances travelled to the surgery were found to be inflated by a WorkCover audit.

The Chief Industrial Magistrate said the defendant had showed a systematic and repeated fraudulent process over a long period of time.

This was the first conviction obtained for defrauding the Workers Compensation Scheme of travel expenses, and demonstrates that the recent expansion of the fraud investigation team will result in an increasing number and variety of prosecutions for fraud-related offences.



CORPORATE GOAL

COMMUNICATION AND INFLUENCE



OBJECTIVE

Actively engage key stakeholders and the broader community towards the vision of safe secure workplaces.

STRATEGIC FOCUS 1 – WORKPLACES

Build the capability of people in workplaces to understand and apply the risk management process.

CONTEXT

The systematic application of the risk management process helps people in workplaces to plan and organise their workplace in an efficient and safe manner. The risk management process directs efforts towards a systematic approach to the management of risk to both prevent and manage workplace injury and disease.

PRIORITY ACTIVITIES

1. *Occupational Health and Safety Act 2000* and Regulations – help workplaces implement the new *Occupational Health and Safety Act* and Regulations.

STRATEGIC FOCUS 2 – SERVICE PROVIDERS

Maximise the performance of service providers to prevent work-related injury and disease and improve injury management for injured workers.

CONTEXT

The performance of service providers is fundamental to effective injury and disease prevention and management. Key service providers include:

- insurers
- injury prevention and management providers
- lawyers
- unions
- employer associations.

WorkCover will actively engage service providers in defining and achieving outstanding performance.

PRIORITY ACTIVITIES

1. Insurer remuneration – continue to implement the 2001/02 insurer remuneration package.
2. Injury management pilots – apply the learnings from the 2001 injury management pilots to the broader Scheme.
3. Professional health services – improve health professional services.

STRATEGIC FOCUS 3 – BROADER COMMUNITY

Raise community awareness and expectations in regard to work-related injury and disease, and injury management.

CONTEXT

Influencing the community is a key to reducing work-related injury and disease and improving injury management for injured workers. WorkCover will work toward broader societal demand and support for safe secure workplaces.

PRIORITY ACTIVITIES

1. WorkCover communication strategy – develop and implement an external communication strategy across the whole of WorkCover.
2. Develop and implement a single integrated complaints handling system.
3. Scheme performance reporting – develop and implement a better capability for reporting on the performance of the Scheme.

PERFORMANCE

WorkCover's performance in the area of communication and influence is considered strong. In relation to small business, research shows 77 per cent of small businesses are satisfied with the occupational health and safety information made available by WorkCover. In addition, research shows aided recall of WorkCover advertising campaigns is very high, with 98 per cent of workers and 100 per cent of employers aware of the campaigns.

FUTURE OUTLOOK

A focus on improving stakeholder communications at all levels is one of the driving strategies of the 2003-06 WorkCover Corporate Plan.

STRATEGIC FOCUS 1 – WORKPLACES

Build the capability of people in workplaces to understand and apply the risk management process.

Priority activity 1

Occupational Health and Safety Act 2000 and Regulations – help workplaces implement the new Occupational Health and Safety Act and Regulations.

WorkCover has maintained a number of programs to help workplaces implement the new Act and Regulations by

ensuring workplaces have the necessary information and capacity to implement the legislative requirements and to improve safety.

To help small business understand its requirements under the Act and Regulations, a targeted assistance program was launched in February 2003. The *WorkCover Small Business Assistance Strategy* provides seminars, publications and information on the WorkCover website as well as making WorkCover inspectors available to provide advice and education to small business. The strategy included an

advertising campaign on radio and television that targeted small business employers and workers. The campaign was very successful with 98 per cent of targeted workers and 100 per cent of targeted employers claiming to have seen, read or heard one of the advertisements. Second and third phases of the campaign were rolled out at the end of 2002 and mid-2003.

Under the *WorkCover Assist* program, trade unions and employer associations are provided a total of \$5 million annually in grants to help members implement the *Occupational Health and Safety Act 2000*, the *Occupational Health and Safety Regulation 2001* and parts of the *Workers Compensation Legislation Amendment Act 2001* that applies to dispute resolution and claims assistance. As a result of the 2002 program, over 4,200 workplaces were reached through industry specific strategies which included:

- distributing more than 35,000 publications and 200 CD Roms
- conducting 518 training sessions (representing 4,200 training hours) to a total of 8,216 participants who included delegates, organisation officials and members.

Response to these communication strategies was excellent with more than 80 applications assessed and 50 successful applicants. In October 2002, both Houses of Parliament resolved to continue funding *WorkCover Assist* in 2003 and 2004.

The *Small Business Assistance Strategy* will continue as a priority project within the 2003-06 Corporate Plan. WorkCover will conduct further quantitative and qualitative research on the Strategy's accompanying advertising campaigns.

Successful strategies during 2002/03 also included the production of guides on risk management for the visually impaired workforce in Braille and large print, as well as audiocassettes and computer disks. These guides were distributed by the Royal Blind Society.

STRATEGIC FOCUS 2 – SERVICE PROVIDERS

Maximise the performance of service providers to prevent work-related injury and disease and improve injury management for injured workers.

Priority activity 1

Insurer remuneration – continue to implement the 2001/02 insurer remuneration package.

Most employers in NSW are part of the WorkCover Scheme and are insured with licensed insurers that administer insurance premiums, manage compensation claims and oversee the treatment and rehabilitation of injured workers. As performance of these insurers significantly affects outcomes for employers and injured workers, the insurer remuneration package was restructured to provide a strong incentive for insurers to improve their performance. Performance-based incentives fees were substantially increased and performance measurement was extended to cover efficient collection of premiums, efficiency of liability decisions, promptness of benefits payments, and effectiveness of injury management and rehabilitation.

Because insurer performance is measured in hindsight, measurement for 2001/02 took place during 2002/03. Therefore, 2002/03 performance will be measured during 2003/04. Although the 2001/02 performance results are not finalised, preliminary results show a 5 per cent improvement in insurer performance, compared to 2000/01.

The remuneration package for 2002/03, approved by the WorkCover Board in 2002, further increases insurer performance targets and requires business plans to outline how insurers will invest resources to achieve improved performance. Under the plan, an independent auditor assesses insurer performance against quarterly milestones in the insurers' business plans.

During 2002/03 insurers invested in a range of programs to improve performance, including better business processes, technology, case management strategies and customer service.

Insurer business plans for 2003/04 will target five critical areas identified by the WorkCover Board:

- improving return-to-work rates for injured workers
- reducing tail claim liabilities with an emphasis on long-term claims
- implementing a best practice case management model
- improving quality of data submitted by insurers to facilitate informed decision-making
- increasing the accuracy of determining an employer's WorkCover industry classification and applying the new wages definition to ensure targeted Scheme premium income is achieved.

Priority activity 2

Injury management pilots – apply the learnings from the 2001 injury management pilots to the broader Scheme.

Following injury management pilots in 2001/02 to identify best practice claims and injury management, the program was assessed for its success. The assessment showed that although the pilots provided valuable information on more effective ways of managing claims in the Workers Compensation Scheme, the data sets were too small to establish benchmarks for the Scheme as a whole.

Other results from the pilots have been, or are in the process of being, adopted in a number of ways. For example, early response to injury notifications is now embedded in legislation, insurers are being trained to clearly communicate decisions to employers and workers, and are involving claimants, employers and service providers in decision-making as the pilots showed this process dramatically reduces disputes.

Another very successful outcome of the pilots was to move to case management by claims agents. This process aimed to involve workers and their employers in the injury management process and improve interaction between treatment and return-to-work providers, consequently reducing the costs of claims.

Priority activity 3

Professional health services – improve health professional services.

WorkCover has implemented a strategic management approach to injury and disease management. The aim is to improve health outcomes for injured workers by reducing costs and improving the quality, timeliness and impact of health service providers.

As back injuries account for a third of all NSW workers compensation claims, WorkCover introduced a \$1.7 million medical education program in 2002/03 to educate general practitioners in management of workers with acute low back pain. Under the program, it is intended that 50 per cent of general practitioners in NSW are provided with the latest advice on treating this condition.

During 2002/03:

- 15 general practitioner educators were selected, trained and visited general practitioners to present the latest management practices for back pain
- the first phase of the education program visited 1,118 NSW general practitioners working in areas with a high incidence of workers with back injury
- evening workshops were conducted for 113 general practitioners in the Western Sydney, St George/Sutherland, mid-north coast, Riverina and Illawarra areas
- 1,231 general practitioners received the *WorkCover Guidelines for Management of Acute Low Back Pain*.



Response to the program has been excellent with 96 per cent of doctors seeing a medical educator and feedback from visits and workshops showing high satisfaction with resource materials.

To ensure services provided by physical therapists are necessary, a two-tiered fee structure and health outcomes training was approved by the WorkCover Board. The initiative includes peer review of therapists who do not appear to be providing reasonably necessary services. A total of 1,843 physiotherapists, 299 chiropractors and 33 osteopaths have attended health outcomes training programs since February 2002. As a result, insurers have indicated an improvement in the quality of treatment plans by physical therapists.

Further improvements to professional health services are anticipated by introducing independent medical examinations and reporting, and setting up protocols for work conditioning, exercise and pain management programs.

STRATEGIC FOCUS 3 – BROADER COMMUNITY

Raise community awareness and expectations in regard to work-related injury and disease, and injury management.

Priority activity 1

WorkCover communication strategy – develop and implement an external communication strategy across the whole of WorkCover.

WorkCover implemented a communication plan that will provide a more strategic approach to communication with stakeholders and will introduce mechanisms to monitor and evaluate the effectiveness of the organisation's communications. The plan includes providing strategic communication advice on the *Small Business Assistance Strategy* as well as identifying research needs, including an attitudinal survey of small business to occupational health and safety, advertising tracking, and effective targeting of culturally diverse groups. The first phase

of the attitudinal survey of small business was completed in 2002/03 and revealed that a large percentage use WorkCover as an information source and, of these, 77 per cent are satisfied with the information provided.

There was strategic communication input into other priority projects, including the *NSW Workplace Safety Summit*, *Safer Towns and Cities* and major changes in workers compensation legislation. Other major communication strategies in 2002/03 included an internal communication plan and the redevelopment of the WorkCover website.

In June 2003, the communication plan for 2003/04 was developed by the Communications Strategy Committee. The plan's priority areas are those identified in the 2003-06 WorkCover Corporate Plan, with a focus on small business. Additional research needs for 2003/04 have been identified and these include a second attitudinal survey of small business to occupational health and safety, workers compensation and injury management, as well as advertising tracking, and continuing to provide information to culturally diverse groups.

Priority activity 2

Develop and implement a single integrated complaints handling system.

WorkCover identified a need to develop and implement a single integrated complaints handling system to effectively handle complaints and make meaningful use of this information when assessing service delivery.

A review was undertaken to investigate comprehensive procedures for consistently handling complaints across WorkCover, and an assessment made of the information technology capacity to support the generic procedures.

SUPPORT FOR SMALL BUSINESS

WorkCover is helping small business (those businesses with 20 or fewer employees) adapt to the new regulatory regime that compels employers to consult workers on matters affecting their health and safety and to introduce risk management strategies in workplaces.

Starting in September 2003, small business employers must consult with their staff and get input on how to best make the workplace safe. This duty to consult applies to all employers, regardless of the number of people employed, however all other employers were obliged to consult with their workers as of September 2002.

Employers must also work with their staff to identify hazards in the workplace, assess the risks and eliminate or control them.

To help small business comply with these new requirements, WorkCover inspectors are giving one-on-one advisory sessions. A Small Business Starter Safety Kit was produced in 2002 to assist in these sessions and a small business occupational health and safety checklist is also being developed for release in early 2003/04.

A new small business website is also providing advice on workplace safety and helping small business operators clarify their responsibilities under the occupational health and safety Regulations. Employers can also use the website to obtain the information products produced by WorkCover to assist them in creating safe workplaces.

Priority activity 3

Scheme performance reporting – develop and implement a better capability for reporting on the performance of the Scheme.

To ensure that the 2001 reforms to the Workers Compensation Scheme are functioning appropriately and delivering benefits to injured workers and employers, WorkCover produces a quarterly report on Scheme reforms that is provided to the WorkCover Board and the Workers Compensation and Workplace Occupational Health and Safety Council of NSW. In addition to performance measures on timeliness of payments and dispute levels, the report also includes the number of commutations, common law and statutory lump sum intimations, and the total claims by development period. For the measures that are relied on by actuaries to evaluate the Scheme, targets have been developed by the actuaries to assess performance and identify potential future improvements in Scheme finances.

Although it will take several years for the full impact of the 2001 reforms to flow through the system to the financial position of the Scheme, there are indications the reforms are having a significant positive impact on Scheme performance. Most importantly, workers are being paid earlier as a result of the introduction of provisional liability, and claims are being reported sooner, thus facilitating earlier treatment and faster return to work. At the same time, the total number of claims has not increased and dispute levels have fallen.

BORDER CROSSINGS

Industries that operate across borders are often subject to differing laws and regulations, including the area of occupational health and safety.

To help eliminate some problems arising from these differences, WorkCover has been collaborating with its Queensland counterpart on a compliance project with the high-risk cotton gin industry which operates across the NSW Queensland borders. The project included consultation and joint site visits to help the industry improve its occupational health and safety performance and reduce the impact of injury and illness.

Cotton ginning has a relatively high rate of serious incidents and higher than average compensation premiums. For example, between 1992/93 and 2000/01 in NSW and Queensland there were several deaths and over 700 claims costing more than \$5 million. The major occupational health and safety risk areas are manual handling, plant and vehicles, falls, and noise.

At the same time, WorkCover funded an education project that developed an occupational health and safety training program for the industry.

Main features of the project are:

- consultation with cotton ginning companies on occupational health and safety issues to build a dialogue between the regulators and the industry
- a self-assessment survey by individual cotton gins of their occupational health and safety systems
- discussions on compliance with all industry stakeholders
- ensuring compliance with legal obligations while operating cross border
- follow-up site visits of selected cotton gins by Queensland and NSW inspectors.

WORKCOVER SUPPORTS PARALYMPIANS

WorkCover proudly sponsors five talented Paralympic athletes through its Paralympian Sponsorship Program.

The athletes in the program were injured in workplace accidents and share their inspirational stories as well as promoting workplace safety.

The participating athletes attend workplaces, industry groups, conferences, media events and annual dinners to give firsthand accounts of how their accident occurred. They also discuss measures that could have prevented their accident and outline their efforts to return to the workforce.

Nigel Smith, one of the sponsored Paralympians, was involved in a heavy industrial accident. His left leg was caught in a chain conveyor on an industrial paint machine and he suffered multiple fractures and extensive tissue loss. In spite of numerous operations, Nigel's left leg had to be amputated.

Although sport had been part of his lifestyle, following the amputation and the fitting of prosthesis he developed a keen interest in volleyball and first represented Australia in the World Championships for standing volleyball in 1998. Since then he has represented Australia several times, including the Sydney 2000 Paralympic Games. Nigel is hoping to compete in the 2004 Paralympic Games in Athens.



RECOGNISING HEALTHY AND SAFE WORKPLACES

The Premium Discount Scheme Awards recognise employers that are continually improving their occupational health and safety and injury management systems to meet WorkCover benchmarks.

Recipients of the awards are participants in the voluntary Premium Discount Scheme 'Employer of the Year', an innovative WorkCover initiative that audits companies for improvements to their occupational health and safety and injury management systems.

Since its inception, the Scheme has attracted 2,200 employers who received \$67.5 million in premium discounts.

The inaugural Premium Discount Scheme Award for 'Employer of the Year' was Marrickville Council which has reduced by 84 per cent the number of days lost due to workplace injuries and lowered its workers compensation premium by nearly 40 per cent. The Council which has 500 employees has used the Scheme to acknowledge staff members who contributed to altering the adverse premium trends that were commonplace before the Scheme was implemented.

Winner of the large employer category was Weir Engineering Pty Ltd, a designer and manufacturer of pumps and valves as well as an engineering service provider. With a 120-strong workforce it saw the value of using the Premium Discount Scheme as a catalyst to providing a safer workplace. As a result, the company gained a 15 per cent discount on its premium and dramatically reduced its lost time frequency rate and, consequently, the cost of its claims. Staff are now keenly aware of occupational health and safety issues and, when tendering for contracts, management highlights its outstanding occupational health and safety and injury management systems.

Winner of the regional small/medium employer category was Hunter Nursing Agencies, a family-owned and operated nursing employment service that employs more than 200 staff. Under the Premium Discount Scheme, the company has received a premium discount of nearly \$17,000 and since joining the Scheme has introduced a risk management system that has substantially reduced workplace accidents, particularly manual handling incidents.

Highly commended finalists in the large employer metropolitan and regional categories were:

- Estee Lauder Pty Ltd, one of the world's leading manufacturers and marketers of skin care, makeup, fragrance and hair care products
- Anglican Care which provides accommodation for elderly people in Newcastle
- Moree Plains Shire Council in western NSW.



CORPORATE GOAL

PERFORMANCE



OBJECTIVE

Enhance organisational performance.

STRATEGIC FOCUS 1

Continuously improve service delivery and the effectiveness and efficiency of the operation of WorkCover NSW.

CONTEXT

The NSW Government expects agencies to adopt best practice management. WorkCover will adopt best practice management. Specifically, WorkCover will focus on:

- business process review and improvement
- performance measurement and monitoring
- financial risk management
- WorkCover business risk management
- learning and development.

PRIORITY ACTIVITIES

1. WorkCover internal occupational health and safety – implement the 2002-04 occupational health and safety plan that will establish WorkCover as a best practice organisation.
2. Internal communication – improve internal communication.

STRATEGIC FOCUS 2

Integrate and coordinate all the activities of WorkCover.

CONTEXT

WorkCover's move to Gosford provides an opportunity to better integrate and coordinate its activities.

PRIORITY ACTIVITIES

1. Policy and legislative capacity – develop a strategic capacity across WorkCover for policy and legislative analysis and review.
2. Move to Gosford – successfully manage the move to Gosford

STRATEGIC FOCUS 3

Make better-informed decisions.

CONTEXT

WorkCover improves its systems for collecting and providing meaningful and useful information for decision making and reporting.

PRIORITY ACTIVITIES

1. Organisation and business process improvement – implement a strategic approach to organisational improvement and the structural change to support it.

PERFORMANCE

WorkCover's performance capacity has increased as a result of the activities undertaken in 2002/03. The creation of the Strategy and Policy Group has strengthened the organisation's planning, policy and research capabilities. Improvement in internal occupational health and safety performance is evident in WorkCover's improved ranking of 68 out of 113 NSW Government agencies in relation to the number of claims per employee. The new head office at Gosford has made work areas more efficient by decreasing the space used for offices, and increasing the number of workstations, reception areas and amenities. Staff satisfaction has also demonstrated net gains in the areas of storage, security, privacy, interactivity and facilities.

FUTURE OUTLOOK

A continuous improvement process undertaken to enhance organisational capability has been restated as a primary focus of the 2003-06 WorkCover Corporate Plan. An effective people strategy and improvements to core business systems and process improvement are also focuses of the Plan.

STRATEGIC FOCUS 1

Continuously improve service delivery and the effectiveness and efficiency of the operation of WorkCover NSW.

Priority activity 1

WorkCover internal occupational health and safety – implement the 2002-04 occupational health and safety plan that will establish WorkCover as a best practice organisation.

As the regulator of occupational health and safety legislation and practice in NSW, WorkCover is taking a lead in its own occupational health and safety management by aiming for best practice in management of occupational health and safety, workers compensation and injury management.

During 2002/03, an occupational health and safety strategic plan 2003/04 was finalised, setting key targets to reduce by 20 per cent the average days lost by injured workers and to draw up return-to-work plans for every injured employee.

Achievements in WorkCover's occupational health and safety performance in 2002/03 include:

- improving its ranking to 68 out of 113 NSW Government agencies in relation to the number of claims per employee from 83 out of 113 in 2001/02
- finalising 73 claims with only 41 claims still open on 30 June 2003, compared to 53 on 30 June 2002.

Proactive intervention such as the employee assistance program and early return-to-work action have contributed to improving performance.

WorkCover will continue the consultation process with all employees in the further development and implementation of the strategies and actions of the occupational health and safety plan.

Priority activity 2

Internal communication – improve internal communication.

While WorkCover successfully communicates, educates and informs stakeholders and clients about its activities and their responsibilities, there is a need to communicate more regularly to WorkCover staff on the outcomes of activities and initiatives undertaken by the whole organisation and its various divisions or business units.

To achieve this goal, development of a WorkCover internal communication plan started in 2002/03 with the aim to provide staff with up-to-date information on the organisation's activities as well as providing more opportunities for staff involvement in organisational decision-making.

Three key areas of the first phase of the internal communication project are redevelopment of the intranet site, improving internal customer service and a 'one WorkCover' approach to communication. The project will continue into 2003/04 to improve the delivery and quality of information to staff throughout the State.

STRATEGIC FOCUS 2

Integrate and coordinate all the activities of WorkCover.

Priority activity 1

Policy and legislative capacity – develop a strategic capacity across WorkCover for policy and legislative analysis and review.

Under the initiative to improve WorkCover's policy and legislative development capacity, a strategic reporting framework was developed in 2002/03.

This framework includes a system for prioritising, scoping, resourcing, and monitoring Government policy and related legislative development activity. At the same time, functions were restructured and regrouped to improve knowledge management of the organisation's strategic intelligence and legal resources in the areas of legislative advice and legal services.

The Strategy and Policy Group, formed in 2001/02, provides a sharper focus for strengthening WorkCover's ability to provide professional policy advice and strategic direction. Clear links have been established between the organisation's strategic business planning, implementation of its strategic objectives and corporate strategies, and performance management to clearly demonstrate progress and improve accountability to WorkCover's Board and Minister. The group is responsible for WorkCover's policy, reform and research agendas and provides policy support for the General Manager, The Minister and WorkCover delegates attending committees, such as the National Occupational Health and Safety Commission. The group also liaised with the Minister, General Manager and other stakeholders to prepare the Government's response to the *NSW Workplace Safety Summit* recommendations.

Priority activity 2

Move to Gosford – successfully manage the move to Gosford.

The Premier of NSW, the Hon Bob Carr, officially opened the new WorkCover head office in Donnison Street, Gosford on 15 October 2002. The move of 500 staff from Sydney's central business district to the Central Coast was one of the biggest staff relocation programs ever undertaken by a NSW Government department.

Both the building and fit-out works exceeded the NSW Government's Regional Infrastructure Development Plan which sets a target of 75 per cent local content. Local involvement in construction of the building reached 87 per cent.

Two years of planning preceded the move, which included:

- continual consultation with staff via bulletins, workshops, emails, intranet discussion forums, briefing sessions, surveys and one-on-one interviews
- development of strategies to encourage staff to remain with WorkCover to retain corporate knowledge
- development of strategies to assist staff unable to relocate to Gosford
- detailed research of best practice initiatives in occupational health and safety and ergonomic design
- conducting research into current usage patterns to ensure all requirements were met in the new fit-out
- working closely with the architects to ensure the needs of the organisation were translated to the floor plan and fit-out
- formation of committees with a defined role in the planning for the relocation, ie. Technical Advisory Committee, Gosford Relocation Management Committee, and the Joint Consultative Committee – sub committee
- development and ongoing monitoring of business continuity for each branch by looking at the implications of the relocation on the continued provision of service
- development of process mapping for branches to capture intelligence and develop systems and procedures
- evaluation and assessment of the organisation's information technology capacity
- consultation with other organisations that had conducted similar moves/fit-outs.

The office fit-out is designed to conform to environmentally sustainable criteria. These include avoiding the use of toxic adhesives, using environmentally friendly paint, covering fabric panels with pure blend textiles to ensure ease of recycling, and using natural materials for flooring.

WorkCover NSW has a 10-year lease on the building with two five-year options. Another NSW Government agency tenant is the Long Service Payments Corporation of the Office of Industrial Relations.

The relocation continues to benefit the area with local businesses contracted to provide services to WorkCover, as well as increasing WorkCover staff patronage of local businesses.

STRATEGIC FOCUS 3

Make better-informed decisions.

Priority activity 1

Organisation and business process improvement – implement a strategic approach to organisational improvement and the structural change to support it.

WorkCover made strong progress on taking a more strategic approach to business process improvement and introduced structural change to support it. The aim of the process is to ensure continuous improvement in internal and external reporting, while improving understanding by all WorkCover staff of their roles and responsibilities.

A total of 15 initiatives are on the improvement program. Priorities include records management, the Gosford relocation, licensing and inspector business processes, client contact, data-mining, human resources, finance, administration and information technology processes.

The organisation's business capacity has been boosted by the creation of a number of specialised service units. The new Strategy and Policy Group has increased WorkCover's capacity for business planning, ministerial liaison, reporting capacity and policy formation, and has also established a structured research framework. WorkCover's capacity to analyse data has been strengthened by the introduction of a data-mining team. The formation of a specialist Communications Group will enable WorkCover to provide quality publications and information relating to occupational health and safety, injury management and workers compensation issues. A Learning and Development unit will focus on the training and development needs of WorkCover staff, improving the performance of individuals and the organisation. Finally, the newly developed Legal group will increase WorkCover's ability to provide effective occupational health and safety and workers compensation legislation, as well as providing additional resources for enforcement and prosecution.

In addition, good progress was made on improving organisational and business processes in the areas of technical and specialist services, and licensing.

A review in 2002/03 of the organisation's technical and specialist services, such as those provided by engineers, ergonomists and hygienists, has recommended realignment of these specialist resources to improve service delivery.

The review program will deliver an organisation-wide approach to the accreditation of service providers. This will ensure consistency in the management of providers and improved service standards.

WorkCover will continue to consult with staff and management on further development of the technical and specialist services implementation plan and will activate the plan by the end of 2003. WorkCover has recognised the importance of strengthening organisational capability by including the initiative in the 2003-06 WorkCover Corporate Plan as an enabler or critical success factor required to achieve objectives. Specific focus is placed on the need for an effective people strategy and improvements to core business systems and process improvement that have been identified as corporate strategies in the new corporate plan.

COUNCILSAFE PROJECT RECEIVES AWARD

WorkCover's achievements under the *CouncilSafe* project were commended by the 2002 NSW Premier's Public Sector Awards.

The annual awards recognise excellence in performance by government agencies and the WorkCover project competed against 19 other nominations in the most contested category, Service Delivery.

The *CouncilSafe* project involves 19 councils across NSW in improving workplace health and safety and is an innovative example of how a State government agency can work in partnership with the community and other government sectors.

The aim of the project is to achieve safe workplaces, effective return to work and security for injured workers by building partnerships with local government and unions, as well as encouraging networking and collaboration between councils.

The project has reduced injuries and illnesses for council workers and has lowered workers compensation costs. For example, manual handling claims at Canterbury Council dropped from 41 to 23 and total claims were reduced from 127 to 101.

NUMBER OF INSPECTORS INCREASES

WorkCover has the largest and most active workplace safety inspectorate in Australia, with a total of 301 inspector positions.

In July 2002, WorkCover accredited 19 inspectors who had spent 12 months in training. Training does not stop upon accreditation as the inspectors work in the company of experienced mentors for six months.

Upon completion of this component of training, they receive a Diploma of Injury and Illness Prevention and Management.

In August 2002, an additional 39 inspectors received these Diplomas that fully qualify them as WorkCover inspectors.



OUR

PEOPLE



As part of its corporate mission to work in partnership with the NSW community to achieve safe workplaces, WorkCover is committed to providing equitable access to all its services, and promotes social justice in all its processes.

WorkCover offers equal employment opportunities to women, people from racial ethnic and ethno-religious minority groups, people with a disability, and Aboriginal and Torres Strait Islanders.

In the area of its own occupational health and safety, committees operate, or representatives are located, at all WorkCover work sites. In the last four years, WorkCover's emphasis on the early reporting of hazards and incidents has significantly reduced the cost of its compensable injuries and illnesses. This improved performance is reflected in WorkCover's reduced workers compensation premium for 2003/04. Despite a charge of \$176,000 to cover increased salary and target premium, WorkCover's actual premium has been reduced by \$44,000, a reflection of its significant improvement in claims experience.

On 30 June 2003, WorkCover's full-time, part-time and temporary staff headcount was 981 employees with an equivalent full-time WorkCover count of 899.56. Full details on the staff profile are in the human resources statistics table on page 54 and include Workers Compensation Commission staff.

STAFF DEVELOPMENT AND SUPPORT

WorkCover supports the orientation and on-going training of all staff to underpin individual and organisational development and learning. Organisational learning takes into account WorkCover's current and future competency needs, and allows for specific staff development needs, such as tailored learning initiatives.

Support for learning continued to be strong during 2002/03. A total of \$1,023,584 was spent on training for 1,291 participants across WorkCover during this period. Of these, 355 participants attended external training sessions (valued at \$776,524) and the remaining 936 attending internal programs (valued at \$247,060).

In line with WorkCover corporate objectives the focus for external training revolved around technical skills acquisition (eg. medical, scientific, legal and financial), management and leadership development, computer training, Spokeswomen's programs, specific writing techniques (eg. writing ministerials) and, of course, occupational health and safety training.

Internal training addressed technical computer training for in-house software applications and specific government initiatives (eg. ethics and conduct training, families at work, occupational health and safety consultation) as well as providing significant training in career management to assist staff to prepare appropriately for the relocation of WorkCover from Sydney to Gosford. Additional training was provided for strategic management, planning and budgeting processes.

During 2002/03 WorkCover also offered a number of new staff development initiatives to augment ongoing business learning needs. These included:

- *Families at Work* which demonstrates how to meet family and personal needs, gives strategies for preparing childcare arrangements and managing child separation, and gives information on resources support available from WorkCover and other agencies associated with childcare
- *Looking After My Super* briefing sessions which gives information on managing superannuation, the benefits of salary sacrifice and available investment choices
- *Job Seeking Interview Consultations* one-on-one sessions with the trainer, to assist WorkCover staff improve their interview and resume writing skills
- *Executive Assistant Development Program*, which is a two-day development program for Executive Assistants with follow-up sessions.

Additionally, WorkCover sponsored two participants in the Public Sector Management Program and one participant in the Executive Development Program. Each of these programs is conducted through the Premier's Department.

During 2002/03 WorkCover approved weekly study time for 47 employees (27 females and 20 males) for an average of three hours per week. The total cost of this leave is estimated at \$89,000.

HUMAN RESOURCES STATISTICS AS AT 30 JUNE

CATEGORY	2002/03	2001/02	2000/01
Associates/Ministerial	4 ¹	n/a	n/a
Senior management (SES and senior officers)	38 ²	24	18
Scientific/technical officers	17	20	18
Departmental professional officers	20	24	20
Engineers	14	16	14
Medical staff	3	3	3
Legal staff	15	22	15
WorkCover inspectors	270 ³	269	267
Lift specialists	4	10	11
Administration and clerical graded staff	591	551	483
Librarians	3	2	3
Trades based staff	1	1	1
Stores officer/general assistant	1	1	3
Total	981	943	856

1. The Presidential appointment of the Workers Compensation Commission (WCC) is a direct appointment by the Minister. The Associates are an Award classification and refer to associate staff attached to the WCC President and Deputy Presidents.
2. Organisational improvement projects identified the need to restructure a number of work areas enabling more efficient use of resources. These improvement projects resulted in the creation of two SES positions and nine permanent and three temporary senior officer positions.
3. There are currently 31 vacancies within the inspectorate group.

SENIOR EXECUTIVE SERVICE (SES) POSITIONS

	2002/03	2001/02	2000/01
Number of CES/SES positions	15	13	11
Number of positions filled by women	3	4	3
Positions at or above SES level 5	3	3	3

Equal employment opportunity (EEO) management

WorkCover collects EEO data regularly for Premier's Department workforce profile which measures performance in meeting NSW Government employment benchmarks for staff from EEO minority groups and informs planning and development of EEO initiatives. The 2003 workforce profile indicates the proportion of women employed increased to 47 per cent with the highest proportion, 36 per cent, employed at the salary level \$53,346 – \$68,985. A total of 32 per cent of management and administrator positions are occupied by women. The proportion of Aboriginal and Torres Strait Islander staff increased to 0.9 per cent, however this is still below the public sector benchmark of 2.0 per cent. The proportion of staff from racial, ethnic or ethno-religious minority groups was 22 per cent, down from 23 per cent in 2001/02. Of this group, 17 per cent were staff whose first language was not English. The proportion of staff with a disability was 8 per cent, as for 2001/02. Of those with a disability, 2.5 per cent required workplace adjustment.

WorkCover promoted EEO in a range of projects in 2002/03, including the relocation of its head office to Gosford and improvements to its organisation and business processes.

Important outcomes for 2002/03 include:

- development of a new 2003-2006 EEO Management Plan that aligns with WorkCover's corporate people plan
- effective integration of EEO strategies in the Gosford relocation to ensure staff and workplace needs were identified as part of the architectural design and technical advisory process
- establishment of a family room and quiet rooms for meditation or religious practices at the new head office building at Gosford
- implementation of Workers Compensation Commission's Access and Equity Service Charter, including staff training in cultural diversity
- trial of a Critical Incident Support Program to assist staff in delivering services
- affirmative action initiatives, such as the inspector recruitment program and support strategies for female inspectors
- review and enhancement of WorkCover's Aboriginal and Torres Strait Islander Staff Network and Spokeswomen programs.

TRENDS IN THE REPRESENTATION OF EQUAL EMPLOYMENT OPPORTUNITY (EEO) GROUPS¹

EEO GROUP	BENCHMARK OR TARGET	PERCENTAGE OF TOTAL STAFF ²			
		2003	2002	2001	2000
Women	50%	47.0	46.0	45.0	45.0
Aboriginal and Torres Strait Islanders	2%	0.9	0.7	0.6	1.2
People whose first language was not English	19%	17.0	19.0	15.0	22.0
People with a disability	12%	8.0	8.0	6.0	9.0
People with a disability requiring work-related adjustment	7%	2.5	2.4	1.9	3.1

TRENDS IN THE DISTRIBUTION OF (EEO) GROUPS¹

EEO GROUP	BENCHMARK OR TARGET	DISTRIBUTION INDEX ³			
		2003	2002	2001	2000
Aboriginal and Torres Strait Islanders	100	88	88	86	84
People whose first language was not English	100	n/a	n/a	n/a	n/a
People with a disability	100	95	93	95	93
Women	100	102	104	104	101

Notes to tables above:

1. These totals are based on the workforce profile statistics and excludes those people who do not wish to have their details included in the profile. Less than 2 per cent of staff withheld data from the profile.

2. Excludes casual staff.

3. A distribution index of 100 indicates that the centre of the distribution of EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than other staff. An index of more than 100 shows that the EEO group is less concentrated at lower salary levels.

A number of WorkCover Spokeswomen initiatives were acknowledged as best practice in the public sector and have been commended as models across the NSW Government Spokeswomen's Program. For example, the Spokeswomen's Strategic Plan has been included in the Premier's training program for new Spokeswomen, and the preventative health management program was commended by Premier Bob Carr at the 2003 Spokeswomen's Annual Conference.

Aboriginal and Torres Strait Islander employment and development strategy

WorkCover seeks to influence and build the capacity of Aboriginal employers, workers and communities by delivering culturally appropriate information and services and ensuring an effective profile of Aboriginal staff and skills among its staff. Important outcomes for 2002/03 include:

- developing a new 2003-2006 Aboriginal and Torres Strait Islander Employment and Development Strategy, in consultation with WorkCover's Aboriginal and Torres Strait Islander Staff Network (WATSIN)
- developing an Aboriginal employment strategy that supports the Aboriginal information initiative and sets strategies to recruit Aboriginal staff across a range of classifications and locations
- appointing to WATSIN a senior management representative to provide executive and mentoring support
- successfully negotiating with the Department of Juvenile Justice for placement of an Aboriginal youth at WorkCover's Orange office.

Disability Action Plan

WorkCover's Disability Action Plan aims to meet the needs of its service users, both clients and employees. Under the plan, WorkCover undertook a range of strategies in 2002/03, including:

- ensuring fit-out of the new head office provided easy access for people with a disability and met the Australian Standard 1428 (Part 1) and (Part 2) for circulation and access
- developing a capital works program for all WorkCover sites that includes access audits for each relocation and/or refurbishment processes to ensure all offices improve access for people with a disability

- providing and adapting Workers Compensation Commission buildings, facilities and services as part of the Commission's Access and Equity Service Charter, to ensure access and equity for clients
- circulating job vacancies to disability employment networks and agencies and updating job information kits with information on the Disability Action Plan
- encouraging staff to attend support groups, such as the Public Sector Hearing Impairment Network
- promoting at orientation and induction sessions the Disability Action Plan, including the rights and responsibilities of staff and clients and WorkCover's policy on anti-discrimination and harassment.

Occupational health and safety performance

WorkCover has occupational health and safety (OHS) committees in Country North, Country South, Gosford head office, Elizabeth St Sydney, Parramatta, the Workers Compensation Commission and TestSafe offices. All other WorkCover sites have OHS representatives. All committee members and representatives have been trained and a refresher course is under consideration for representatives trained

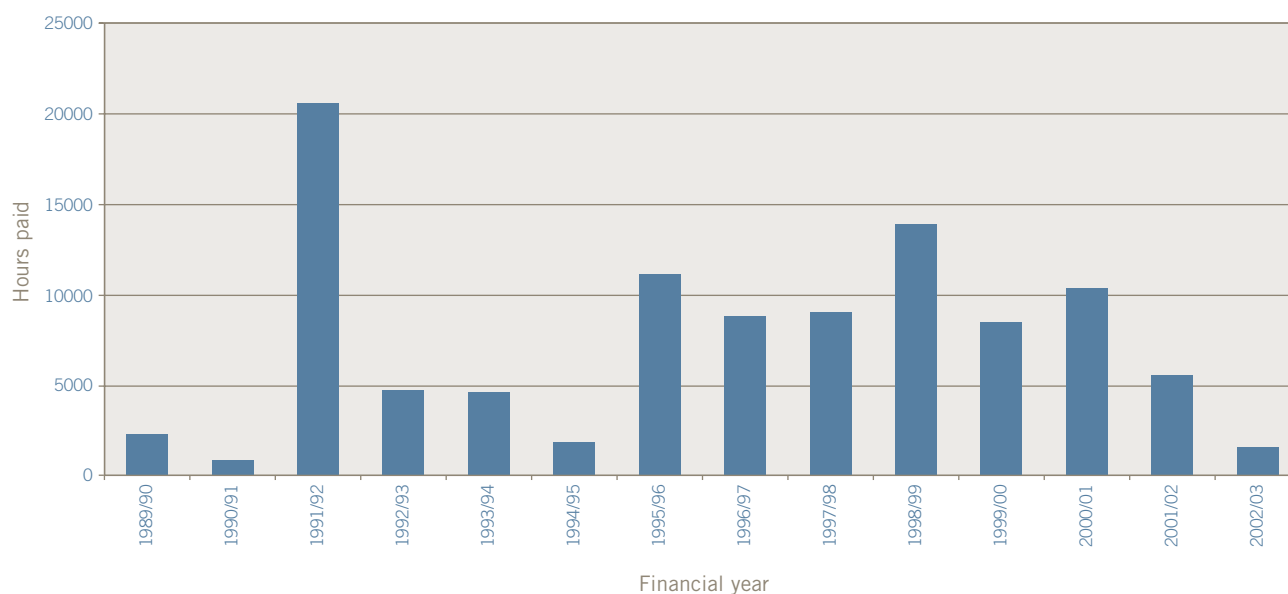
before the introduction of the new OHS legislation in 2000.

The committees carry out regular OHS inspections and review incident and hazard reports. Minutes of all committee meetings are reviewed for common or unresolved issues and are posted on the WorkCover intranet site. The committees were involved in development of the OHS Strategic Plan 2003/04 and are represented on the Plan's steering committee.

First aid officers have been trained and their number exceeds the requirement of the Occupational Health and Safety Regulation 2001. Their locations and contact details are on the WorkCover intranet site and in the agency phone directory. Emergency procedures are in place in all WorkCover sites and can also be accessed on the WorkCover intranet site.

An online system is accessible by all WorkCover staff for reporting hazards (125 in 2002/03) and incidents of injuries suffered in the workplace (138 in 2002/03). Total time paid for compensable injuries/illnesses for the period was 1,921 hours, a significant improvement overall since 1998/99 and the total of 5,698 in 2001/02. This has been achieved by a consistent emphasis on early reporting and proactive return-to-work action.

TOTAL HOURS PAID PER FINANCIAL YEAR FOR COMPENSABLE INJURIES/ILLNESSES



CONSULTATION AND PLANNING ENSURED A SUCCESSFUL MOVE TO GOSFORD

In December 2001 there were more than 300 staff occupying head office positions that were scheduled to relocate to Gosford in October 2002.

A range of strategies was employed, under the banner of the Gosford Relocation Workforce Plan, to assist staff in their relocation. The success of some of the strategies depended upon the cooperation of many public sector agencies.

The staff of the Public Sector Management Office provided invaluable assistance and played a significant role in the development of the workforce plan. The Office's support and professionalism enabled 32 of WorkCover's staff to find alternative positions.

The establishment of a Lateral Transfer Register attracted 433 expressions of interest from officers across the public sector for employment with WorkCover in Gosford. The Job Swap program, enabling WorkCover staff to identify potential job swaps from the Lateral Transfer Register, resulted in 25 successful job swaps.

From their expressions of interest on the Lateral Transfer Register, 146 officers were invited to merit selection interviews for vacant Workcover positions at their existing grade, joining WorkCover staff seeking lateral or promotional positions. Seventeen officers from various public sector agencies successfully obtained positions by lateral transfer through this process.

Other features of the workforce plan included:

- development of a range of consultation and communication strategies, including the Gosford Bulletin on the intranet, intranet discussion forum, staff briefings, surveys, interviews for all relocation-affected staff, visits to the Central Coast and seminars on change management and goal setting
- new flexible working arrangement policies, including teleworking, hot-desking, working from home, flexibility relating to core time and the ability to purchase season travel passes and parking, negotiated at a bulk rate and to be paid through salary deductions
- coaching and training initiatives for staff seeking to exit WorkCover
- a comprehensive staff benefits package for relocating staff
- relocation safety net voluntary redundancy.

A project team was dedicated full-time for 12 months, assisting and advocating for staff wishing to exit the organisation, maintaining the Lateral Transfer Register and facilitating the job swap process, and supporting the delivery of all the features of the Gosford Relocation Workforce Plan.

All staff affected by relocation were consulted on the style and colour of the proposed fit-out. A Technical Advisory Committee, comprised of WorkCover staff with technical expertise in areas such as ergonomic design and occupational health and safety issues, represented all staff and assessed all the features of the building plans and fit-out.



COMMUNITY AND THE

ENVIRONMENT



As part of its commitment to support the NSW community, WorkCover made more services available online and recorded considerable success in helping employers and workers better navigate the workers compensation system.

As a responsible corporate citizen, WorkCover is committed to providing access and equity to all its services through initiatives that promote social justice.

As part of its commitment to operate sustainably, WorkCover developed strategies to minimise energy consumption and reduce waste.

COMMUNITY

Customer service

The WorkCover Assistance Service was formed in January 2002 and combines the Information Centre with the Claims Assistance Service, providing information and assistance to workers, industry and the community on all aspects of WorkCover's core business.

The Information Centre provides information about workplace health and safety, injury management and the workers compensation system. The Claims Assistance Service provides assistance to injured workers and also to employers about claims for workers compensation, particularly the resolution of potential disputes.

The total number of contacts by telephone, the internet and at the counter was 193,206, an increase of almost 9 per cent over 2001/02. This increase continues the 2001/02 trend and is attributed largely to WorkCover's successful media campaigns and reform program.

There was a massive increase of 58 per cent in internet queries, which rose to 15,065, and 174,114 telephone queries, an increase of over 7 per cent since 2001/02. At the same time, the number of counter enquiries dropped by almost 33 per cent to 4,027.

The Claims Assistance Service commenced operation on 1 January 2002. In 2002/03, the first full year of reporting, the Service handled 5,023 cases with a resolution rate of 82 per cent. The most common causes of referral to the Claims Assistance Service were:

- benefits delayed or not paid
- claims declined
- difficulties in obtaining information from insurers
- difficulties with employers, commonly not passing on monies
- problems with return to work
- difficulties in making a notification to the insurer.

The Service continues to work cooperatively with insurers to resolve any systemic issues.

As part of its commitment to the NSW Government policy to make all appropriate government services more available to the community by bringing them online, WorkCover has implemented a number of initiatives in electronic service delivery, such as:

- a total re-design of the WorkCover website to improve usability and browser functionality
- implementing a tracking system for ministerial correspondence
- further developing self-service processes for staff through the online service centre
- implementing technologies that enable the transmission and receipt of facsimiles and the accessing of voice mail on desktop PCs and laptops.

Promoting social justice in NSW workplaces

As a corporate citizen and employer, WorkCover is committed to providing the NSW community with equitable access to all its services and actively promotes social justice.

Important social justice outcomes that benefited the NSW community in 2002/03 included:

- development of a new 2003-2006 Social Justice Plan and Policy Statement
- integration of social justice into WorkCover's new planning framework and the approach to project management
- introducing mechanisms to improve knowledge management and the collation of data on cultural diversity to guide ethnic affairs and indigenous initiatives
- addressing diverse stakeholder needs in implementation of the *NSW Workplace Safety Summit* recommendations
- development of an Aboriginal information strategy to engage Aboriginal communities and increase their understanding of, and compliance with, the new occupational health and safety legislation
- incorporation of access and design principles in WorkCover's new head office in Gosford and its office refurbishment program in regional offices
- implementation of the Workers Compensation Commission Access and Equity Service Charter
- review and enhancement of WorkCover's Spokeswomen's and WorkCover's Aboriginal and Torres Strait Islander Staff Network programs.

Ethnic Affairs Priority Statement

WorkCover's planning, development and delivery of services aims to be sensitive to the cultural, ethnic and religious needs of NSW society. The new 2003-2006 Ethnic Affairs Priority Statement supports the principles of multiculturalism and outlines strategies to achieve equitable access to its services.

Increasing knowledge about injured workers in NSW from a culturally diverse background

Main initiatives in 2002/03 were:

- developing a new 2003-2006 Ethnic Affairs and Priorities Statement and improving knowledge management and the collation of cultural diversity data
- researching a demographic profile of NSW workers from a non-English speaking background to improve communication and services
- incorporating social justice elements into project management
- organising the Industry Reference Groups as a consultation forum to collect information and feedback from industry representatives on the cultural and diverse needs of their respective industries
- participating in the Independent Commission Against Corruption communications project by designating the Liverpool and Parramatta offices as an access point that encourages people from a non-English speaking background to report corrupt conduct.

Improving the knowledge of people from a culturally diverse background about workplace health, safety, rehabilitation and the services WorkCover provides

During 2002/03, WorkCover:

- coordinated the *NSW Workplace Safety Summit* at Bathurst in July 2002, bringing together over 200 representatives from business, unions and the community to focus on making workplaces safer and reducing workplace fatalities and injuries
- allocated \$200,000 to assist vulnerable workers in high-risk industries and occupations, including young people, apprentices and outworkers
- established a major communication strategy for small business operators to assist them to better understand their obligations under the new occupational health and safety and workers compensation legislative reforms
- raised community awareness of workplace safety and workers compensation through television and radio advertisements that also targeted regional and ethnic media and encompassed 12 key nationality groups and communities, and the use of closed captioning for the hearing impaired
- provided support to a diverse client base through the \$5 million WorkCover Assist Program and Non-Government Organisation Grants Program to help members of NSW trade unions and employer associations implement the new legislation and reform initiatives in occupational health and safety and workers compensation
- participated in the Vietnamese New Year Festival in February 2003 to improve community links, as part of the Government and Business Education Network
- participated in the Construction Industry Occupational Health and Safety Regulation 2001 project which included specific strategies to assist those from non-English speaking backgrounds through advertising in ethnic newspapers, access to the telephone interpreter service, and ongoing support visits by WorkCover inspectors
- delivered a presentation to the Settlement Services Coalition of NSW to enhance occupational health and safety practices and distributed publications in 10 languages
- participated in four rural field days and gave presentations at four NSW farm seminars, providing practical information and guidance on the latest occupational health and safety, workers compensation and injury management issues.

Improving resources and management to ensure an appropriate allocation to the implementation of the Ethnic Affairs Priority Statement

The Workers Compensation Commission has implemented an Access and Equity Service Charter, which identifies a number of standards and sets priorities, plans and actions. The Commission publishes key information brochures in 10 community languages.

Other initiatives included:

- incorporating an equity and access curriculum to help new inspectors build understanding of the needs of people from culturally diverse backgrounds and the impact of cultural diversity on occupational health and safety, workers compensation and injury management
- offering through the Claims Assistance Service practical, impartial and easy-to-understand information and help to employers and injured workers, as well as guiding them through the workers compensation process
- developing protocols and resources to ensure services are accessible to all people, such as the *Guidelines for the Use of Interpreters*
- providing interpreting services to 13 language groups with the majority being Mandarin, Arabic and Cantonese
- registering under the Community Language Allowance Scheme 24 officers who assist in communicating with people whose first language is not English
- providing a rural safety toll free hotline on rural safety information.

Aboriginal and Torres Strait Islander development strategies

WorkCover has set strategies to influence and build the capacity of Aboriginal employers, workers and communities by delivering culturally appropriate information and services. Key initiatives in 2002/03 included:

- allocating \$50,000 under the Small Business Assistance Strategy to a three-year project to engage Aboriginal communities and increase their understanding of, and compliance with, the new legislation
- assisting in the establishment of an Aboriginal forum with other key agencies to provide information to Aboriginal communities on workplace relations and increase their understanding of rights and responsibilities in the workplace
- researching development of an Aboriginal client profile and demography in 2003/04
- making presentations at Aboriginal building company sites and at a range of Aboriginal forums, as well as taking part in the initiation of the Central Coast Indigenous representative forum, consulting with Aboriginal communities, and participating in the annual NSW State Community Development Employment Program Conference.

Disability Action Plan

WorkCover's Disability Action Plan aims to meet the needs of its service users, both as clients and workers. Main initiatives in 2002/03 included:

- improved access to WorkCover buildings and facilities through a multi-strategic approach to the Gosford Relocation Project, the implementation of a capital works program for all WorkCover sites, and the adaptation of Workers Compensation Commission services to meet the special needs of clients
- promoting positive community attitudes by sponsoring five Paralympic athletes injured in the workplace to help promote workplace safety. Athletes participating in the Paralympian Sponsorship Program attend workplaces, industry groups, conferences, media events and dinners to give first-hand accounts of how their accident occurred, measures that could have been taken to prevent their accident, and their efforts to return to the workforce
- participating as a major sponsor of the NSW Premier's Forum on Spinal Cord Injury and Conditions in January 2003
- improving information about services through the website redevelopment project which was implemented to ensure that WorkCover's website meets the international WC3 standards for usability and accessibility. As a result, the new website will

START





provide greater accessibility for visually impaired clients and staff. The Workers Compensation Commission's communication strategy also aims to ensure clear and easy access to information on the Commission and the progress of individual cases

- providing effective complaints procedures through establishment of the WorkCover Claims Assistance Service, and the implementation of the Workers Compensation Commission's complaints policy, which enables the Commission to actively monitor and respond to complaints.

NSW Government's Action Plan for Women

WorkCover contributes to the NSW Government's Action Plan for Women by developing and funding a number of strategies for improving women's employment and increasing workplace participation.

Initiatives progressed in 2002/03 included:

- completion of guidelines on pregnancy and work
- review and update of a guide on manual handling for nurses and development of an accredited short course in manual handling
- review and update of a National Council of Social Services safety pack
- commencing a Non-Government Organisation Community Services Industry initiative to improve health and safety in the workplace
- developing health and safety guidelines for call centres
- carrying out hairdresser safety education during 2002/03 and developing an occupational health and safety guide for hairdressers to be released in 2003/04
- reviewing the *Health and Safety in Childcare Centres – Model Policy & Practices* handbook
- implementing the clothing industry supply chain improvement project.

Initiatives to be implemented in 2003/04 include the provision of information services and products to inform housekeepers of their occupational health and safety and workers compensation legislative obligations where appropriate.

CONTRIBUTION TO A SUSTAINABLE ENVIRONMENT

During 2002/03, WorkCover continued to minimise its energy consumption and reduce waste.

In accordance with the NSW Government's Energy Management Policy, WorkCover continued to obtain the most competitive rates for its energy requirements and take full advantage of green power from renewable energy sources.

The benchmark that was set for best practice environmentally sustainable development and occupational health and safety in office design and fit-out in the new head office has been adopted as a standard feature in the major refurbishment of WorkCover's regional and district offices. This refurbishment should further contribute to an overall reduction in energy consumption.

As part of the WorkCover energy management plan, energy consumption in the new head office is being monitored.



ANNUAL ENERGY CONSUMPTION AND COSTS OF FUELS

FUEL	TOTAL ENERGY CONSUMED (GJ)			ANNUAL COST (\$)			CO ₂ EMISSIONS (TONNES)			ENERGY % CHANGE IN THE LAST YEAR
	2002/03	2001/02	2000/01	2002/03	2001/02	2000/01	2002/03	2001/02	2000/01	
Electricity (black coal)	4,757,597	3,470,959	3,427,484	323,164	259,724	256,787	4,549	3,319	3,277	+37%
Electricity (green power)	243,231	164,581	168,430	19,195	13,693	13,558	0	0	0	+48%
Natural gas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
LPG	12,729	13,237	2,383	5,943	5,557	1,159	19	20	7	-4%
Diesel	177	nil	582	155	n/a	547	1	n/a	2	n/a
Petrol	1,198,024	1,173,961	1,084,808	1,043,213	979,105	1,004,211	2,704	2,650	2,448	+2%
Total	6,211,758	4,822,738	4,683,687	1,391,670	1,258,079	1,276,262	7,273	5,989	5,734	

Note 1: Figures provided for CO₂ Emissions for 2002/03 are estimates based on the following formula: 2001/02 CO₂ Emissions divided by 2001/02 Total energy consumed multiplied by 2002/03 Total energy consumed.

Note 2: An overall increase in energy consumption in 2002/03 is a result of the relocation to Gosford, while still being required to maintain office accommodation in Kent Street during the relocation transition period. Additional relocations to larger premises in regional areas have also contributed to an increase in total energy consumption. The increase in the percentage of green energy is a result of aligning a number of premises under the NSW Government Energy Contract, which provides for a guaranteed percentage of green power.

During 2002/03, a number of waste reduction strategies were implemented as part of WorkCover's commitment to the NSW Government's Waste Reduction and Purchasing Policy.

Initiatives to reduce the generation of waste included:

- using online forms to reduce reliance on paper-based forms
- making approximately 80 per cent of publications available to industry on the internet to reduce the storage of large quantities of stock and minimise waste when content needs to be updated
- using multifunction office equipment to reduce the number and variety of consumables, such as toner cartridges
- introducing individual facsimile addresses for staff to allow electronic receipt and to cut down on printed copies.

Staff are provided a range of options to encourage recycling, including waste receptacles specifically for paper, bins for documents requiring secure disposal, and recycle bins for aluminium, glass and plastics.

WorkCover requires that cleaning staff separate waste before collection by the waste management contractor and specifies that the waste contractor does not send recyclable waste to landfill.

Since the move to the new head office in October 2002, approximately 100 tonnes of materials have been directed to recycling.

WorkCover also uses paper-based products that contain recycled content. Starting in 2002/03, all printed publications used paper and board stock with 50 per cent recycled fibre that is made up of 15 per cent post-consumer and 35 per cent pre-consumer waste, with the balance made up of oxygen bleached virgin fibre. This initiative is expected to significantly reduce the use of virgin paper stock.

MAKING CONNECTIONS – THE NSW PREMIER'S FORUM ON SPINAL CORD INJURY AND CONDITIONS

WorkCover was proud to be one of the major sponsors of this forum, which helped raise community awareness of spinal cord injury and conditions.

The free forum was also an opportunity for WorkCover to promote broader issues, such as the prevention of work-related injury and diseases, and assisting workplaces become healthier and safer.

Held in Sydney over the Australia Day weekend in 2003, the forum brought together almost 1,000 people, including world-renowned scientists, researchers, clinicians and doctors as well as hundreds of Australians living with spinal cord injuries and conditions, their carers and families.

A highlight was keynote speaker, international actor and author Christopher Reeve, who suffered a spinal cord injury in a riding accident in 1995. He strongly advocated spinal cord research and stressed the importance of therapy and support for those suffering spinal cord injury and other forms of paralysis.

At the forum, the Premier of NSW Bob Carr announced important NSW Government initiatives that will devote \$35.9 million over four years to research and extra services for people with physical disabilities. These include:

- \$10.9 million over four years to establish the *Spinal Cord Injury and Conditions Fund* to promote biomedical research into spinal injury, disorders and neurological conditions
- \$23 million over four years for an extra 100 attendant care places within a year to help people with a disability carry out everyday tasks
- \$2 million for a pilot program to improve coordination of services for people who have suffered catastrophic injuries, concentrating on the move from rehabilitation centres back into the community.

As well as being a major sponsor, WorkCover had a display stand where participants could discuss workplace safety and injury management issues with WorkCover staff. Also on the stand were Paralympians Terry Giddy and John Marshall who suffered spinal cord injuries in workplace accidents and are two of the elite athletes sponsored by the WorkCover Paralympian Sponsorship Program.

WorkCover also sponsored a seminar at the forum to explore a whole-of-life approach to disability reform which links business, government, education and the community in the process.



FINANCIAL STATEMENTS



OVERVIEW OF WORKCOVER NSW FINANCIAL

PERFORMANCE

WorkCover has responsibility for the direction, control and management of four active funds, namely:

- the WorkCover Authority Fund;
- the Insurers' Guarantee Fund (i.e. failed insurers);
- the Bush Fire Fighters Compensation Fund, and
- the Emergency and Rescue Workers Compensation Fund.

An overview of the financial performance of the WorkCover Scheme Statutory Funds also accompanies the financial statements. Key aggregated results of the four funds under the WorkCover Authority's direct management for 2002/03 and comparative year are below:

	2002/03 Actual \$m	2001/02 Actual \$m
Operating result		
Revenues	221.7	180.2
Expenses	242.8	195.6
Operating deficit	(21.1)	(15.4)
Financial position		
Short term solvency	138%	158%
Long term solvency	120%	129%
TOTAL ASSETS	\$355m	\$355m
TOTAL LIABILITIES	\$296m	\$276m
EQUITY	\$59m	\$79m

Operating result (Statement of financial performance)

The budget for 2002/03 targeted a deficiency of \$20.1m to reduce excess reserves. The actual result was a deficiency of \$21.1m.

The result for the year mainly arose from:

- a high superannuation expense of \$16.4m, and
- a substantial increase of \$22.0m in the total outstanding claims liability.

Superannuation actuaries advised that reserves for all public sector agencies have been depleted as the actual return for the year was

9% lower than the actuarial forecast. In addition, the triennial valuation assessment was undertaken in the year, resulting in a change in actuarial assumptions and an increase in assessed liabilities.

Claims liability actuaries advised that it was necessary to decrease the discount rate for claims liabilities from 6.5% to 5.0% in view of the results in global investment earnings.

Overall, WorkCover's excess accumulated funds of \$79m have decreased to \$59m which is in excess of a targeted \$35m required over the long term.

Cash flows (Statement of cash flows)

The reporting of cash flows helps with an assessment of financial results by providing information about an organisation's capacity to meet its financial commitments. This capacity is commonly measured by a positive or break-even cash flow from operating activities.

For WorkCover, the capacity to meet claims and other operating expenses as they fall due is essential.

For 2002/03, cash flows from operating activities amounted to a negative \$13.8m (cash outflow). This mainly arose from \$7.2m paid out for claims on the Insurers' Guarantee Fund. No cash receipts occurred because of the full funding status of the fund. For this reason, negative cash flows from operating activities will remain a feature in future years.

Financial position (Statement of financial position)

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 138% (158%: 2002) of current liabilities. This is well in excess of an acceptable minimum of 100% and reflects a capacity to meet short-term obligations as they arise.

Long-term solvency is also more than adequate with total assets representing 120% of liabilities (129%: 2002). Outstanding claims are the main liabilities and they have been actuarially assessed at \$250m (\$227m: 2002). Further, WorkCover's total superannuation liability is \$101m and is fully funded by the superannuation reserve account of \$91m and WorkCover's equity funding for the remainder of \$10m.

OVERVIEW OF THE WORKCOVER SCHEME STATUTORY FUNDS' FINANCIAL

PERFORMANCE

The WorkCover Authority of New South Wales is responsible for the regulation of statutory funds constituted under Division 4 of Part 7 of the *Workers Compensation Act 1987*. These statutory funds form the WorkCover Scheme Statutory Funds.

The statement of financial performance and financial position of the WorkCover Scheme Statutory Funds are detailed in Note 26 of this Annual Report. The result of the Scheme's underwriting operations, excluding the impact of external factors beyond the control of the Scheme, are shown in the following table.

	2002/03 Actual \$m	2001/02 Actual \$m
Operating result		
Net earned premiums	2,229	2,104
Expected investment credit	241	345
Other income	24	20
Claims incurred (excluding external factors)	(1,792)	(1,882)
Operating expenses	(249)	(265)
Surplus from underwriting operations	453	322
Impact on result from external factors		
Difference between actual and long-term expected returns	(160)	(367)
Change in inflation assumptions and discount rates	(474)	0
Deficit from ordinary activities	(181)	(45)
Financial position		
Total assets	5,673	5,766
Total liabilities	8,655	8,567
Accumulated deficit	(2,982)	(2,801)

* The above table has not been audited.

The table is based on PricewaterhouseCoopers Actuarial Pty Ltd's calculations of the surplus (deficit) from underwriting operations for the last five half years as set out in their actuarial report on the Scheme dated 23 September 2003.

Deficit from ordinary activities

The deficit from ordinary activities of the WorkCover Scheme Statutory Funds for the year ended 30 June 2003 was \$181m (2002: \$45m). This result is a \$248m improvement on the Scheme's valuation as at 31 December 2002. The increase in deficit from the previous financial year can be attributed to a number of factors, some of which are outside the control of the Scheme and relate to external factors. The previous table highlights the Scheme's operating result impacted by these external factors.

Surplus from underwriting operations

Surplus from underwriting operations includes the impact of legislation changes on the claims incurred. It excludes the impact of external factors including lower than expected investment returns and change in inflation and discount rates used in the actuarial assumption.

As can be seen from the previous table, the Scheme has continued to increase its surplus from underwriting operations over the previous financial year to \$453m (2002: \$322m). The savings are mainly a result of the legislative reforms implemented by the NSW Government in December 2001. These reforms have resulted in decreasing the expected costs of future common law liability, future legal and investigation costs.

Expected investment credit and expected returns

The expected investment credit is the investment income determined by reference to the expected investment rate of return being the risk free rate of return. The rate is applied to the opening assets for each reporting period allowing for actual monthly cashflows (premiums and claim payments) to be made uniformly over the month.

Instability in the worldwide economy has resulted in a continued weakening of financial markets and has led to lower than expected investment returns over the financial year causing the actual investment returns to be less than the long-term expected returns by \$160m (2002: \$367m).

Claims incurred

Changes in the yield curve (discount rates) have increased the liability for claims incurred as at 30 June 2003. The yield curve adopted for June 2003 is lower than that adopted for the June 2002 actuarial valuation.

Claims incurred (excluding external factors) is the actual cost of claims incurred adjusted for the impact on the outstanding claims liability of changes in inflation and discount rate assumptions used in the June 2003 actuarial valuation compared to the June 2002 actuarial valuation. This change in inflation assumptions and discount rate resulted in an increase of \$474m (2002: \$0m) in the Scheme outstanding claims liability.

Accumulated deficit

The actuarial report on the Scheme prepared by PricewaterhouseCoopers dated 23 September 2003 commented that over the next five years in absolute dollar terms, the Scheme accumulated deficit is expected to decrease in size.

The Government's program of reform has continued with McKinsey & Company asked to conduct a Scheme Design Review and provide recommendations to further improve the performance of the Scheme and reduce the Scheme deficit.

FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

STATEMENT BY DIRECTORS

Pursuant to section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of Directors of the WorkCover Authority of New South Wales, we declare on behalf of the Board that in our opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the WorkCover Authority of New South Wales as at 30 June 2003 and transactions for the year then ended; and
2. the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.

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

WORKCOVER SCHEME STATUTORY FUNDS

Reference is made to Note 26 of the financial statements.

The financial statements of the WorkCover Scheme Statutory Funds have not been consolidated with the financial statements of the WorkCover Authority as the relationship between the WorkCover Authority and the WorkCover Scheme Statutory Funds does not constitute 'control' within the meaning of Australian Accounting Standard AAS24 'Consolidated Financial Reports'. This has been confirmed in advice given by the Solicitor General.

The financial statements of the WorkCover Scheme Statutory Funds are included separately at Note 26 as the Board is of the opinion that it is of vital interest to the Government, Parliament and stakeholders of the Scheme. The accounting treatment has been adopted consistently for the financial statements since the year ended 30 June 1996.

Provisions for outstanding claims liability of the Scheme have been based on central estimates by PricewaterhouseCoopers Actuarial Pty Ltd.



J. M. Riordan
Chairperson



Jon Blackwell
Chief Executive Officer

10 November 2003



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

WORKCOVER AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph below the financial report of the WorkCover Authority of New South Wales:

- (a) presents fairly the Authority's financial position as at 30 June 2003 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

Qualification

As in previous years the Authority has, as disclosed in Note 2(a) (i), recognised the net increase on revaluation of non-current investments in the statement of financial performance. It has done so with the view that its function, the provision of benefits funded from the income derived, in part from non-current assets, is similar to that of insurance entities which are obliged under Australian Accounting Standard AAS 26 "Financial Reporting of General Insurance Activities" to recognise the increase in net market value of assets as a component of income for the reporting period. In my opinion, this accounting policy is a departure from Australian Accounting Standard AASB 1041 "Revaluation of Non-Current Assets". My Independent Audit Report on the financial report for the year ended 30 June 2002 was similarly qualified.

In accordance with the requirements of AASB 1041, as at 30 June 2003, the increment on revaluation of non-current investments amounting to \$6.0 million (\$1.3 million decrement in 2001-02) should have been adjusted directly to an asset revaluation reserve. Had this been done, the result for the year would change from an operating deficiency of \$21.1 million (\$15.4 million in 2001-02) to an operating deficiency of \$27.1 million (\$14.1 million in 2001-02). Net assets would remain the same under either Standard.

Inherent Uncertainty Regarding the Outstanding Claims Liability

Without further qualification to the opinion expressed above, attention is drawn to the following matter. The outstanding claims liability of the Scheme Statutory Funds disclosed in Note 26 (item 10 (c)) is calculated using a standard actuarial, aggregate-based approach. However, due to the 2001 legislative reforms and the nature of claims experience, the uncertainty associated with estimates of the liability is magnified. This inherent uncertainty will remain until the effect of the legislative reforms is reflected in claims histories.

The Board's Role

The financial report is the responsibility of the members of the Board of the WorkCover Authority of New South Wales. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had failed in their reporting obligation.

My opinion does *not* provide assurance:

- about the future viability of the Authority including the Scheme Statutory Funds,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



R J Sendt
Auditor-General

SYDNEY
14 November 2003



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WORKCOVER AUTHORITY OF NSW

Actuarial Certificate Outstanding claims liabilities at 30 June 2003

PricewaterhouseCoopers ("PwC") has been contracted by the WorkCover Authority of NSW ("the WorkCover Authority") to make estimates of the outstanding claims liabilities as at 30 June 2003, of the following funds:

- WorkCover Scheme Statutory Funds;
- Uninsured Liability and Indemnity Scheme ("ULIS");
- Emergency and Rescue Workers Compensation ("ERWCF") and Bushfire Fighters Compensation Funds ("BFFCF"); and
- Insurers' Guarantee Fund ("IGF"), covering the pre-WorkCover liabilities of the following failed insurers: National Employers Mutual ("NEM"), Bishopsgate, AGCI, Greatlands and HIH.

Data

Data was provided to us by the WorkCover Authority, except as follows:

- For HIH liabilities in the IGF, additional data was provided by Insurance Australia Group;
- For all other failed insurer liabilities in the IGF, data was provided by Corporate Management Services (Australia) Pty Ltd, on behalf of the Authority.

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority and other parties without audit or independent verification. We did,



however, review this information for reasonableness and internal consistency, where possible. The accuracy of our results is dependent upon the accuracy and completeness of the underlying data.

Basis of Our Estimates

We have made *central estimates* of the outstanding claims liabilities – this means that our assumptions have been selected to yield estimates that are not knowingly above or below the ultimate liabilities. Our estimates include allowance for:

- Future inflation and investment return; and
- Future expected recoveries.

The gross outstanding claims liability for the WorkCover Scheme Statutory Funds also includes an allowance for the following items:

- Expenses of \$269 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2003;
- An allowance of \$224 million for recoveries in respect of the impact of the transitional effects of the Federal Government's New Tax System.

Valuation Results

WorkCover Scheme Statutory Funds

The estimated liability for the WorkCover Scheme Statutory Funds as at 30 June 2003, net of recoveries, is \$7,537 million. This amount is made up as follows:

Table 1 - WorkCover Scheme Statutory Funds Outstanding Claims Liability at 30 June 2003	
	\$m
Gross Outstanding Claims	7,959
Less Anticipated Recoveries	(422)
Net Outstanding Claims	7,537

The WorkCover Authority has provided \$7,537 million in the Financial Statements of the WorkCover Scheme Statutory Funds as at 30 June 2003.



Other Funds

The estimated outstanding claims liability at 30 June 2003 for the Other Funds, net of recoveries are set out in Table 2.

Table 2	
Outstanding Claims Liability at 30 June 2003 - Other Funds	\$m
ULIS	119.8
ERWCF	13.3
BFFCF	11.1
NEM	64.1
Bishopgate	6.8
AGCI	2.6
Greatlands	0.7
HHH	32.0
Total	250.5

It is our understanding that the WorkCover Authority has provided \$250.5 million in the Financial Statements of the above Funds as at 30 June 2003 for the outstanding claims liabilities.

Uncertainty

There is a limitation upon the accuracy of the estimates in this certificate in that there is an inherent uncertainty in any estimate of outstanding claim liabilities. This is due to the fact that the ultimate liability for claims is subject to the outcome of events yet to occur. These include, but are not limited to, the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims. In our judgement, we have employed techniques and assumptions that are appropriate, and we believe the conclusions presented herein are reasonable, given the information currently available. However, it should be recognised that future claim development is likely to deviate, perhaps materially, from our estimates.

The usual uncertainty associated with estimates of the liability for outstanding claims is magnified in this instance due to the implementation and consequent effects of a number of legislative changes over the life of the Scheme. While it will be a number of years for the full impact of all of the 2001 reforms to be known, the early indications of the impact are positive and the level of uncertainty associated with the outcome of these reforms has reduced compared to this time last year.



Reports

Full details of data, method, assumptions and results for the WorkCover Scheme Statutory Funds are set out in our report dated 23 September 2003 and for the Other Funds in 3 separate reports dated 9 July 2003

Relevant Standards

Our estimates and reports are prepared in accordance with the Australian Accounting Standard AAS26, and with the Institute of Actuaries of Australia's Professional Standard 300, which relates to estimation of outstanding claims liabilities.

John Walsh

John Walsh
Fellow of the Institute of Actuaries of Australia
23 September 2003

Michael Playford

Michael Playford
Fellow of the Institute of Actuaries of Australia
23 September 2003

STATEMENT OF FINANCIAL

PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
Revenues			
Contributions	2(e) & 3	196,639	160,113
Fees and charges	4	7,562	7,744
Investment revenue	5	7,167	1,060
Other revenue	6	10,339	11,280
TOTAL REVENUES FROM ORDINARY ACTIVITIES		221,707	180,197
Expenses			
WorkCover Authority operations			
Salaries and employee payments	7	67,497	62,613
Superannuation		16,364	16,741
Office accommodation		13,119	11,282
Depreciation	2(b)	6,457	4,668
Other operating expenses	8	50,189	37,373
		153,626	132,677
WorkCover Scheme services			
Grants to other Government agencies	9	40,398	31,938
Net claims incurred	10	42,627	26,522
Other expenses		6,119	4,501
		89,144	62,961
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		242,770	195,638
Operating deficiency from ordinary activities		(21,063)	(15,441)
Non-owner transaction changes in equity			
Net increase in asset revaluation reserve	18	1,234	2,261
TOTAL CHANGES IN EQUITY – other than those resulting from transactions with owners as owners		(19,829)	(13,180)

The accompanying notes form part of these financial statements.

POSITION

AS AT 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
Current assets			
Cash assets	20	16,571	30,133
Receivables	11	31,307	24,334
Other financial assets	12	25,680	37,428
TOTAL CURRENT ASSETS		73,558	91,895
Non-current assets			
Receivables	11	24,304	17,566
Other financial assets	12	198,207	209,347
Property, plant and equipment	14	58,901	36,153
TOTAL NON-CURRENT ASSETS		281,412	263,066
TOTAL ASSETS		354,970	354,961
Current liabilities			
Payables	15	16,211	23,412
Provisions	17	9,674	9,627
Outstanding claims	16	27,285	25,213
TOTAL CURRENT LIABILITIES		53,170	58,252
Non-current liabilities			
Payables	15	1,222	2,124
Provisions	17	18,013	13,142
Outstanding claims	16	223,166	202,215
TOTAL NON-CURRENT LIABILITIES		242,401	217,481
TOTAL LIABILITIES		295,571	275,733
NET ASSETS		59,399	79,228
Equity			
Asset revaluation reserve	18	11,168	9,934
Retained surplus	18	48,231	69,294
		59,399	79,228

The accompanying notes form part of these financial statements.

STATEMENT OF

CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$'000	2002 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Contributions		148,696	140,622
Investment revenue		767	2,638
Recoveries		1,737	3,677
Transfer from statutory funds		15,856	25,285
GST refund from ATO		10,255	7,393
Other receipts		9,663	15,952
Salaries and employee payments		(71,839)	(61,762)
Office accommodation		(14,287)	(11,655)
Grants paid		(36,444)	(32,133)
Compensation claims paid		(21,409)	(25,589)
GST payment to ATO		(710)	(818)
Other payments		(56,053)	(41,827)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	19	(13,768)	21,783
Cash flows from investing activities			
Purchase of property, plant and equipment		(28,952)	(16,662)
Proceeds on sale of property, plant and equipment		232	390
Purchase of investments		(39,146)	(42,668)
Redemption of investments		68,072	53,692
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		206	(5,248)
Net increase/(decrease) in cash held		(13,562)	16,535
Cash at the beginning of the financial year		30,133	13,598
CASH AT THE END OF THE FINANCIAL YEAR	20	16,571	30,133

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1 > CONSTITUTION AND FUNCTIONS

The WorkCover Authority is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*.

The Authority has responsibility for the direction, control and management of a range of funds as outlined in Note 24. These financial statements comprise all of those funds but do not include the WorkCover Scheme Statutory Funds' accounts. These accounts are shown separately in Note 26.

WorkCover's funds are predominantly funded by contributions payable by licensed and self-insurers based on their level of premium income or deemed premium income respectively.

In undertaking its statutory role, the WorkCover Authority:

- promotes the prevention of injuries and diseases at the workplace and the development of healthy and safe workplaces,
- promotes the prompt, efficient and effective management of injuries to persons at work, and
- ensures the efficient operation of workers compensation insurance arrangements.

WorkCover is exempt from the payment of income tax under Section 23(d) of the *Income Tax Assessment Act 1936*.

NOTE 2 > SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statements

i) These financial statements have been prepared on the basis of historical cost except for:

- the reporting of property, plant and equipment which are valued at fair value, and
- the reporting of investments which are measured at net market value at the reporting date.

Differences between the net market value of investments at the reporting date and their net market value at the previous reporting date (or cost of acquisition, if acquired during the reporting period) are recognised in the statement of financial performance.

This treatment of investments is in accordance with Australian Accounting Standard AAS26 'Financial Reporting of General Insurance Activities' which is considered more appropriate for WorkCover given its similarity to general insurance activities, rather than adherence to Australian Accounting Standard AASB1041 'Revaluation of Non-Current Assets'.

- ii) These financial statements are a general purpose financial report and have been prepared on an accrual basis.
- iii) Proper accounts and records have been maintained for all of the operations of the WorkCover Authority in terms of section 41(1) of the *Public Finance and Audit Act 1983*.
- iv) These financial statements have been prepared having regard to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Consensus Views and the *Public Finance and Audit Act 1983*.
- v) Amounts shown in these financial statements have been rounded to the nearest thousand dollars.

NOTE 2 > SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Property, plant, equipment and depreciation

Property, plant and equipment assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-Current Assets at Fair Value' (TPP03-02). This policy adopts fair value in accordance with AASB1041 from financial years beginning on or after 1 July 2002.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price. That is, the replacement cost of the asset's remaining future economic benefits. The agency is a not for profit entity.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to WorkCover.

The rates applied are:

	%
Buildings	3.0
Furniture and fittings	10.0
Library	10.0
Scientific equipment	20.0
Technical equipment	14.3
Office machines and equipment	20.0
Motor vehicles	22.5
Computer software	14.3 – 33.0
Computer hardware	33.3

Experience has been that the useful lives of computer software assets are predominantly in the three to four year range with a number of recently acquired assets expected to have a longer, seven year, useful life.

Leasehold improvements are depreciated over the unexpired terms of the respective leases or the estimated life of the improvements, whichever is the shorter.

Capitalisation policy

Property, plant and equipment are those assets with a useful life of more than one year and with a unit cost in excess of \$2,000 but with the exception of:

	Unit Cost
Computer software	\$3,000
Reference books	\$500

c) Net claims incurred

Net claims incurred include claims paid and the movement in the provision for outstanding claims liabilities. The provision for outstanding claims liabilities includes claims incurred but not yet paid, incurred but not yet reported and allowances for the costs of claims administration. An assessment of outstanding claims by independent actuarial consultants is undertaken to determine this liability and the central estimate of that liability is brought to account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 2 > SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Employee benefits

Compensated absences is the term used in the Notes to refer to annual and long service leave.

Liabilities for salaries and wages, annual leave and long service leave that is expected to be settled within 12 months are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Sick leave is non-vesting and does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Long service leave that is expected to be settled after 12 months is measured on a short-hand basis. The short-hand method is based on the amounts expected to be paid when the liabilities are settled. It is considered that this measurement technique produces results not materially different from the estimate determined by using the present value basis of measurement.

No employees have entitlements to non-monetary benefits which accumulate over time and hence, no liabilities exist.

Contributions are made by WorkCover to various State superannuation schemes and the amount of each year's expense includes any movement in the superannuation provisions. Any unfunded superannuation liability is recognised as a liability and any prepaid superannuation contributions are recognised as an asset.

e) Contributions

Contributions to the major funds, the WorkCover Authority Fund and the Insurers' Guarantee Fund, are principally made by licensed insurers and licensed self-insurers and:

- i) for the WorkCover Authority Fund, are brought to account on the basis of licensed insurers' premium income and self-insurers' deemed premiums relating to each policy renewal year, and are determined after having regard to the estimate of WorkCover's net operating expenses,
- ii) for the Insurers' Guarantee Fund, are brought to account to recognise the full funding of total claims costs.

Contributions to the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds are made through the NSW Treasury and are brought to account to recognise the full funding of total claims costs. The annual cash contributions by NSW Treasury are determined on the basis of the anticipated cost of claims on a 'pay as you go' basis for each year together with an allowance for administration expenses.

f) Leases

WorkCover has entered into a number of operating lease agreements for office accommodation where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the statement of financial performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

NOTE 2 > SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Retained surplus

The retained surplus has decreased by the amount of the operating deficit for the year, \$21.1m, to \$48.2m (\$69.3m – 2002).

h) Extension of time

The Treasurer granted WorkCover an extension of time to 30 September 2003 for the preparation and submission of its financial statements to enable the preparation and inclusion of the accounts of the WorkCover Scheme Statutory Funds.

This extension of time has been granted each year since 1996 and it recognises the lead-time involved in the preparation and lodgement of audited financial returns by licensed insurers.

i) Changes in accounting policies

Employee benefits

During the year, the accounting policy for measuring liabilities for employee benefits was changed. Previously employee benefits were measured at their nominal amounts calculated on the basis of current salary rates, including oncosts. The revised accounting policy now requires employee benefits to be measured at their nominal amounts calculated on the basis of remuneration rates that WorkCover expects to pay when the leave is taken, including oncosts.

The financial effect of this change in policy was that an additional expense of \$375,000 was recognised in the statement of financial performance in the current financial year.

Provisions

During the year, the accounting policy for measuring and recognising provisions was changed. Previously lease restoration liabilities were disclosed as a payable in the accounts. The revised accounting policy now requires these liabilities to be disclosed as a provision.

The financial effect of this change in accounting policy was nil.

Valuation of physical non-current assets

During the year, the accounting policy for valuing physical non-current assets was changed. Previously physical non-current assets were measured using existing use value. The revised accounting policy now requires physical non-current assets to be measured at fair value, taking into consideration the highest and best use of feasible alternatives.

The financial effect of this change in policy was a revaluation increment of \$1.4m which was recognised in the asset revaluation reserve within equity in the current financial year.

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

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

- the amount of GST incurred by WorkCover as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

NOTES TO AND FORMING PART OF THE FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 3 > CONTRIBUTIONS

Contributions to the various funds were:

	2003 \$'000	2002 \$'000
WorkCover Authority Fund		
Insurers	155,149	135,135
WorkCover Scheme Statutory Funds		
– Management and administration expenses	29,003	12,017
– WorkCover grants scheme	121	–
	184,273	147,152
Insurers' Guarantee Fund	5,566	6,927
Bush Fire Fighters Compensation Fund	3,090	1,133
Emergency and Rescue Workers Compensation Fund	3,710	4,901
	196,639	160,113

Contributions from the WorkCover Scheme Statutory Funds were made to meet the ongoing costs incurred by WorkCover in providing services unique to the management and administration of those funds together with additional costs of the dispute resolution system.

The contribution rate for the WorkCover Authority Fund in 2003 was 4.1% (4.1% – 2002) of insurers' premium income and self-insurers' deemed premiums.

NOTE 4 > FEES AND CHARGES

	2003 \$'000	2002 \$'000
TestSafe Australia testing fees	2,481	2,510
Certificates of competency	1,915	1,988
Testing and boiler inspection	912	551
Registration of plant	881	585
Demolition and pest control licences	410	295
Consultancy and training	180	262
Accreditation fees	178	213
Lift registration and inspection	2	601
Other	603	739
	7,562	7,744

NOTE 5 > INVESTMENT REVENUE

	2003 \$'000	2002 \$'000
Interest on call and term deposits	308	651
Movement in market values:		
– realised movement attributable to financial year	459	1,987
– unrealised movement attributable to financial year	6,400	(1,578)
	7,167	1,060

NOTE 6 > OTHER REVENUE

	2003 \$'000	2002 \$'000
OHS prosecutions	4,478	3,316
Professional costs recoveries	2,065	837
Workers compensation s.156 recoveries	988	1,041
OHS infringement notices	919	998
Motor vehicle and overtime recoveries	622	669
Legal Aid and Interpreter Scheme recoveries	319	240
Proceeds from sale of property, plant and equipment	227	390
Liquidator's distribution (NEM Insurance Co)	–	3,149
Other	721	640
	10,339	11,280

NOTE 7 > SALARIES AND EMPLOYEE PAYMENTS

	2003 \$'000	2002 \$'000
Salaries and allowances	57,489	52,075
Long service leave	1,257	1,652
Annual leave	3,491	3,856
Workers compensation insurance	923	861
Payroll tax	3,549	3,302
Fringe benefits tax	537	670
Payments to Board Members	251	197
	67,497	62,613

Payments to Board Members are made in accordance with Premier's Guidelines.

NOTES TO AND FORMING PART OF THE FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 8 > OTHER OPERATING EXPENSES

Other operating expenses of \$50.2m (\$37.4m – 2002) contain items of expenditure which are required to be disclosed by the *Public Finance and Audit Act 1983*. Those items are:

	2003 \$'000	2002 \$'000
Consultancy fees	7,147	724
Audit fees		
External audit – Audit of the financial report		
– WorkCover Authority	186	175
– WorkCover Scheme	42	37
Internal audit	248	185
Provision for doubtful debts	169	177
Bad debts	28	450
Loss on sale of assets	18	96
Property, plant and equipment written off (Note 14 (c))	1,321	2

NOTE 9 > GRANTS TO OTHER GOVERNMENT AGENCIES

The Authority has provided the following grants to other government agencies throughout the year:

	2003 \$'000	2002 \$'000
Workers Compensation Commission	13,165	4,359
Workers Compensation Resolution Service	31	5,098
Compensation Court of NSW	27,202	22,481
	40,398	31,938

The transfer of assets and liabilities of the Compensation Court will occur when that Court ceases to operate on 31 December 2003.

NOTE 10 > NET CLAIMS INCURRED

Details of the net claims incurred by the various funds are:

	Claims paid	Movement in claims liabilities	Net claims incurred	
	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000
WorkCover Authority Fund				
– Uninsured Liability and Indemnity Scheme	7,509	22,387	29,896	12,645
Insurers' Guarantee Fund	7,143	(867)	6,276	8,128
Bush Fire Fighters Compensation Fund	2,577	338	2,915	988
Emergency and Rescue Workers Compensation Fund	2,376	1,164	3,540	4,761
	19,605	23,022	42,627	26,522

Current period claims relate to risks borne in the current reporting period.

Prior period claims relate to an assessment of the risks borne in all previous reporting periods.

DIRECT BUSINESS	2003			2002		
	Current year \$'000	Prior years \$'000	Total \$'000	Current year \$'000	Prior years \$'000	Total \$'000
Gross claims incurred and related expenses – undiscounted	27,311	20,912	48,223	31,826	43,147	74,973
Reinsurance and other recoveries – undiscounted	(2,964)	(3,083)	(6,047)	(3,342)	(2,565)	(5,907)
NET CLAIMS INCURRED – UNDISCOUNTED	24,347	17,829	42,176	28,484	40,582	69,066
Discount and discount movement – gross claims incurred	(9,441)	9,171	(270)	(13,664)	(32,821)	(46,485)
Discount and discount movement – re-insurance and other recoveries	1,333	(612)	721	1,591	2,350	3,941
NET DISCOUNT MOVEMENT	(8,108)	8,559	451	(12,073)	(30,471)	(42,544)
NET CLAIMS INCURRED	16,239	26,388	42,627	16,411	10,111	26,522

NOTES TO AND FORMING PART OF THE FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 10 > NET CLAIMS INCURRED (CONTINUED)

Net claims incurred – prior years

Undiscounted net claims incurred has increased due to a deterioration in case estimates from the older accident years. The net discount movement has also increased due to the discount rates being applied to a higher outstanding claims estimate, and a decrease in discount rates since last year (refer Note 16).

NOTE 11 > RECEIVABLES

	2003 \$'000	2002 \$'000
Current		
Receivables	34,075	21,716
Prepaid superannuation (Note 17)	–	5,058
Prepayments	145	238
Other	156	222
	34,376	27,234
Less provision for doubtful debts	(3,069)	(2,900)
	31,307	24,334
Non-current		
Receivables	24,304	17,566
	55,611	41,900

Receivables include amounts owing from the Insurers' Guarantee Fund from contributing insurers and have been determined after having regard to the central estimate of the Fund's outstanding claims liability.

NOTE 12 > OTHER FINANCIAL ASSETS – INVESTMENTS

Other financial assets comprise deposits with investment funds managers and other securities authorised by the *Public Authorities (Financial Arrangements) Act 1987*.

	Market value 2003 \$'000	Market value 2002 \$'000
Colonial First State Investments Limited	57,727	64,877
UBS Asset Management (Australia) Limited	38,546	39,335
Merrill Lynch Investment Managers Limited	35,671	35,447
AMP Henderson Global Investors	33,070	33,843
Citigroup Asset Management Australia Limited	25,390	21,618
State Street Global Advisors Australia Limited	24,771	20,226
NSW Treasury Corporation	6,119	15,380
BT Funds Management Limited	2,593	16,049
	223,887	246,775
Current	25,680	37,428
Non-current	198,207	209,347
	223,887	246,775

Other financial assets are classified as current and non-current depending upon the amount expected to be consumed or converted into cash within 12 months of balance date.

Market valuations were provided by the investment managers with whom investments were placed.

NOTE 13 > FINANCIAL INSTRUMENTS – TERMS, CONDITIONS AND ACCOUNTING POLICIES

The accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instruments	Statement of financial position notes	Accounting policies	Terms and conditions
FINANCIAL ASSETS			
Cash assets	20	Short-term deposits are stated at net fair value. Interest is recognised in the statement of financial performance when earned.	Cash deposits are at call. The rate for cash in the money market facility averaged 4.8% during the year. (2002: 4.9%)
Receivables	11	Receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Contributions from insurers and legal prosecution debts are payable on dates specified. Credit sales are on 14 day terms.
Other financial assets (Investments)	12	Investments are stated at net realisable value. Interest and movements in market value are recognised in the statement of financial performance when earned.	An investment management agreement based on the standard agreement of the Investment and Financial Services Association is in place with each of the external fund managers appointed.
FINANCIAL LIABILITIES			
Payables (Trade creditors and accruals)	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to WorkCover.	Trade liabilities are normally settled on 14 day terms.

WorkCover has no unrecognised financial instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 13 > FINANCIAL INSTRUMENTS – TERMS, CONDITIONS AND ACCOUNTING POLICIES (CONTINUED)

Net fair values

The financial assets and liabilities are carried at net fair value.

Exposure to risk

The use of financial instruments exposes WorkCover to two main types of risk:

1. Price risk is the risk of fluctuation in the value of a financial instrument as a result of changes in circumstances pertaining to any one or more of three risks elements:

Market: value fluctuations due to changes in market price whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

Currency: value fluctuations due to changes in foreign currency rates.

Interest rate: value fluctuations due to changes in market interest rates.

2. Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder.

The major risks are quantified in the following table.

Market risk exposure

The exposure to market risk on financial instruments at the balance date and previous year is as follows:

FINANCIAL INSTRUMENTS	Market value 2003 \$'000	Market value 2002 \$'000
Financial Assets		
Investments in Australian shares	74,217	74,782
Investments in international shares – hedged	12,974	–
Investments in international shares – unhedged	11,797	20,226
Investments in Australian listed property trusts	24,641	31,003
TOTAL FINANCIAL ASSETS EXPOSED TO MARKET RISK	123,629	126,011
Cash	16,571	30,133
Receivables	55,466	41,662
Other investments	100,258	120,764
TOTAL FINANCIAL ASSETS NOT EXPOSED TO MARKET RISK	172,295	192,559
TOTAL FINANCIAL ASSETS	295,924	318,570
Financial Liabilities		
Trade creditors and accruals	17,433	25,536
TOTAL FINANCIAL LIABILITIES NOT EXPOSED TO MARKET RISK	17,433	25,536

NOTE 13 > FINANCIAL INSTRUMENTS – TERMS, CONDITIONS AND ACCOUNTING POLICIES (CONTINUED)

Market risk management

At the overall market level, market risk is managed by matching investments with long-term workers compensation and employee entitlements liabilities. At the individual security level, market risk is managed through diversification.

Currency risk exposure

The maximum exposure to currency risk at balance date is the carrying value of investments in unhedged international shares as indicated in the Market Risk Exposure table on the previous page. WorkCover accepts currency risk as a part of diversification. Currency risk is monitored and controlled through the setting of exposure limits.

Interest rate risk exposure

The exposure to interest rate risks and effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, is as follows:

FINANCIAL INSTRUMENTS	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
	2003 %	2003 \$'000	2003 \$'000	2003 \$'000
Financial Assets				
Cash at bank	3.7	13,167	–	13,167
Cash in money market facility	4.8	3,404	–	3,404
Receivables	N/A	–	55,466	55,466
Investments in Cash Plus facilities	4.8	8,712	–	8,712
Investments in Australian bonds	6.9	66,156	–	66,156
Other investments	N/A	–	149,019	149,019
TOTAL FINANCIAL ASSETS		91,439	204,485	295,924
Financial Liabilities				
Trade creditors and accruals	N/A	–	17,433	17,433
TOTAL FINANCIAL LIABILITIES		–	17,433	17,433

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 13 > FINANCIAL INSTRUMENTS – TERMS, CONDITIONS AND ACCOUNTING POLICIES (CONTINUED)

Interest rate risk exposure – Previous year

FINANCIAL INSTRUMENTS	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
	2002 %	2002 \$'000	2002 \$'000	2002 \$'000
Financial Assets				
Cash at bank	3.4	14,070	–	14,070
Cash in money market facility	4.9	16,063	–	16,063
Receivables	N/A	–	41,662	41,662
Investments in Cash Plus facilities	5.0	31,429	–	31,429
Investments in Australian bonds	5.8	89,335	–	89,335
Other investments	N/A	–	126,011	126,011
TOTAL FINANCIAL ASSETS		150,897	167,673	318,570
Financial Liabilities				
Trade creditors and accruals	N/A	–	25,536	25,536
TOTAL FINANCIAL LIABILITIES		–	25,536	25,536

Interest rate risk sensitivity and risk management

WorkCover's outstanding workers compensation claim liabilities are determined by projecting the expected claim payment cash flows in each future year, and then discounting the sum of these projected amounts using an average future rate that could be earned on a portfolio of government bonds.

Changes in interest rates are likely to be associated with changes in government bond rates, which due to the method of determining outstanding claims liabilities, will affect both financial assets and financial liabilities.

Credit risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets as indicated in the statement of financial position.

NOTE 13 > FINANCIAL INSTRUMENTS – TERMS, CONDITIONS AND ACCOUNTING POLICIES (CONTINUED)

Exchange traded options

Australian and international share funds managers are permitted to deal in options in accordance with specified rules. Options contracts give the purchaser the right to buy (call) or sell (put) a financial, equity or index instrument at a specified price or value and may be settled in cash or through delivery.

Share funds managers may purchase a call or put option and sell a call option on:

- a) Australian Stock Exchange 200 Share Price Index (SPI) Futures Contracts.
- b) Any securities issued by a public company that is listed on the Australian Stock Exchange 200.

Exchange traded futures

Australian and international share funds managers are permitted to deal in futures in accordance with specified rules. These futures contracts are commitments to make or take delivery of a specified financial, equity or index instrument at an agreed price or value and may be settled through cash or delivery.

The objective of the share funds managers is to remain fully invested in the equity market at all times. To accomplish this, a small amount of futures contracts are held to maintain full exposure. Futures are also used from time to time to obtain immediate exposure to equity markets, particularly where cash flows are involved. The ability to hold futures allows the share funds managers to accommodate cash flows into and out of the fund on a daily basis without negatively impacting the performance of the fund.

Share funds managers are not permitted to use futures for gearing or for creating net short positions.

Share funds managers may buy and sell the following futures contracts denominated in Australian dollars and traded on the Sydney Futures Exchange or such other exchanges as may be approved by the WorkCover Authority:

- a) Australian Stock Exchange 200 Share Price Index (SPI) Futures contracts.
- b) Share futures contracts on any securities issued by a public company that is listed on the Australian Stock Exchange 200.

The market value of derivatives held as at 30 June 2003 was \$1.7m (\$0.8m – 2002), which represents 0.7% of total investments (0.3% – 2002). The market value represents the amount of unrealised gains and losses.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 14 > PROPERTY, PLANT AND EQUIPMENT

	Note	2003 \$'000	2002 \$'000
Land and buildings			
Freehold land			
– At fair value	(a) & 2(i)	5,575	4,175
TOTAL FREEHOLD LAND	(d)	5,575	4,175
Buildings			
– At fair value	(a)	6,252	6,252
– Accumulated depreciation		(841)	(691)
TOTAL BUILDINGS		5,411	5,561
TOTAL LAND AND BUILDINGS		10,986	9,736
Leasehold improvements			
– At fair value		18,140	4,883
– Accumulated amortisation		(2,799)	(2,906)
TOTAL LEASEHOLD IMPROVEMENTS		15,341	1,977
Office machines and equipment			
– At fair value		2,651	2,680
– Accumulated depreciation		(1,637)	(1,934)
TOTAL OFFICE MACHINES AND EQUIPMENT		1,014	746
Motor vehicles			
– At fair value		–	29
– Accumulated depreciation		–	(20)
TOTAL MOTOR VEHICLES		–	9
Furniture and fittings			
– At fair value		463	415
– Accumulated depreciation		(118)	(79)
TOTAL FURNITURE AND FITTINGS		345	336

NOTE 14 > PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	2003 \$'000	2002 \$'000
Computer hardware and software			
– At fair value	(b)	16,064	9,335
– Accumulated depreciation		(6,896)	(5,618)
TOTAL COMPUTER HARDWARE AND SOFTWARE		9,168	3,717
Computer software development			
– At fair value	(c)	14,848	12,487
– Accumulated depreciation		(5,157)	(4,422)
TOTAL COMPUTER SOFTWARE DEVELOPMENT		9,691	8,065
Scientific and technical equipment			
– At fair value	(a)	6,311	5,838
– Accumulated depreciation		(4,814)	(4,139)
TOTAL SCIENTIFIC AND TECHNICAL EQUIPMENT		1,497	1,699
Capital works in progress			
– At fair value		10,859	9,868
TOTAL CAPITAL WORKS IN PROGRESS		10,859	9,868
TOTAL PROPERTY, PLANT AND EQUIPMENT		58,901	36,153

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 14 > PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) In accordance with a policy of revaluing non-current assets with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date, freehold land, buildings and scientific and technical equipment were revalued in 2002. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2002 were carried out by:

Land and buildings

Mr K.S. Lew AVLE (VAL)
State Valuation Office

Scientific and technical equipment

Mr S. McMahon AAPI(P&M)
Machinery Valuations Pty. Ltd.

b) Computer hardware and software were revalued as at 30 June 2002 by in-house specialised staff and resulted in no change to the value of this asset class.

c) Computer software development was revalued as at 30 June 2003 by in-house specialised staff. The valuation resulted in a revaluation decrement of \$1.5m for this asset class. \$0.2m of this revaluation decrement was applied against the asset revaluation reserve, and the remaining \$1.3m was expensed in the statement of financial performance.

d) Details of land owned by WorkCover:

Description of Use	Location	Fair Value
38.529 Hectares	919 Londonderry Road Londonderry NSW	\$5,575,000

Used as a centre for occupational health and safety research and testing.

NOTE 14 > PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

e) Movements during financial year:

Class of Asset	Balance as at 1/7/2002	Additions	Disposals	Depn w/back on disposal	Net revln movements		Depn expense	Balance as at 30/6/2003
					Asset revln reserve	Stmt financial performance		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Freehold land	4,175	–	–	–	1,400	–	–	5,575
Buildings	5,561	–	–	–	–	–	(150)	5,411
Leasehold improvements	1,977	14,662	(1,405)	1,382	–	–	(1,275)	15,341
Office machines and equipment	746	597	(626)	603	–	–	(306)	1,014
Motor vehicles	9	–	(29)	20	–	–	–	–
Furniture and fittings	336	77	(30)	18	–	–	(56)	345
Computer hardware and software	3,717	7,879	(1,150)	1,071	–	–	(2,349)	9,168
Computer software development	8,065	5,662	(998)	998	(174)	(1,319)	(2,543)	9,691
Scientific and technical equipment	1,699	454	(9)	9	8	–	(664)	1,497
Capital WIP	9,868	25,682	(24,691) ^(a)	–	–	–	–	10,859
TOTAL PROPERTY, PLANT AND EQUIPMENT	36,153	55,013	(28,938)	4,101	1,234	(1,319)	(7,343)^(b)	58,901

(a) Represents transfers to completed assets.

(b) Includes WCC depreciation expense of \$886k.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 15 > PAYABLES

	2003 \$'000	2002 \$'000
Current		
Creditors	12,022	20,369
Accrued salaries, wages and oncosts	4,189	3,043
	16,211	23,412
Non-current		
Creditors	–	1,374
Accrued salaries, wages and oncosts	1,222	750
	1,222	2,124
	17,433	25,536

Payables include advances from Statutory Funds towards certain WorkCover Scheme reform redesign project expenses anticipated in the 2003/04 year.

NOTE 16 > OUTSTANDING CLAIMS

	2003 \$'000	2002 \$'000
Expected future claims payments	385,344	363,203
Claims handling expenses	52,744	49,833
Discount to present value	(187,637)	(185,608)
Liability for outstanding claims	250,451	227,428
Current	27,285	25,213
Non-current	223,166	202,215
	250,451	227,428

- a) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be in the range of 3.5 years to 11.3 years (4.9 to 9.8 years – 2002).
- b) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid not later than one year:

	2003 %	2002 %
Inflation rate	3.75	3.5 – 6.5
Discount rate	5.0	6.0 – 6.5

- c) The following average inflation rates and discount rates were used in measuring the liability for outstanding claims expected to be paid later than one year:

	2003 %	2002 %
Inflation rate	3.75	3.5 – 6.5
Discount rate	5.0	6.0 – 6.5

- d) The liability brought to account is the amount recommended by consulting actuaries being their central estimate. Statutory provision provides assurances for the funding of the total liability.

NOTE 17 > PROVISIONS

	2003 \$'000	2002 \$'000
Current		
Lease restoration	876	621
Employee benefits		
Compensated absences	8,798	9,006
	9,674	9,627
Non-current		
Employee benefits		
Compensated absences	8,133	9,761
Superannuation	9,880	3,381
	18,013	13,142
TOTAL PROVISIONS	27,687	22,769

The opening balance of the lease restoration provision was increased by \$255k during the year to account for additional anticipated lease restoration costs.

	2003 \$'000	2002 \$'000
Aggregate employee benefits and related oncosts		
Provision – current	8,798	9,006
Provision – non-current	18,013	13,142
Accrued salaries, wages and oncosts	5,411	3,793
TOTAL PROVISIONS	32,222	25,941

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 17 > PROVISIONS (CONTINUED)

Superannuation

Unfunded superannuation liabilities are recognised as a liability in the statement of financial position. Prepaid superannuation contributions are recognised as an asset.

Details of WorkCover's liabilities and reserves under superannuation schemes relating to employees as at 30 June 2003 are as follows:

	Assessed liability	Reserve account	Net asset/(liability)	
	2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000
State Superannuation Scheme	80,304	76,007	(4,297)	5,058
State Authorities Superannuation Scheme	14,657	10,685	(3,972)	(2,168)
State Authorities Non-Contributory Superannuation Scheme	6,184	4,573	(1,611)	(1,213)
	101,145	91,265	(9,880)	1,677

The 30 June 2003 assessment of liability was calculated by SAS Trustee Corporation's (STC) appointed actuary, Mercer, where the key assumptions adopted by the actuary were:

	30 June 2004 %	30 June 2005 %	30 June 2006 and thereafter %
Rate of investment return	7.0	7.0	7.0
Rate of general salary increase	4.0	4.0	4.0
Rate of increase in CPI	2.5	2.5	2.5

Future contributions

As of 30 June 2003, the WorkCover Authority's assessed liabilities exceeded the reserves for all of its superannuation schemes. This deficiency of \$9.9m is reported as a liability.

Funding contributions to all of the schemes had been suspended previously with approval of the Pillar Administration because of the excess reserves held on behalf of WorkCover. Payments resumed for the State Superannuation Scheme in September 2002, and for the

State Authorities Non-Contributory Superannuation Scheme and the State Authorities Superannuation Scheme in October 2002.

The First State Superannuation Scheme has established superannuation cover for employees who are not contributing to any other schemes and employer contributions were 9% of such employees' salaries for the year (8% – 2002). Payments for staff covered by the scheme totalled \$2.7m (\$2.3m – 2002). For this scheme WorkCover has no outstanding employer liability as the contributions are fully funded and vested to individual officers.

NOTE 18 > CHANGES IN EQUITY

	Retained surplus		Asset revaluation reserve		Total equity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance at the beginning of the financial year	69,294	83,201	9,934	7,673	79,228	90,874
Changes in equity – transactions with owners as owners						
Increase in net assets from administrative restructuring	–	1,534	–	–	–	1,534
Changes in equity – other than transactions with owners as owners						
Deficit for the year	(21,063)	(15,441)	–	–	(21,063)	(15,441)
Increment/(decrement) on revaluation of:						
– Land and building	–	–	1,400	1,634	1,400	1,634
– Plant and equipment	–	–	8	627	8	627
– Computer software development	–	–	(174)	–	(174)	–
BALANCE AT THE END OF THE FINANCIAL YEAR	48,231	69,294	11,168	9,934	59,399	79,228

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 19 > RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO THE OPERATING DEFICIENCY FROM ORDINARY ACTIVITIES

	2003 \$'000	2002 \$'000
Operating deficiency from ordinary activities	(21,063)	(15,441)
Depreciation/asset writeback	7,778	4,668
Loss or gain on sale of assets	(209)	96
Unrealised investment income	(6,400)	1,578
Provisions		
Outstanding claims	23,022	4,735
Superannuation	6,499	3,381
Lease restoration	255	621
Doubtful debts	169	177
Compensated absences	(1,836)	444
Decrease/(increase) in debtors and prepayments	(13,880)	6,477
Increase/(decrease) in creditors	(8,103)	15,047
Net cash provided by operating activities	(13,768)	21,783

NOTE 20 > RECONCILIATION OF CASH

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand), call deposits and NSW Treasury deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the statement of financial position.

	2003 \$'000	2002 \$'000
Cash assets	16,571	30,133
	16,571	30,133

NOTE 21 > EXPENDITURE COMMITMENTS

Lease commitments

	2003 \$'000	2002 \$'000
Payable:		
not later than one year	8,579	10,865
later than one year but not later than five years	28,091	19,749
later than five years	22,581	14,493
TOTAL	59,251	45,107

Expenditure commitments include input tax credits of \$5.373m (\$3.563m – 2002) which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

NOTE 22 > SELF-INSURERS AND SPECIALISED INSURERS SECURITY DEPOSITS AND BANK GUARANTEES

Under sections 213-215A of the *Workers Compensation Act 1987*, WorkCover administers security deposits and bank guarantees lodged by self-insurers and specialised insurers.

As of 30 June 2003, WorkCover held deposits and bank guarantees to the value of \$960m (\$810m – 2002). These deposits and guarantees are held in trust for the payment of all accrued, continuing, future and contingent liabilities of self-insurers and specialised insurers under the Act which are not otherwise satisfied.

Money deposited with WorkCover for this purpose is invested in authorised securities, which are issued or guaranteed by State or Commonwealth. The interest on such investments is paid directly to each self-insurer and specialised insurer.

A separate bank account for lodgement of cash deposits has been established and the balance of the account as at 30 June 2003 was \$0.08m (\$0.07m – 2002).

NOTE 23 > INSURANCES

WorkCover is insured with the Treasury Managed Fund for the following risks:

Risk covered

- Public liability
- Property
- Motor vehicles
- Workers compensation
- Group/Personal/Accidental/Travel
- Crime and computer crime
- Errors and omissions
- Industrial special risks

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 24 > FUNDS

Funds for which WorkCover has direction, control and management responsibilities are:

a) WorkCover Authority Fund

This fund is constituted under section 34 of the *Workplace Injury Management and Workers Compensation Act 1998*. It is funded from contributions by insurers and self-insurers and it meets WorkCover's operating expenses as well as payments:

- to the Workers Compensation Commission responsible for the determination of workers compensation disputes, and
- under the Uninsured Liability and Indemnity Scheme to meet the cost of claims not initially paid by uninsured employers.

Funds are also received from the WorkCover Scheme Statutory Funds which are applied, in part, to support research into occupational health and safety, workers compensation and injury management issues through a WorkCover Grants Scheme.

b) Insurers' Guarantee Fund

As a consequence of National Employers' Mutual General Insurance Association Limited being placed into provisional liquidation on 1 May 1990, the Insurers' Guarantee Fund was established. Contributions from insurers and distributions by the liquidators are applied to meet the claims costs and administrative expenses of the fund.

The fund also meets the cost of the run-off of remaining claims liabilities of the HIH Insurance Group, the Greatlands General Insurance Co Ltd, Bishopsgate Insurance Australia Ltd and Associated General Contractors Insurance Co Ltd.

c) Bush Fire Fighters Compensation Fund

This fund is constituted under section 19 of the *Workers Compensation (Bush Fire, Emergency & Rescue Services) Act 1987*.

The fund is financed by an annual contribution from the NSW Rural Fire Service through the NSW Treasury and is applied to compensate voluntary bush fire fighters for personal injury and damage to their personal effects and equipment.

d) Emergency and Rescue Workers Compensation Fund

This fund is constituted under section 31 of the *Workers Compensation (Bush Fire, Emergency & Rescue Services) Act 1987*.

The fund is financed through NSW Treasury by an appropriation from Parliament and is applied to compensate emergency service, lifesavers and rescue workers for personal injury.

e) Premiums Adjustment Fund

The fund is constituted under section 203 of the *Workers Compensation Act 1987*.

Generally, its purpose is to facilitate the pooling of workers compensation premiums and the movement of funds between insurers and WorkCover.

No transactions have occurred in the fund since its establishment in 1990.

f) Comparative statement of financial performance for the year ended 30 June 2003

	FUNDS								TOTAL*	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m
Revenues										
Contributions	184.3	147.2	5.6	6.9	3.1	1.1	3.7	4.9	196.6	160.1
Investment revenue	4.7	1.2	2.6	(0.1)	–	–	–	–	7.2	1.1
Other revenues	17.9	16.1	–	3.1	–	–	–	–	17.9	19.0
TOTAL REVENUES	206.9	164.5	8.2	9.9	3.1	1.1	3.7	4.9	221.7	180.2
Expenses										
WorkCover operations	151.5	130.8	1.9	1.9	0.2	0.1	0.2	0.1	153.6	132.6
Grants	40.4	31.9	–	–	–	–	–	–	40.4	31.9
Cost of claims	29.9	12.6	6.3	8.0	2.9	1.0	3.5	4.8	42.6	26.4
Other	6.1	4.6	–	–	–	–	–	–	6.1	4.6
TOTAL EXPENSES	227.9	179.9	8.2	9.9	3.1	1.1	3.7	4.9	242.7	195.5
Operating deficit	(21.0)	(15.4)	–	–	–	–	–	–	(21.0)	(15.3)
Non-owner transaction changes in equity	1.2	2.3	–	–	–	–	–	–	1.2	2.3
Total changes in equity – other than those from transactions with owners as owners	(19.8)	(13.1)	–	–	–	–	–	–	(19.8)	(13.0)

*Certain revenues and expenses have been adjusted to eliminate minor transactions between the funds.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 24 > FUNDS (CONTINUED)

f) Comparative statement of financial position as at 30 June 2003

	FUNDS								TOTAL *	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m
Assets										
Receivables	29.8	22.9	4.2	–	10.2	9.0	11.4	9.6	55.6	41.9
Other financial assets	122.1	140.2	101.8	106.6	–	–	–	–	223.9	246.8
Other	72.0	60.0	0.6	2.3	0.9	1.7	1.9	2.5	75.4	66.2
TOTAL ASSETS	223.9	223.1	106.6	108.9	11.1	10.7	13.3	12.1	354.9	354.9
Liabilities										
Outstanding claims	119.8	97.4	106.3	107.2	11.1	10.7	13.3	12.1	250.5	227.4
Other	44.7	46.5	0.3	1.7	–	–	–	–	45.0	48.3
TOTAL LIABILITIES	164.5	143.9	106.6	108.9	11.1	10.7	13.3	12.1	295.5	275.7
Equity	59.4	79.2	–	–	–	–	–	–	59.4	79.2

*Certain assets and liabilities have been adjusted to eliminate minor transactions between the funds.

f) Comparative statement of cash flows for the year ended 30 June 2003

	FUNDS								TOTAL *	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Comp Fund			
	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m	2003 \$'m	2002 \$'m
Operating activities										
Inflows										
– Contributions	144.7	135.6	–	–	2.0	2.0	2.0	3.0	148.7	140.6
– Investment revenue	0.4	2.6	0.4	0.1	–	–	–	–	0.8	2.6
– Other	36.8	47.3	0.2	3.4	0.7	1.6	0.2	0.3	37.4	52.3
(Outflows)										
– WorkCover operations	(86.0)	(73.3)	(0.1)	0.1	(0.2)	(0.2)	(0.2)	(0.2)	(86.0)	(73.3)
– Grants	(36.4)	(22.4)	–	–	–	–	–	–	(36.4)	(22.4)
– Claims	(8.5)	(9.8)	(7.2)	(10.7)	(3.2)	(2.5)	(2.5)	(2.6)	(21.4)	(25.6)
– Other	(54.9)	(50.3)	(1.9)	(2.0)	–	–	–	–	(56.8)	(52.5)
Net cash provided by/(used in) operating activities	(3.9)	29.7	(8.6)	(9.1)	(0.7)	0.9	(0.5)	0.5	(13.7)	21.7
Investing activities	(6.6)	(15.9)	6.8	10.9	–	–	–	–	0.2	(5.2)
Net (increase)/decrease cash	(10.5)	13.8	(1.8)	1.8	(0.7)	0.9	(0.5)	0.5	(13.5)	16.5
Cash at beginning of financial year	23.7	9.9	2.4	0.6	1.6	0.7	2.4	0.9	30.1	13.6
Cash at end of financial year	13.2	23.7	0.6	2.4	0.9	1.6	1.9	2.4	16.6	30.1

* Certain items of cash inflows and outflows have been adjusted to eliminate minor transactions between the funds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 25(a) > CONTINGENT LIABILITIES

Following an internal investigation into WorkCover's issuing of electrical certificates of conformity and coal mining approvals, a case by case review to identify instances of non-compliance with documentation requirements underpinning electrical testing is being undertaken. Where instances of non-compliance are identified, corrective action is being taken in conjunction with client organisations. No reliable measure of the amount of liability, if any, is available at this time. WorkCover's insurer has been informed of the matter.

WorkCover is a party to proceedings in the Industrial Commission of NSW concerning a gas explosion at Kogarah railway station in 1995. The matter involves WorkCover being liable for the defendant's costs should the prosecution be unsuccessful. Legal advice is that an appropriate estimate of cost is \$3m, however in a worse case scenario, costs would be \$5.7m.

NOTE 25(b) > EVENTS OCCURRING AFTER BALANCE DATE

McKinsey and Company was asked to conduct a Scheme Design Review and provide recommendations to further improve the performance of the Scheme and reduce the Scheme deficit. McKinsey completed their review after 30 June 2003 and their report, released in September 2003, recommends significant changes to the operational arrangements of the Scheme and the way WorkCover manages providers in the Scheme.

The Government has accepted McKinsey's recommendations in principle. McKinsey has calculated that their recommendations, coupled with the savings and efficiencies of the 2001 reforms, can eliminate the Scheme deficit in five to ten years. The financial effect of McKinsey's recommendations has not been taken into account in the preparation of the WorkCover Authority Financial Statements for 30 June 2003.

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS

The WorkCover Authority of New South Wales is responsible for the regulation of statutory funds constituted under division 4 of part 7 of the *Workers Compensation Act 1987*. These statutory funds are commonly known as the WorkCover Scheme Statutory Funds.

The relationship between the WorkCover Authority and the WorkCover Scheme Statutory Funds does not constitute 'control' within the meaning of Australian Accounting Standard AAS24 'Consolidated Financial Reports'. This has been confirmed in advice given by the Solicitor General.

Consequently the financial statements of the WorkCover Scheme Statutory Funds have not been consolidated with the financial statements of the WorkCover Authority but are included separately as the Board is of the opinion that they are of vital interest to the Government, Parliament and stakeholders of the Scheme. This accounting treatment has been adopted consistently for the financial statements since the year ended 30 June 1996.

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

Statement of financial performance for the year ended 30 June 2003

	Note	2003 \$'000	2002 \$'000
Revenues			
Net earned premiums	2	2,228,486	2,104,170
Recoveries	5	247,768	100,156
Investment income	3	81,417	(21,597)
Other income		24,019	19,217
TOTAL REVENUES FROM ORDINARY ACTIVITIES		2,581,690	2,201,946
Expenses	4		
Claims incurred	5	2,513,311	1,982,095
Insurers' management fees		196,440	214,690
Audit fees paid to auditors of insurers		800	603
Bad debts written-off		31,032	29,328
Doubtful debts provision		(5,405)	(923)
Wage audit fees		9,344	5,617
Debt collection fees		9,381	9,528
Bank charges		826	2,037
Other operating expenses		6,634	4,184
TOTAL EXPENSES FROM ORDINARY ACTIVITIES		2,762,363	2,247,159
Deficit from ordinary activities		(180,673)	(45,213)
TOTAL CHANGES IN EQUITY - other than those resulting from transactions with owners as owners		(180,673)	(45,213)

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

Statement of financial position as at 30 June 2003

	Note	2003 \$'000	2002 \$'000
Current assets			
Cash assets		24,312	18,234
Recoveries receivable		89,940	76,000
Other receivables	6	304,917	337,374
Other financial assets - investments	7	283,018	165,934
TOTAL CURRENT ASSETS		702,187	597,542
Non-current assets			
Recoveries receivable		332,098	226,000
Other financial assets - investments	7	4,638,503	4,942,351
TOTAL NON-CURRENT ASSETS		4,970,601	5,168,351
TOTAL ASSETS		5,672,788	5,765,893
Current liabilities			
Payables	9	291,857	245,509
Unearned premiums provision		403,522	385,500
Outstanding claims	1d & 10	1,957,638	2,076,000
TOTAL CURRENT LIABILITIES		2,653,017	2,707,009
Non-current liabilities			
Outstanding claims	1d & 10	6,001,560	5,860,000
TOTAL NON-CURRENT LIABILITIES		6,001,560	5,860,000
TOTAL LIABILITIES		8,654,577	8,567,009
NET LIABILITIES		(2,981,789)	(2,801,116)
Equity			
ACCUMULATED DEFICIT	1a	(2,981,789)	(2,801,116)

The accompanying notes form part of these financial statements.

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

Statement of cash flows For the year ended 30 June 2003

	Note	2003 \$'000 inflows (outflows)	2002 \$'000 inflows (outflows)
Cash flows from operating activities			
Premiums received		2,654,726	2,438,889
Statutory levies paid		(167,648)	(166,999)
Claims paid		(2,518,760)	(2,692,423)
Recoveries received		104,925	77,039
Interest received		113,606	192,131
Dividends received		160,398	93,373
Other receipts		103,376	78,399
Insurers' management fees		(177,327)	(160,730)
Other payments		(295,166)	(253,137)
NET CASH (USED IN) OPERATING ACTIVITIES	12	(21,870)	(393,458)
Cash flows from investing activities			
Payments for investments		(3,813,626)	(9,002,119)
Proceeds from investments		3,930,375	8,278,915
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		116,749	(723,204)
Net increase/(decrease) in cash held		94,879	(1,116,662)
Cash at the beginning of the financial year		104,942	1,221,604
CASH AT THE END OF THE FINANCIAL YEAR	13	199,821	104,942

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

1. Summary of significant accounting policies

a) These financial statements have been prepared as a general purpose financial report having regard to Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and applicable industry practices.

These financial statements are prepared on the basis of historical cost and do not reflect changes in the value of money, except that investments (Note 7) are valued at net market values and outstanding claims and recoveries are included at inflated and discounted values. Income and expenditure have been brought to account on an accrual basis. The accounting policies adopted are consistent with those of the comparative reporting period.

The WorkCover Scheme had a deficit of \$181m (2002: deficit of \$45m) for the year. To address the accumulated deficit, Scheme reforms were made in 2001 which significantly improved Scheme performance by resolving disputes more efficiently and making savings in legal costs. This program of reform has continued with McKinsey & Company asked to conduct a Scheme Design Review and provide recommendations to further improve the performance of the Scheme and reduce the Scheme deficit. McKinsey's report, released in September 2003, contains recommendations which the Government has accepted in principle. McKinseys has calculated that these recommendations, coupled with the savings and efficiencies of the 2001 reforms, can eliminate the Scheme deficit in five to ten years.

The *Workers Compensation Act 1987* provides for the funding of any overall deficit in the WorkCover Scheme by the payment of a contribution by employers as part of future premiums. Consequently, these financial statements have been prepared on a going concern basis.

b) The financial statements are based on audited returns lodged by licensed insurers and aggregate the accounts of the statutory funds established and maintained by licensed insurers under Division 4 of Part 7 of the *Workers Compensation Act 1987*. A list of insurers licensed to operate under the WorkCover Scheme Statutory Funds system during the year ended 30 June 2003 is given in Note 11.

c) The earned portion of premiums received and receivable, excluding unclosed business and taxes collected on behalf of third parties, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. The pattern of recognition over the policy periods is based on time which is considered to approximate the pattern of risks underwritten. Unclosed business has not been included as revenue as the amount involved is not considered to be material.

Licensed insurers provided information in their audited statements to identify, in respect of premiums written, the amount of unearned premiums which relate to the next financial year. The total of these amounts makes up the unearned premiums provision. Unearned premium is determined using the pro-rata method.

d) The outstanding claims (Note 10) and recoveries receivable are based on estimates provided by WorkCover's consulting actuary, PricewaterhouseCoopers Actuarial Pty Ltd.

The outstanding claims are the amount which the consulting actuary has estimated as at 30 June 2003 as being the amount required to meet the cost of claims reported but not yet paid, claims incurred which are yet to be reported and the escalation in reported and reopened claims. This provision is based on actuarial central estimates and includes \$269m (2002: \$268m) for claims handling expenses.

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

1. Summary of significant accounting policies (continued)

The liability for the outstanding claims is estimated as the inflated and discounted values of the expected future payments, reflecting the fact that these payments will be spread over future years. The expected future payments are estimated on the basis of the ultimate cost of settling claims (including claims administration expenses) which is affected by factors arising during the period to settlement.

The majority of claims payments under the WorkCover Scheme benefit structure are linked to movements in award wages in New South Wales. Projected inflation factors take into account these and other relevant factors relating to future claims levels. The expected future payments are then discounted to a value at the reporting date using rates of interest which reflect the market-determined risk-adjusted rates of return on the underlying funds, consistent with Australian Accounting Standard AASB1023. Details of inflation and discount rates applied are included in Note 10.

- e) Recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not yet reported are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries receivable are estimated at the inflated and discounted values of the

expected future receipts, calculated on the same basis as the liability for outstanding claims.

- f) Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue when the relevant shareholding becomes ex-dividend. Differences between the net market values of investments at the reporting date and their net market values at the previous reporting date (or cost of acquisition, if acquired during the reporting period) are recognised as revenue in the statement of financial performance.
- g) Rounding – All amounts are expressed to the nearest \$1,000.
- h) Liability for taxation – A ruling has been obtained from the Australian Taxation Office which states that premiums received by licensed insurers and investment income of statutory funds are not assessable to licensed insurers in their capacity as such. The ruling also states that the WorkCover Authority holds a vested interest in the income of the statutory funds and as such the income is exempt from income tax in terms of section 23(d) of the Income Tax Assessment Act.
- i) For the purposes of the Statement of Cash Flows, cash includes cash on hand, bank overdrafts, money market deposits and bank and non-bank bills.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

2. Deficit from ordinary activities

	2003 \$'000	2002 \$'000
Premiums written	2,440,442	2,269,870
Less: Statutory levies		
WorkCover Authority fund	141,659	112,624
Dust diseases contributions	52,275	45,678
Less: Increase in unearned premiums provision	18,022	7,398
NET EARNED PREMIUMS	2,228,486	2,104,170
Claims expense	2,513,311	1,982,095
Recoveries revenue	247,768	100,156
NET CLAIMS INCURRED	2,265,543	1,881,939
Underwriting result	(37,057)	222,231
Investment income	81,417	(21,597)
Other income	24,019	19,217
Other operating expenses	249,052	265,064
DEFICIT FROM ORDINARY ACTIVITIES	(180,673)	(45,213)

3. Investment income

	2003 \$'000	2002 \$'000
Dividends	161,641	95,447
Interest	116,295	191,103
Realised (loss)/gain on sale of investments	(45,323)	106,439
Unrealised (loss)	(151,196)	(414,586)
INVESTMENT INCOME	81,417	(21,597)

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

4. Expenses

Expenses consist of net claims incurred and expenses incurred by licensed insurers in administering the statutory funds including

management fees paid to licensed insurers for premium administration, management of claims and investments and audit fees paid to auditors of insurers. Audit fees charged by the Audit Office of NSW estimated at \$42,000 (2002: \$37,000) are paid by WorkCover directly and are not included in the statement of financial performance of the WorkCover Scheme Statutory Funds.

5. Net claims incurred

	2003			2002		
Direct Business	Current year \$m	Prior years \$m	Total \$m	Current year \$m	Prior years \$m	Total \$m
Gross claims incurred and related expenses – undiscounted	2,921	(382)	2,539	2,802	605	3,407
Reinsurance and other recoveries – undiscounted	(131)	(104)	(235)	(108)	53	(55)
NET CLAIMS INCURRED – UNDISCOUNTED	2,790	(486)	2,304	2,694	658	3,352
Discount and discount movement – gross claims incurred	(717)	690	(27)	(758)	(666)	(1,424)
Discount and discount movement – reinsurance and other recoveries	12	(24)	(12)	16	(62)	(46)
NET DISCOUNT MOVEMENT	(705)	666	(39)	(742)	(728)	(1,470)
NET CLAIMS INCURRED	2,085	180	2,265	1,952	(70)	1,882

Explanation of material variances – prior years

The net claims incurred from prior years of \$180m is essentially due to a reduction in the yield curve resulting in lower discount

rates applied offset by a decrease (reduced investigation, legal and common law costs) in the undiscounted net claims incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

6. Other receivables

	2003 \$'000	2002 \$'000
Current		
Premiums receivable	289,881	288,251
Interest and dividends receivable	16,075	12,143
Trade debtors	35,984	79,408
	341,940	379,802
Less : Provision for doubtful debts	37,023	42,428
	304,917	337,374

7. Other financial assets – investments

Licensed insurers are required under section 199(1) of the *Workers Compensation Act 1987* to keep the assets of the WorkCover Scheme Statutory Funds distinct and separate from all other assets of the licensed insurers.

	2003 \$'000	2002 \$'000
a. Current		
Money market deposits	117,923	61,435
Bank and non-bank bills	93,134	76,141
Fixed interest securities	71,961	28,358
	283,018	165,934
b. Non-current		
Fixed interest securities	877,350	1,030,450
Indexed securities	773,379	775,804
Australian equities	1,249,359	1,354,716
International equities	1,242,812	1,263,457
Australian property trusts	502,278	524,544
Exchange traded options	64	(154)
Exchange traded futures	(882)	(27)
	4,644,360	4,948,790
Less : Estimated costs of realisation	5,857	6,439
	4,638,503	4,942,351
TOTAL OTHER FINANCIAL ASSETS – INVESTMENTS	4,921,521	5,108,285

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

8. Financial instruments

Terms, conditions and accounting policies

The accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised financial instrument	Statement of financial position notes	Accounting policies	Terms and conditions
Financial Assets			
Cash assets		Cash assets are stated at net realisable values.	Cash assets are at call.
Receivables	6	Premiums receivable are recognised at nominal amounts due, less provisions for doubtful debts. There is a general provision for doubtful debts and a specific provision is raised for all debts owed by employers in receivership, liquidation or bankruptcy and any other debts in excess of \$100,000 where recovery is considered doubtful.	Employers whose basic tariff rate applied to estimated wages for the forthcoming year of cover results in a tariff premium exceeding \$3,000 may elect to pay the premium by 3 instalments. The full premium is payable by all other employers within one month of the issue of a premium demand by the licensed insurer.
Investments	7	Investments are valued at net market values at the reporting date. Derivative instruments are recognised at their date of acquisition and are marked to market. Since all permitted derivatives are traded on an organised exchange, market values may be readily verified to publicly available data sources.	
Financial Liabilities			
Bank overdraft	9	Bank overdrafts are carried at the principal amount.	These are mainly unrepresented cheques.
Other creditors	9	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Insurers' management fees and statutory levies are payable on dates specified.

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

8. Financial instruments (continued)

Interest rate risk

The Scheme has interest rate exposures from the holding of financial assets and liabilities in the normal course of business. The exposure to interest rate risk and the effective interest rates of financial assets and liabilities are summarised in the following tables:

	Note	Floating interest rate \$'000	Fixed Interest Rate Maturing In			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	1-5 years \$'000	Over 5 years \$'000		
2003							
Financial Assets							
Cash assets		24,312					24,312
Receivables	6		43,881			261,036	304,917
Investments	7	150,012	179,364	525,761	1,058,529	3,007,855	4,921,521
Weighted average effective interest rate (%)		4.6%	6.5%	4.5%	3.9%		
Financial Liabilities							
Bank overdraft	9					35,548	35,548
Other creditors	9					256,309	256,309
2002							
Financial Assets							
Cash assets		18,234					18,234
Receivables	6		36,202			301,172	337,374
Investments	7	94,459	107,468	583,767	1,190,691	3,131,900	5,108,285
Weighted average effective interest rate (%)		3.3%	7.6%	5.3%	4.3%		
Financial Liabilities							
Bank overdraft	9	166				50,702	50,868
Other creditors	9					194,641	194,641

In accordance with market practice financial instruments exposed to interest rate price risk have been grouped by periods to maturity.

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

8. Financial instruments (continued)

Investments

Cogent Investment Operations Pty Limited is the custodian of the statutory fund investments under a master custodian arrangement.

Market risk

WorkCover's master custodian continuously monitors physical and derivative positions and asset allocations to ensure that the investment managers operate within the set risk tolerance levels prescribed in WorkCover's 'Investment Objectives and Authorised Securities' mandate. The authorised mandate places restrictions on the use of derivatives by not allowing speculation, gearing or uncovered positions in derivatives and limiting the types of securities and derivatives used to ensure market depth and liquidity are maintained at all times.

Credit Risk

The credit risk on financial assets is generally the carrying amount, net of any provision for doubtful debt. The WorkCover Scheme Statutory Funds have no significant concentrations of credit risk. The investments in debt instruments (money market deposits, discount securities, fixed interest and indexed bonds) are made in accordance with WorkCover's 'Investment Objectives and Authorised Securities' mandate. These investments must satisfy strict minimum credit rating requirements for each debt instrument. The source of all credit ratings is the 'Standard and Poors Australian Ratings Survey'.

Net Fair Values

The financial assets and liabilities are carried at amounts that approximate net fair value.

Derivatives

Licensed insurers are permitted to deal in derivatives in accordance with specified rules. Derivatives may only be used as a hedging instrument or as a means of increasing exposure to a particular asset sector.

Licensed insurers may invest in derivatives as follows:

- a) Purchase or sale of futures on the Sydney Futures Exchange;
- b) Purchase or sale of put or call options on the Australian Stock Exchange or the Sydney Futures Exchange;
- c) Purchase of warrants over shares of companies listed on the Australian Stock Exchange, or sale of warrants already held.

Derivatives may only be based on the following underlying physicals:

- a) 90-day Bank Bills
- b) 3-year Treasury Bonds
- c) 10-year Treasury Bonds
- d) S&P/ASX 200 SPI
- e) Shares or units issued by a public company or unit trust which is included in the S&P/ASX 200 index.

The market value of derivatives held is shown in the table below. The market value represents the amount of unrealised gains and losses.

	2003 \$'000	2002 \$'000
Australian fixed interest futures	(275)	69
Australian bank bill futures	1	—
Australian options on bank bill futures	(3)	—
Australian share price index futures	(608)	(96)
Australian exchange traded options	67	(154)
	(818)	(181)

NOTES TO AND FORMING PART OF THE FINANCIAL

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FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

9. Payables

	2003 \$'000	2002 \$'000
Bank overdraft	35,548	50,868
Management fees payable	165,331	130,157
Statutory levies payable	28,442	16,878
Other creditors	62,536	47,606
	291,857	245,509

10. Outstanding claims

	2003 \$'000	2002 \$'000
a) Expected future gross claims payments (undiscounted)	11,274,826	11,225,000
Discount to present value	(3,315,628)	(3,289,000)
LIABILITY FOR OUTSTANDING CLAIMS	7,959,198	7,936,000
Current	1,957,638	2,076,000
Non-current	6,001,560	5,860,000
	7,959,198	7,936,000
b) Expected future recoveries (undiscounted)	462,233	355,000
Discount to present value	(40,195)	(53,000)
	422,038	302,000
c) Net outstanding claims	7,537,160	7,634,000

The overall outstanding claims liability of the scheme statutory funds is calculated using a range of recognised, aggregate actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. The consulting actuaries state in their certificate that whilst in their judgement, they have employed techniques and assumptions that are appropriate it should be recognised that future claim development is likely to deviate, perhaps materially, from their estimates. They state that the usual uncertainty associated with estimates of the liability for outstanding claims is magnified in this instance due to the implementation and consequent effects of a number of legislative changes over the life of the Scheme. They also state that while it will be a number of years for the full impact of all 2001 reforms to be known, the early indications of the impact are positive and the level of uncertainty associated with the outcome of these reforms has reduced compared to this time last year.

d) The following average inflation and discount rates were used in the measurement of outstanding claims:

	2003 %pa	2002 %pa
For the first succeeding year		
Inflation rate	3.75	3.5
Discount rate	4.44	5.3
For subsequent years		
Inflation rate	3.75	3.5
Discount rate	4.42-5.50	6.1

e) The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 5.4 years (2002: 4.5 years).

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

11. Licensed insurers

The insurers licensed to operate under the WorkCover Scheme Statutory Funds system during the year ended 30 June 2003 were as follows:

- Allianz Australia Workers' Compensation (NSW) Limited
- CGU Workers Compensation (NSW) Limited
- CGU Workers Compensation (NSW) (No 1) Pty Limited
(licensed to 30 June 2003)
- CGU Workers Compensation (NSW) (No 2) Pty Limited
(licensed to 30 June 2003)
- Employers' Mutual Indemnity (Workers Compensation) Limited
- GIO Workers Compensation (NSW) Limited
- QBE Workers Compensation (NSW) Limited
- Royal & Sun Alliance Workers Compensation (NSW) Limited
- Zurich Australian Workers Compensation Limited
(licensed to 31 December 2002)

During the year NRMA Workers' Compensation (NSW) Pty Limited changed its name to CGU Workers Compensation (NSW) (No 1) Pty Limited and then to A.C.N. 093 614 147 Pty Limited.

During the year NRMA Workers' Compensation (NSW) (No. 2) Pty Limited changed its name to CGU Workers Compensation (NSW) (No 2) Pty Limited and then to A.C.N. 003 151 120 Pty Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL

STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

NOTE 26 > WORKCOVER SCHEME STATUTORY FUNDS (CONTINUED)

12. Reconciliation of net cash used in operating activities to deficit from ordinary activities

	2003 \$'000	2002 \$'000
Deficit from ordinary activities	(180,673)	(45,213)
Decrease/(Increase) in operating assets		
Premiums receivable	(1,630)	(24,643)
Recoveries receivable	(120,038)	(8,000)
Interest and dividends receivable	(3,932)	(1,046)
Trade debtors and prepayments	2,005	(11,415)
(Decrease)/Increase in operating liabilities		
Provision for doubtful debts	(5,405)	(923)
Management fees payable	35,174	68,942
Statutory levies payable	11,564	5,020
Other creditors and accruals	3,326	3,275
Provision for outstanding claims	23,198	(695,000)
Unearned premiums provision	18,022	7,398
Realised loss/(gain) on sale of investments	45,323	(106,439)
Unrealised loss on investments	151,196	414,586
NET CASH (USED IN) OPERATING ACTIVITIES	(21,870)	(393,458)

13. Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2003 \$'000	2002 \$'000
Cash asset	24,312	18,234
Money market deposits	117,923	61,435
Bank and non-bank bills	93,134	76,141
Bank overdraft	(35,548)	(50,868)
	199,821	104,942

14. Contingent liabilities

There are no known material contingent liabilities not already reflected in the financial statements.

15. Events occurring after balance date

McKinsey and Company was asked to conduct a Scheme Design Review and provide recommendations to further improve the performance of the Scheme and reduce the Scheme deficit. McKinsey completed their review after 30 June 2003 and their report, released in September 2003, recommends significant changes to the operational arrangements of the Scheme and the way WorkCover manages providers in the Scheme.

The Government has accepted McKinsey's recommendations in principle. McKinsey has calculated that their recommendations, coupled with the savings and efficiencies of the 2001 reforms, can eliminate the Scheme deficit in five to ten years. The financial effect of McKinsey's recommendations has not been taken into account in the preparation of the WorkCover Scheme Financial Statements for 30 June 2003.

End of audited financial statements.

BUDGET

STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Budget 2002/03 \$m	Actual 2002/03 \$m	Budget 2003/04 \$m
Revenues			
Contributions	139.0	196.6	167.0
Investment revenue	14.6	7.2	8.6
Other revenues	46.0	17.9	38.0
TOTAL REVENUE	199.6	221.7	213.6
Expenses			
WorkCover Authority operations	140.9	153.7	162.9
Grants to other government agencies	53.0	40.4	45.4
Net claims incurred	23.6	42.6	31.2
Other expenses	2.2	6.1	2.1
TOTAL EXPENSES	219.7	242.8	241.6
OPERATING DEFICIT	(20.1)	(21.1)	(28.0)

2002/03

The 2002/03 budget targeted a deficiency of \$20.1m to reduce excess reserves and the actual result was a deficit of \$21.1m.

Net Claims Incurred exceeded budget because of revised actuarial estimates of outstanding workers compensation claims liabilities.

2003/04

A deficit of \$28.0m is budgeted for 2003/04. The level of net assets as at 30 June 2003 is considered to be more than adequate having regard to WorkCover's statutory levying powers and the nature of its major liabilities, outstanding compensation claims. Accordingly, a return of excess funds to contributing insurers is to occur through a budgeted deficit.



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APPENDIX 1 > LEGISLATION AND LEGAL CHANGE

PRINCIPAL LEGISLATION ADMINISTERED

Acts

Constitution of WorkCover

Workplace Injury Management and Workers Compensation Act 1998

Occupational Health and Safety

Occupational Health and Safety Act 2000

Dangerous Goods Act 1975

Rural Workers Accommodation Act 1969

Workers Compensation

Workplace Injury Management and Workers Compensation Act 1998

Workers Compensation Act 1987

Workers Compensation (Brucellosis) Act 1979

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers Compensation (Dust Diseases) Act 1942

Workmen's Compensation (Lead Poisoning – Broken Hill) Act 1922

Associated General Contractors Insurance Company Limited Act 1980

Bishopsgate Insurance Australia Limited Act 1983

The Standard Insurance Company Limited and Certain Other Insurance Companies Act 1963

Road and Rail Transport (Dangerous Goods) Act 1997
(jointly with the Environmental Protection Authority)

Other

Sporting Injuries Insurance Act 1978

Regulations

Occupational Health and Safety Act 2000

Occupational Health and Safety Regulation 2001

Occupational Health and Safety (Clothing Factory Registration) Regulation 2001

Dangerous Goods Act 1975

Dangerous Goods (General) Regulation 1999

Dangerous Goods (Gas Installations) Regulation 1998

Workplace Injury Management and Workers Compensation Act 1998 and Workers Compensation Act 1987

Workers Compensation (General) Regulation 1995

Workers Compensation (Insurance Premiums) Regulation 1995

Workers Compensation (Workplace Injury Management) Regulation 1995

Workers Compensation Transitional Regulation 1997

Workplace Injury Management and Workers Compensation Regulation 2002

Insurance Premiums Order 2002/2003

Interim Workers Compensation Commission Rules 2001

Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987

Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2002

Workers Compensation (Dust Diseases) Act 1942

Workers Compensation (Dust Diseases) Regulation 1998

Sporting Injuries Insurance Act 1978

Sporting Injuries Insurance Regulation 1999

Sporting Injuries Insurance Rule 1997

CHANGES TO ACTS

Workers Compensation Amendment (Terrorism Insurance Arrangements) Act 2002 No 123

This Act amends the *Workers Compensation Act 1987* to provide for a New South Wales workers compensation terrorism re-insurance scheme.

Assented to 16 December 2002.

Workers Compensation Legislation Amendment Act 2002 No 124

This Act amends the *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998* and *Occupational Health and Safety Act 2000* to provide:

- establishment of a single injury notification system
- a new definition of wages so employers calculate wages for workers compensation premiums similar to the payroll-tax provisions
- changes to cross border cover for workers so employers will only be required to obtain workers compensation coverage in the State to which the worker's employment is connected
- obligations on principal contractors to ensure that their subcontractors have taken out appropriate workers compensation coverage for their workers and have paid all associated workers compensation premiums
- grouping of related entities, including trusts, partnerships and corporations, similar to the payroll-tax provision
- protection from personal liability of approved medical specialists acting in good faith.

This Act also amends the *Sporting Injuries Insurance Act* to provide for insurance exemptions for sporting organisations that have adequate private insurance.

Assented to 16 December 2002.

Statute Law (Miscellaneous Provisions) Act 2002

This Act amended section 82 of the *Workers Compensation Act 1987* to make it clear that failure to publish the notice referred to in that section does not affect the relevant adjustment.

Assented to 4 July 2002.

Statute Law (Miscellaneous Provisions) Act (No 2) 2002

This Act amended section 108 of the *Occupational Health and Safety Act 2000* to enable regulations to prescribe different amounts of penalties for the same penalty notice offence under that Act (for example, according to whether the offender is a corporation or a natural person, or according to the circumstances in which the offence is committed).

Assented to 29 November 2002.

Workers Compensation Legislation Amendment Act 2003

This Act included various miscellaneous changes. In particular, it reinforced the powers of WorkCover inspectors to obtain information, documents and evidence, made minor changes to the administration of the Workers Compensation Commission, and strengthened the provisions in the *Workers Compensation (Dust Diseases) Act 1942*.

Assented to 2 July 2003.

Occupational Health and Safety Amendment (Dangerous Goods) Act 2003

Explosives Act 2003

These Acts provide a revised dangerous goods regulatory framework, implementing the National Standard for the Storage and Handling of Workplace Dangerous Goods, and aspects of the National Standard for Control of Major Hazard Facilities. Commencement to be advised.

Assented to 22 July 2003.

APPENDICES

2002/03

APPENDIX 1 > LEGISLATION AND LEGAL CHANGE (CONTINUED)

NEW ACTS

NEW REGULATIONS

Regulations made under the *Workplace Injury Management and Workers Compensation Act 1998*

Workplace Injury Management and Workers Compensation Regulation 2002

This Regulation replaces the Workers Compensation (Workplace Injury Management) Regulation 1995, which was repealed under the *Subordinate Legislation Act 1989*. This Regulation is in substantially the same terms as the repealed Regulation.

Commenced 1 September 2002.

CHANGES TO REGULATIONS

Regulation amendments made under the *Occupational Health & Safety Act 2000*

Occupational Health and Safety Amendment (Sentencing Guidelines) Regulation 2003

This is a transitional regulation to clarify that offences under the former *Occupational Health and Safety Act 1983* may be taken into account by the Full Bench of the Industrial Relations Commission in Court Session issuing sentencing guidelines for offences under the *Occupational Health and Safety Act 2000*.

Commenced 28 February 2003.

Regulation amendments made under the *Workers Compensation Act 1987* and *Workplace Injury Management and Workers Compensation Act 1998*

Interim Workers Compensation Commission Rules (Amendment No 1) 2002

These rules amend the Interim Workers Compensation Commission Rules 2001 to provide new procedures by the Workers Compensation Commission to order a party to proceedings to produce documents.

Commenced 19 August 2002.

Workers Compensation (General) Amendment (Latest Index Number) Regulation 2002

This Regulation amends the Workers Compensation (General) Regulation 1995 to update an index number that is used for the purposes of the indexation of benefits under the *Workers Compensation Act 1987*.

Commenced 27 September 2002.

Workers Compensation (General) Amendment (Meat Workers) Regulation 2003

This Regulation updates clause 11 of the Workers Compensation (General) Regulation 1995 which provides for the determination of the current weekly wage rates for the purposes of the weekly payments of compensation for certain injured meat industry workers.

Commenced 21 February 2003.

Workers Compensation (General) Amendment (Index Number) Regulation 2003

This Regulation amends the Workers Compensation (General) Regulation 1995 to update an index number used for indexation of benefits under the *Workers Compensation Act 1987*.

Commenced 28 February 2003.

Workers Compensation (General) Amendment (Transfer of Matters) Regulation 2003

This Regulation amends the Workers Compensation (General) Regulation 1995 to provide that a worker who has a claim for compensation pending in the Compensation Court may elect to transfer the claim to the Workers Compensation Commission. The Regulation also makes provision for matters consequential to such a transfer, including arrangements with the Compensation Court for transfer of court records and other documents and the calculation of costs in such transferred matters.

Commenced 28 February 2003.

Workers Compensation (General) Amendment (Costs in Compensation Matters) Regulation 2003

This Regulation amends the Workers Compensation (General) Regulation 1995 to provide for recovery of certain travelling and accommodation expenses incurred by legal practitioners attending proceedings before the Workers Compensation Commission, provides for some additional costs to be recoverable by legal practitioners or agents acting in a claim for workers compensation, and increases the amount of costs that are currently recoverable for some activities or events.

The Regulation also restricts the circumstances in which more than one medical report in a particular specialty may be admitted in proceedings in a claim for compensation.

Commenced 28 February 2003.

Workers Compensation (General) Amendment (Work Injury Advertising) Regulation 2003

This Regulation amends the Workers Compensation (General) Regulation 1995 to broaden the current advertising restrictions to prohibit a lawyer or agent from publishing or causing or permitting publication of an advertisement that makes any reference to or depicts work injuries, matters related to work injuries or legal services relating to the recovery of money for work injuries.

Commenced 23 May 2003.

Workers Compensation (General) Further Amendment (Costs in Compensation Matters) Regulation 2003

This Regulation re-inserts an item in the compensation costs table in the Workers Compensation (General) Regulation 1995 to provide for the recovery of costs incurred by legal practitioners in connection with certain arbitration hearings.

Commenced 28 May 2003.

Insurance Premiums Order 2003/2004

This Order fixes the manner in which such a premium is to be calculated in respect of policies of insurance that are to be or have been issued or renewed to take effect on or after 4 pm on 30 June 2003.

Commenced 30 June 2003.

APPENDICES

2002/03

APPENDIX 1 > LEGISLATION AND LEGAL CHANGE (CONTINUED)

CODES OF PRACTICE

The following codes have been adopted by WorkCover as Approved Industry Codes of Practice under section 43 of the *Occupational Health and Safety Act 2000*.

Building industry

Codes of practice:

- Tunnels under construction. Commenced 7 June 1991.
- Electrical practices for construction work. Commenced 1 February 1992.
- Façade retention. Commenced 1 May 1992.
- Mono-strand post-tensioning of concrete buildings. Commenced 1 August 1993.
- Safe work on roofs, Part 1, commercial and industrial buildings. Commenced 1 November 1993.
- Construction and testing of concrete pumps. Commenced 1 March 1994.
- Pumping concrete. Commenced 1 March 1994.
- Overhead protective structures. Commenced 20 March 1995.
- Safety line systems. Commenced 19 June 1995.
- Safe work on roofs, Part 2, residential buildings. Commenced 1 March 1997.
- Cutting and drilling concrete and other masonry products. Commenced 1 March 1997.
- Amenities for construction. Commenced 1 March 1997.
- Formwork. Commenced 22 June 1998.

- Occupational health and safety induction training for construction work. Commenced 1 April 1999.
- Excavation work. Commenced 31 March 2000.
- Low voltage electrical work. Commenced 1 January 2002.

Hazardous substances

Codes of practice:

- Safe use of vinyl chloride. Commenced 1 November 1991.
- Safe use of synthetic mineral fibres. Commenced 1 June 1993.
- Safe handling and storage of enzymatic detergent powders and liquids. Commenced 4 April 1994.
- Control hazardous substances in the workplace. Commenced 12 July 1996.
- Preparation of material safety data sheets. Commenced 12 July 1996.
- Labelling of workplace substances. Commenced 12 July 1996.
- Safe use and storage of chemicals (including pesticides and herbicides) in agriculture. Commenced 1 September 1998.
- Safe use of pesticides (including herbicides) in non-agricultural workplaces. Commenced 1 September 1998.

Workplaces

Codes of practice:

- Compactors. Commenced 15 February 1991.
- Manual handling. Commenced 1 September 1991.
- Workplace injury and disease recording. Commenced 1 November 1991.
- Prevention of occupational overuse syndrome. Commenced 2 March 1996.
- Health care workers and other people at risk of the transmission of human immunodeficiency virus and other blood-borne pathogens in the workplace. Commenced 10 March 1996.
- Noise management and protection of hearing at work. Commenced 31 May 1997.
- Occupational health and safety consultation. Commenced 7 September 2001.
- Risk assessment. Commenced 21 September 2001.
- Workplace amenities. Commenced 21 September 2001.
- Technical guidance (various Australian Standards). Commenced 21 September 2001.
- Working in hot and cold environments. Commenced 21 September 2001.
- Cash in transit. Commenced 9 March 2003.

Timber industry

Codes of practice:

- Safe handling of timber preservatives and treated timber. Commenced 1 November 1991.
- Snigging logs. Commenced 1 February 1994. Repealed 1 January 2003.
- Loading, unloading and securing of logs to log haulage vehicles. Commenced 16 January 1995. Repealed 1 January 2003.
- Sawmilling industry. Commenced 1 July 1997.
- Amenity tree industry. Commenced 8 August 1998.
- Safety in forest harvesting operations. Commenced 1 January 2003.

Rural industry

Code of practice:

- Safety aspects in the design, manufacture and installation of on-farm silos and field bins. Commenced 1 August 1992.

Code published by WorkCover in conjunction with the wine industry

Wine industry code of practice for workplace health and safety.
Published January 1999.

APPENDICES

2002/03

APPENDIX 2 > PERFORMANCE STATEMENTS

Name	Kate McKenzie
Position and level	General Manager, SES Level 7
Total remuneration package	\$336,000
Performance pay	Nil
Period in position	1 August 2000 – 4 April 2003

Kate McKenzie commenced with the WorkCover Authority on 1 August 2000. Ms McKenzie was General Manager until 4 April 2003 and successfully led development and implementation of the corporate plan. The following initiatives have been developed and/or implemented as part of the corporate plan:

- a comprehensive review of the underwriting and financial governance structure of the WorkCover Managed Fund Insurance Scheme
- modernisation of the dangerous goods legislation
- a more proactive approach to the management of common law tail claims
- the 2001 workers compensation reforms
- a new notification system to simplify the reporting process
- increasing employer compliance with workers compensation legislation
- assisting workplaces implement the new *Occupational Health and Safety Act 2000* and Regulations
- continued implementation of the insurer remuneration package
- apply the learning from the 2001 injury management pilots to the broader scheme
- improve health professional services

- a strategic plan for WorkCover's internal occupational health and safety
- an effective external communication strategy across the whole of WorkCover
- increased capability for reporting on the performance of the Scheme
- improved internal communication
- a strategic approach to organisation and business process improvement
- move head office to Gosford
- develop a strategic capacity across WorkCover for policy and legislative analysis and review.

Ms McKenzie has continued to provide strategic and operational advice to the Minister, the Board and the Workers Compensation and Workplace Occupational Health and Safety Council of NSW.

A successful workplace safety summit was held in July 2002 with key stakeholders and critical emerging issues were identified and a number of recommendations for addressing these issues were approved by the Government. A three-year plan for the implementation of the approved recommendations has been developed and a number of these have been carried out successfully.

Since 4 April 2003, Rob Seljak, Assistant General Manager, Occupational Health and Safety Division, has acted in the role of General Manager, providing the strategic direction for the organisation. Mr Seljak has performed this role effectively by continuing to achieve the targets established for the organisation.

The Hon John Della Bosca MLC
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Assistant Treasurer
Minister for the Central Coast

Name	Rod McInnes
Position and level	Assistant General Manager, Insurance Division SES Level 5
Total remuneration package	\$210,000
Performance pay	Nil
Period in position	28 March 1998 – 30 June 2003

Rod McInnes has pro-actively provided strategic and operational advice to the General Manager on workers compensation and injury management related issues.

Mr McInnes has led his managers with responsibility for particular internal control processes to use these controls to achieve their objectives and use the resources of WorkCover efficiently.

Mr McInnes reports to the General Manager and the executive on aspects of organisational performance and operational and financial risk areas. Mr McInnes led the following strategic initiatives:

- implementation of the 2001 workers compensation reforms
- development and implementation of new proposals for improved employer compliance with the workers compensation legislation
- improved health professional services
- recognition of successful participants in the Premium Discount Scheme
- improvements to insurer performance against service standards, process targets, Scheme objectives and stakeholder satisfaction
- improvements to compliance monitoring techniques to detect under-insurance, non-insurance and fraud
- review of Workers Compensation Scheme design.

Mr McInnes continues to provide prompt, high quality, strategic advice and information to the Minister, the Board and the Workers Compensation and Workplace Occupational Health and Safety Council of NSW.

Rob Seljak
Acting General Manager

APPENDICES

2002/03

APPENDIX 2 > PERFORMANCE STATEMENTS (CONTINUED)

Name	Rob Seljak
Position and level	Assistant General Manager, Occupational Health and Safety Division <i>Acting General Manager since 4 April 2003</i> SES Level 5
Total remuneration package	\$210,000
Performance pay	Nil
Period in position	13 January 2003 – 30 June 2003

Rob Seljak joined WorkCover in January 2003 and has continued to champion the implementation of the *Occupational Health and Safety Act 2000* and Regulation across workplaces. Mr Seljak has been actively engaged with stakeholders, providing leadership to the broader occupational health community.

Mr Seljak represents WorkCover at key State and national occupational health forums, providing a significant contribution to the coordination of jurisdictional efforts. Mr Seljak has also led the development and/or implementation of the following strategic initiatives:

- a modernised dangerous goods legislation
- a whole of WorkCover external communication strategy
- a strategic approach to organisation and business process improvement in the Occupational Health and Safety Division and across WorkCover
- *NSW Workplace Safety Summit* recommendations
- internal communication.

Mr Seljak has provided prompt advice to the Minister, the Board and the Workers Compensation and Workplace Occupational Health and Safety Council of NSW and has actively raised the profile of emerging occupational health and safety issues.

Since 4 April 2003, Mr Seljak has acted as General Manager for WorkCover, providing leadership and direction to the organisation and continuing to achieve the targets established in the corporate plan.

The Hon John Della Bosca MLC
Special Minister of State
Minister for Commerce
Minister for Industrial Relations
Assistant Treasurer
Minister for the Central Coast

APPENDIX 3 > VALUE OF RECREATION AND LONG SERVICE LEAVE AT 30 JUNE 2003

	2003 \$'000	2002 \$'000
Current		
Recreation leave	5,293	5,593
Extended leave	3,505	3,413
TOTAL	8,798	9,006
Non-current		
Extended leave	8,133	9,761
TOTAL	16,931	18,767

2002/03

APPENDIX 4 > SIGNIFICANT INTER-DEPARTMENTAL COMMITTEES

Representation on significant inter-departmental committees	
Chief Executive Officers' Committee	Acting General Manager: Rob Seljak
CEO eGovernment Committee	Acting General Manager: Rob Seljak
Government Agencies Road Safety Council	Acting General Manager: Rob Seljak
Heads of Workplace Safety and Compensation Authorities	Acting General Manager: Rob Seljak
National Occupational Health and Safety Commission	Former General Manager: Kate McKenzie (pending appointment of General Manager position)
Department of Workplace Relations Advisory Council	Acting General Manager: Rob Seljak
Coordinating Committee for WorkCover Guides for the Evaluation of Permanent Impairment	Acting General Manager: Rob Seljak (Chairperson)

APPENDIX 5 > SIGNIFICANT ORGANISATIONS WITH A DEPARTMENTAL REPRESENTATIVE

SIGNIFICANT STATUTORY ORGANISATIONS WITH A DEPARTMENTAL REPRESENTATIVE

Workers Compensation and Workplace Occupational Health and Safety Council of NSW Chairperson, Greg McCarthy (Ministerial appointment)

The Workers Compensation and Workplace Occupational Health and Safety Council is established under the *Workplace Injury Management and Workers Compensation Act 1998*. Its key function is to give advice to the Minister on a systemic approach to the prevention of workplace injury, injury management and return to work, and workers compensation issues. It consists of representatives of workers and employers, medical and legal practitioners, insurers, and injury management, rehabilitation and occupational health and safety experts.

Dust Diseases Board

Acting General Manager, Rob Seljak

The Dust Diseases Board is a statutory authority established under the *Workers Compensation (Dust Diseases) Act 1942* to examine, hear and determine all matters and questions arising out of a claim for compensation for workers and their dependants where the worker suffers death or disability from dust diseases including asbestosis, silicosis and mesothelioma.

The Dust Diseases Board produces its own annual report.

Sporting Injuries Committee

Acting General Manager, Rob Seljak (Chairperson)

Executive Officer, Insurance Division, Ian Eather (Alternate Chairperson)

The Sporting Injuries Committee is an organisation established under the *Sporting Injuries Act 1978* that manages and administers the insurance schemes that provide cover for registered sporting organisations, students engaged in organised school sport and participants of NSW Department of Sport and Recreation activities. The Committee operates a grants scheme and a safety award scheme to help improve levels of safety in sport in NSW.

The Sporting Injuries Committee produces its own annual report.

APPENDICES

2002/03

APPENDIX 6 > SIGNIFICANT DEPARTMENTAL COMMITTEES

REPRESENTATION ON SIGNIFICANT DEPARTMENTAL COMMITTEES

Three executive committees and an internal board operated in the reporting period.

Human Resources and Administration Executive Committee

Acting General Manager: Rob Seljak
 Assistant General Manager, Corporate Governance Division: Philip Reed
 Assistant General Manager, Insurance Division: Rod McInnes
 Acting Assistant General Manager, OHS Division: John Watson
 Director, Human Resources Branch: Moira Heath
 Acting Director, Office of the General Manager: Murray McLachlan

Performance and Budget Executive Committee

Acting General Manager: Rob Seljak
 Assistant General Manager, Corporate Governance Division: Philip Reed
 Assistant General Manager, Insurance Division: Rod McInnes
 Acting Assistant General Manager, OHS Division: John Watson
 Director, Finance Branch: Peter Burrows
 Acting Director, Office of the General Manager: Murray McLachlan
 Director, Strategy and Policy Group: Narelle Caldwell
 Director, Information Management Branch: Peter Hole

Strategy and Policy Executive Committee

Acting General Manager: Rob Seljak
 Assistant General Manager, Corporate Governance Division: Philip Reed
 Assistant General Manager, Insurance Division: Rod McInnes
 Acting Assistant General Manager, OHS Division: John Watson
 Director, Strategy and Policy Group: Narelle Caldwell
 Acting Director, Office of the General Manager: Murray McLachlan
 Director, Communications Group: Cassie Welsh
 Director, Legal Services Branch: Bernadette Grant
 Acting Director, Strategic Operations Group: Peter Dunphy
 Acting Director, Services Delivery Group: Tony Robinson
 Director, Insurance Service Delivery Group: Siew Kiang
 Director, Insurance Strategic Management Group: Peter Marshall
 Director, Finance Branch: Peter Burrows
 Director, Information Management Branch: Peter Hole
 Director, Knowledge Management: Doug Jorgenson
 Director, Human Resources Branch: Moira Heath

Information Management and Technology Board

Acting General Manager: Rob Seljak
 Assistant General Manager, Corporate Governance Division: Philip Reed
 Assistant General Manager, Insurance Division: Rod McInnes
 Acting Assistant General Manager, OHS Division: John Watson
 Director, Information Management Branch: Peter Hole
 Director, Knowledge Management: Doug Jorgenson
 Acting Director, Office of the General Manager: Murray McLachlan
 Acting Director, Strategic Operations Group: Peter Dunphy

Acting Director, Services Delivery Group: Tony Robinson
 Director, Insurance Service Delivery Group: Siew Kiang
 Director, Insurance Strategic Management Group: Peter Marshall
 Director, Finance Branch: Peter Burrows
 John Leek, independent member: external
 Trevor Stacey, independent member: government agency

Occupational Health and Safety committees

Committees operated in WorkCover in the following locations:

- Gosford Head Office
- Elizabeth and Kent Streets offices – Sydney
- Parramatta
- Country South – Wollongong
- Country North – Newcastle
- TestSafe – Londonderry
- Workers Compensation Commission of NSW – Sydney

The committees carry out regular occupational health and safety workplace inspections and audits to eliminate health and safety risks and to create a safer working environment. The Occupational Health and Safety committees are posted on the WorkCover intranet site.

Regular meetings are held in line with regulatory requirements, with teleconferencing now being used by the two country teams to facilitate a more efficient system of consultation.

APPENDIX 7 > SIGNIFICANT COMMITTEES ESTABLISHED IN 2002/03

There were no significant departmental committees established in the reporting period.

APPENDIX 8 > SIGNIFICANT COMMITTEES ABOLISHED IN 2002/03

There were no significant departmental committees abolished in the reporting period.

APPENDICES

2002/03

APPENDIX 9 > FREEDOM OF INFORMATION

FREEDOM OF INFORMATION STATISTICS

A total of 698 applications for access to documents were processed under the terms of the *Freedom of Information Act*.

A total of 37 were non-personal, 210 requests were refused and no requests were deferred. A total of 213 requests were granted in full. No Ministerial Certificates were issued, 231 formal consultations were conducted and no personal records were amended.

The range and nature of the requests received were relatively constant and established procedures were appropriate for the effective assessment of the applications. Management continued to stress the importance of documenting the reasons for decisions and the need to meet statutory deadlines.

Number of new requests

FOI requests	Personal		Other		Total	
	2002/ 2003	2001/ 2002	2002/ 2003	2001/ 2002	2002/ 2003	2001/ 2002
New (including transferred in)	663	894	37	100	700	994
Brought forward	27	137	0	18	27	155
Total to be processed	690	1,031	37	118	727	1,149
Completed	649	997	37	118	686	1,115
Transferred out	0	0	0	0	0	0
Withdrawn	12	7	0	0	12	7
Total processed	661	1,004	37	118	698	1,122
Unfinished	29	27	0	0	29	27

What happened to completed requests

Result of FOI requests	Personal	Other
Granted in full	203	10
Granted in part	243	20
Refused	203	7
Deferred	0	0
Completed	649	37

Ministerial Certificates – number issued during the period

No Ministerial Certificates were issued during 2002/03.

Formal consultations

	Issued	Total
Number of requests requiring formal consultations	26	231

Amendment of personal records

No requests were received.

Notation of personal records

No requests were received.

FOI requests granted in part or refused

Basis of disallowing or restricting access	Personal	Other
Application incomplete/wrongly directed	0	0
Deposit not paid	0	0
Diversion of resources	1	1
Exempt	239	21
Otherwise available	0	1
Documents not held	201	3
Deemed refused – over 21 days	5	1
Released to medical practitioner	0	0
TOTAL	446	27

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APPENDIX 9 > FREEDOM OF INFORMATION (CONTINUED)

Costs and fees of requests processed during period

	Assessed costs	FOI fees received
All completed requests	\$811.00	\$21,163.00

Discounts allowed

Type of discount allowed	Personal	Other
Public interest	0	1
Financial hardship – pensioner/child	12	1
Financial hardship – non-profit organisation	0	0
TOTAL	12	2
Significant correction of personal records	0	0

Days to process

Elapsed time	Personal	Other
0-21 days	488	14
22-35 days	109	10
Over 35 days	52	13
TOTAL	649	37

Processing time

Processing hours	Personal	Other
0-10 hours	473	25
11-20 hours	170	12
21-40 hours	4	0
Over 40 hours	2	0
TOTAL	649	37

Reviews and appeals

Number of internal reviews finalised	8
Number of Ombudsman reviews finalised	0
Number of District Court (Administrative Decisions Tribunal) appeals finalised	0 ¹

¹ Two matters are currently outstanding at the Administrative Decisions Tribunal.

Basis of internal review	Personal		Other	
	Upheld	Varied	Upheld	Varied
Access refused	0	0	0	0
Access deferred	0	0	0	0
Exempt matter	0	1	1	0
Unreasonable charges	0	0	0	0
Charge unreasonably incurred	0	0	0	0
Amendment refused	0	0	0	0
TOTAL	0	1	1	0

During 2002/03, Freedom of Information procedures had no significant impact on WorkCover's administration and no major FOI compliance issues or problems arose.

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APPENDIX 10 > PRIVACY MANAGEMENT

WorkCover's Privacy Management Plan outlines the organisation's policies and practices with respect to the management of personal information. The plan can be accessed on WorkCover's website www.workcover.nsw.gov.au

During 2002/03, WorkCover introduced training for supervisors in the requirements of the *Privacy and Personal Information Protection Act 1998* as part of its supervisor's legal requirements awareness programs. WorkCover also developed an agency-specific online training program for all WorkCover staff.

During 2002/03, no reviews were conducted by, or on behalf of, WorkCover under Part 5 of the *Privacy and Personal Information Protection Act 1998*.

APPENDIX 11 > CODE OF CONDUCT

There were no changes to the code of conduct during 2002/03. Copies of the code of conduct are issued with letters of offer to prospective employees. The code is discussed with new staff members on their first day of employment, and agreement of the code of conduct is gained. Copies of the code of conduct are available from the department.

APPENDIX 12 > GUARANTEE OF SERVICE

WorkCover is committed to providing high quality, efficient service to the employers, employees and community of New South Wales. WorkCover is also committed to providing effective service. We do this through listening to clients so that services can be shaped to meet their needs.

While working to meet our clients' needs, WorkCover has a responsibility to the community to minimise costs. With this in mind, we endeavour to be fair and equitable in the provision of services.

STANDARD OF SERVICE

WorkCover is also committed to the continual improvement of services to help assess our progress, and it is important that clients know the standards of service we aim to achieve. The standards of service that all WorkCover personnel work towards include:

- delivering services efficiently, and in a courteous manner
- giving authoritative and up-to-date information and advice
- answering telephone enquiries immediately, whenever possible. If this is not possible, the enquiry is recorded and a WorkCover officer makes contact within two working days
- responding to written requests for information, including publications, within 10 working days of receipt
- conducting investigations of occupational health and safety problems at places of work according to need, with situations of greatest risk of injury given highest priority
- conducting impartially all disputes resolution and appeal matters, according to defined policies and relevant legislation.

APPENDIX 13 > PUBLICATIONS

WorkCover publishes a variety of printed material to assist employers and employees meet their responsibilities in the areas of workplace safety, injury management and workers compensation.

These include guides, fact sheets, codes of practice, forms, posters and general information.

WorkCover works with industry, the workforce and insurers to:

- promote a culture of safety through public awareness programs, education and other community activities
- improve the performance of the workplace safety, injury management, and workers compensation systems.

2002/03 WorkCover publications list

- Back at Work – Information for Workers
- Benefits Guide – October 2002, April 2003
- Chiropractors' Guide to WorkCover NSW
- Code of Practice – Cash in Transit
- Code of Practice – Safety in Forest Harvesting Operations
- Compliance Strategy brochure
- Construction Induction Training Kit
- Functional Assessment – Application for Approval to Provide Occupational Rehabilitation Services (OR 02)
- Guidelines for Certificate Assessors
- Guidelines for Employers' Return to Work Programs
- Health and Safety for Artificial Climbing Structures and Operations
- Health and Safety at Work – Shearing Guide 2002
- Industry Reference Group Fact Sheet
- Introduction to Return-to-Work Coordination – Trainers' and Participants' Packages
- Laboratory Services Unit Introduction brochure
- Laboratory Services Unit Handbook
- Lead Risk Work – Guidelines for Notification
- Management of Work-related Acute Low Back Pain Clinical Guidelines for General Practitioners
- Managing the Risk of Robbery and Violence in Bottle Shops – Fact Sheet
- Managing the Risk of Robbery and Violence in Convenience Stores and Newsagencies – Fact Sheet
- Managing the Risk of Robbery and Violence in Pharmacies – Fact Sheet
- Managing the Risk of Robbery and Violence in Service Stations – Fact Sheet
- Managing the Risk of Robbery and Violence in Supermarkets and Department Stores – Fact Sheet
- Managing Stress – Information for Line Managers and Supervisors
- OHS in Hospitality – Supervisors Training Manual
- OHS Induction for Employees Manual
- OHS Trainers Accreditation Manual

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APPENDIX 13 > PUBLICATIONS (CONTINUED)

- Osteopaths' Guide to WorkCover NSW
- Outline of the NSW Workers Compensation Premium Scheme 2002/2003
- Paralympian Sponsorship Program 2002/2003
- Physiotherapists' Guide to WorkCover NSW
- Pregnancy and Work Guide
- Providers with WorkCover NSW
- Regulatory Impact Statement – Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2002
- Regulatory Impact Statement – Workers Compensation (Workplace Injury Management) Regulation 2002
- Review of Employers Compliance with Workers Compensation Premiums and Payroll Tax in NSW
- Robbery and Violence in the Retail Industry Guide
- Safety is Everyone's Responsibility video
- Small Business Assistance Strategy brochure
- Starting Work? Know your legal rights brochure
- Statistical Bulletin
- The New WorkCover Scheme brochure
- Vocational Assessment and Counselling – Application for Approval to Provide Occupational Rehabilitation Services (OR 07)
- Wages Definition Manual
- Work Hardening/Conditioning – Functional Restoration and Pain Management Programs
- Work Involving Use of Carcinogenic Substances – Guidelines for Notification
- WorkCover Accident Prevention Safety poster
- WorkCover Accredited Trainers Contact Details
- WorkCover Annual Report 2001/02
- Workers Compensation Changes – What You Need to Know
- WorkCover Guides for the Evaluation of Permanent Impairment
- WorkCover News Editions 50, 51, 52, 53
- WorkCover Trainer newsletter
- Workers Compensation – Legislative Changes 2002
- Workplace Assessment – Application for Approval to Provide Occupational Rehabilitation Services (OR 03)
- Workplace Stress – Information for Workers
- Your Guide to Rural Safety
- Your Guide to Working with Asbestos
- Your Guide to WorkCover brochure

APPENDIX 14 > RESPONSE TO SIGNIFICANT MATTERS RAISED IN THE OUTGOING AUDIT REPORTS

During 2002/03 The Audit Office and Internal Audit Bureau conducted audits in accordance with client service and internal audit plans. Recommendations for improvement to operational and financial processes were made and positively responded to by management. No significant matters were raised by audit.

APPENDIX 15 > ACCOUNT PAYMENT PERFORMANCE

Amounts outstanding to suppliers at the end of each quarter of the year were:

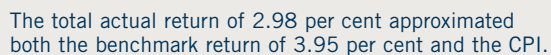
2002/03	September Quarter	December Quarter	March Quarter	June Quarter
Current	\$175,703	\$1,356,666	\$593,743	\$1,578,913
<30 days overdue	\$0	\$58,046	\$57	(\$612)
>30 days and <60 days overdue	\$686	(\$146,875)	\$13,725	(\$2,548)
>60 days and <90 days overdue	(\$2,246)	\$71,243	\$0	\$40,047
90 days and over	(\$302)	\$4,634	(\$91,741)	(\$78,578)
Total value of accounts paid on time	\$12,050,768	\$16,081,721	\$15,426,962	\$16,673,750
Percentage paid on time	90%	97%	90%	95%
TOTAL VALUE OF ACCOUNTS PAID	\$13,335,959	\$16,635,055	\$17,125,427	\$17,638,336

During 2002/03, WorkCover paid \$64.7 million in accounts of which \$60.2 million or 93 per cent were paid on time.

The performance target is a minimum of 90 per cent paid on time.

2002/03

Investments (including funds in money market facilities) of the WorkCover Authority as at 30 June 2003 totalled \$227 million (\$263 million – 2002). On 30 June 2003, funds were invested in the following investment categories.



APPENDIX 17 > RISK MANAGEMENT

During 2002/03 a risk management plan was prepared in accordance with the principles contained within the Australian and New Zealand Risk Management Standard.

The plan identified major business risks, such as:

- non-achievement of planned results
- below standard service delivery
- disruption to business
- adverse WorkCover Scheme viability.

The risk plan documented management's evaluation of the controls in place to mitigate those risks. Those controls that required improvement were incorporated in risk treatment schedules.

Priority action taken by WorkCover during 2002/03 to improve its corporate planning cycle, the measurement of performance and the development of a people plan were important to the management of risks associated with the achievement of results and the contribution of staff.

The relocation of WorkCover's head office to Gosford during the year represented a substantial risk to business continuity, service delivery and continuity in staffing. Planning well in advance of the relocation and project management of the move proved to be very effective mitigation measures as service continued uninterrupted at the time of the move in October 2002.

The implementation of initiatives to improve the performance of the WorkCover Scheme were also priorities in 2002/03 and included support of the McKinsey and Company review to identify continuing improvements to the Scheme's design.

The internal audit plan and insurance program were implemented on schedule throughout and effectively supplemented strategies to mitigate corporate business risks. A risk assessment review is proposed for 2003/04 and will be undertaken by WorkCover's internal auditors, The Internal Audit Bureau. The aim will be to confirm the integrity of the risk management plan and devise a strategic internal audit plan for forward years.

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APPENDIX 18 > LIABILITY MANAGEMENT PERFORMANCE

Reporting period	2002/03	2001/02	2000/01
Workers Compensation			
Employees	840	793	739
Number of claims	44	53	51
Number of claims per employee	0.052	0.067	0.069
Total cost of claims	\$133,221.00	\$326,717.00	\$2,364,207.00
Average claim cost	\$3,027.75	\$6,164.47	\$46,357.00
Average cost per employee	\$158.60	\$412.00	\$3,199.20
Motor vehicles			
Vehicles	331	328	326
Number of claims	82	103	107
Number of claims per vehicle	0.25	0.31	0.33
Total cost of claims	\$167,676.56	\$192,519.22	\$220,639.77
Average cost per claim	\$2,044.84	\$1,869.11	\$2,062.05
Average cost per vehicle	\$506.57	\$586.94	\$676.81
Property			
Number of claims	20	14	1
Number of claims per employee	0.024	0.018	0.001
Total cost of claims	\$156,578.00	\$57,709.00	\$885.00
Average cost per claim	\$7,829.00	\$4,122.07	\$885.00
Average cost per employee	\$186.40	\$72.77	\$1.20
Liability			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil
Miscellaneous			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil

The WorkCover Authority also has outstanding workers compensation claims liabilities that arise under the Uninsured Liability and Indemnity Scheme, the Insurers' Guarantee Fund, the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds. These liabilities are assessed by actuaries and for the last three years were:

Year	Uninsured Liability and Indemnity Scheme	Insurers' Guarantee Fund	Bush Fire Fighters Compensation Fund	Emergency and Rescue Workers Compensation Fund
	\$m	\$m	\$m	\$m
2002/03	119.8	106.3	11.1	13.3
2001/02	97.4	107.2	10.7	12.1
2000/01	92.6	109.7	10.7	9.7

Funding of the largest liabilities is by insurers' contributions and details of all liabilities are reported in the financial statements each year. The WorkCover Authority does not have any borrowings.

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APPENDIX 19 > MAJOR ASSETS/LAND – DISPOSALS AND AQUISITIONS

Disposals Location	Item	2003 \$'000
		Nil

Aquisitions Location	Item	2003 \$'000
WorkCover Authority	Leasehold improvements – Gosford Head Office	12,343
WorkCover Authority	Workplace services management computer system	2,022
Workers Compensation Commission	Leasehold improvements – Sydney premises	1,395
TOTAL		15,760

APPENDIX 20 > MAJOR ASSETS OTHER THAN LAND HOLDINGS

Assets	2003 Fair value \$'000
Buildings	6,252
Leasehold improvements	18,140
Office machines and equipment	2,651
Furniture and fittings	463
Computer hardware and software	30,912
Scientific and technical equipment	6,311
TOTAL	64,729

APPENDIX 21 > WORKS IN PROGRESS

Major computer hardware and software projects	Total cost 30/6/2003 \$m	Cost overrun \$m	Estimated date of completion	Reason for significant delay	Asset/WIP
Desktop and laptop upgrade	5.4	0.0	Complete	Additional enhancement implemented	Asset
Communications system upgrade	4.2	0.0	Complete		Asset
Workers Compensation Commission	4.2	0.2	Complete		Asset
Workplace services management system	3.9	0.1	November 2003	Additional business requirements identified	Work in progress
Licensing	2.7	0.0	July 2003		Work in progress
Accessible information data warehouse	2.6	0.0	June 2004		Work in progress
Legacy systems consolidation and integration	2.6	0.0	December 2003		Work in progress
Electronic commerce project	2.6	0.0	September 2003		Work in progress
Data centre upgrade	2.3	0.0	June 2004		Work in progress
Legislative reform initiatives	1.1	0.0	Complete		Asset
Records management project	1.0	0.0	Complete		Asset
TOTAL	32.6	0.3			

APPENDIX 22 > PRICE DETERMINATION METHOD

The Authority is funded from statutory contributions by licensed insurers and self-insurers, based on their premium income and deemed premiums respectively. The amount of contributions is determined annually by the WorkCover Board of Directors, based on estimates of the total of the amounts to be paid from the WorkCover Authority Fund as well as those amounts that are to be set aside as provisions to meet expenditure in later years. Estimates include allowances for CPI increases and productivity savings contained in current salary awards.

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CONSULTANTS EQUAL TO OR MORE THAN \$30,000

Consultant	Cost \$	Purpose
Management services		
Charter Wilson & Associates	91,327	Integrated complaints handling project advice
Frontier Economics Pty Ltd	77,032	Occupational Health and Safety Regulation review
Health and Safety Matters	40,300	Research and recommendations regarding manual handling methods in the seafood industry
Organisational review		
McKinsey Pacific Rim Inc	6,546,630	NSW Workers Compensation Scheme redesign
NSW Department of Public Works and Services	61,605	Gosford file storage review
Birks Engineering Services	30,590	Assistance with rework of TestSafe jobs
TOTAL CONSULTANCIES MORE THAN \$30,000	6,847,484	

During 2002/03, a total of 30 other consultancies were engaged in the following areas.

Consultant	Cost \$
Finance and accounting/tax	40,925
Information technology	17,050
Legal	12,078
Management services	105,488
Organisational review	112,833
Training	11,631
TOTAL CONSULTANCIES LESS THAN \$30,000	300,005

APPENDIX 24 > OVERSEAS VISITS

Person travelling	Date	Purpose	Amount \$
Dr Robert Kenyon* Snr Specialist Occupational Physician	August/September 2002	Travel to Paris, Brussels, Barcelona and Budapest to attend meetings and conferences relevant to WorkCover and Dr Kenyon's role	22,119
Gordana Manojlovic Head of High Current Unit, TestSafe Australia	September 2002	Travel to Germany and Brussels to attend and participate in the international meeting of Electrical Standards	8,310
Peter Marshall Director, Insurance Strategic Management Group	October/November 2002	To attend the Dept of Workplace Relations Advisory Committee (DOWRAC) working party meeting in Wellington New Zealand and present the NSW jurisdiction's position on relevant workers compensation issues	2,362
Daren McDonald Principal Policy Officer, Strategy and Policy State and National Policy Unit	October/November 2002	To attend the Dept of Workplace Relations Advisory Committee (DOWRAC) working party meeting in Wellington New Zealand as a NSW representative and speaker	2,035
Dr Robert Kenyon* Snr Specialist Occupational Physician	February/March 2003	Travel to Brazil and USA to attend International Conference on Occupational Health (Brazil), Conference relating to Infectious Diseases in Adult Medicine (Florida, USA) and Meeting of the Society of Toxicology (Utah, USA)	18,490
Sergio Morson Dept Professional Officer, OHS Compliance Coordination Team	April 2003	To attend the International Chief Inspector of Explosives Conference in Namibia; also provided a brief impromptu summary to the Conference of the Australian position with respect to explosives' security during transport	4,435
Jim Munro Director, TestSafe Australia	April/May 2003	Travel to UK, Europe, Finland and Croatia to attend the international meeting on electrical standards and the assessment of laboratories for IECEx including the presentation of a paper at the seminar; was chairperson and or convenor for four of the IEC meetings attended	16,142
Ajay Maira Head of Low Current Unit, TestSafe Australia	May 2003	Travel to UK and Europe to attend the international meeting on electrical standards; was convenor for one, and Australian representative for another, of the IEC meetings attended	6,279
Dr Kelvin Wooller* Snr Specialist Occupational Physician	May 2003	To attend the 2003 American Occupational Health Conference in Atlanta, USA and present a pre-conference lecture with the American College of Occupational and Environmental Medicine	10,788
TOTAL			90,960

*Award entitlements

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APPENDIX 25 > FUNDS GRANTED TO NON-GOVERNMENT COMMUNITY ORGANISATIONS

Organisation	Amount	Project brief
Housing Industry Association	\$95,840	HIA's <i>Housing Safety On-site</i> project aimed to notify the thousands of small housing businesses which were affected by changes to occupational health and safety and workers compensation legislation. This project received funding through the 2002 non-government organisation grants.
Textile Clothing & Footwear Union of Australia	\$127,057	<p>These eight organisations are 'Safety Summit Preferred Service Providers'. A preferred service provider is an organisation assessed to be in a strategically optimal position (within the labour marketplace) to deliver key Workplace Safety Summit recommendations. Key indicators used to identify the preferred service provider are:</p> <ul style="list-style-type: none"> ■ the organisation services a Safety Summit targeted industry ■ the original proposal is directly transferable to delivering Safety Summit recommendation(s) ■ the organisation's membership is in a key position to either mentor, influence and/or deliver programs to areas of the labour market essential to the successful achievement of Safety Summit strategies¹ ■ membership size ■ capacity to reach both regional and metropolitan geographic regions.
Transport Workers Union – NSW Branch	\$119,950	
Australian Services Union – NSW Clerical & Admin Branch	\$100,000	
Australian Services Union – (NSW/ACT Services Branch)	\$100,000	
Australian Retailers Association	\$120,000	
Australian Industry Group	\$160,390	
Australasian Meat Industry Employees	\$100,000	
Health & Research Employees	\$100,000	

1. Assessment based on membership type (eg. small business operators or principal manufacturers), well established networks and communication mediums (eg. forums, industrial representations, news services).

APPENDIX 26 > CONTRACTING AND MARKET TESTING

WorkCover regularly carries out market testing to secure contracts for a number of services to support its activities. These contracts cover a variety of service types including various research contracts, advertising and marketing, print partnership, fraud investigations, cleaning, and information technology related contractors, among others.

WorkCover complies with all relevant Acts, Regulations and Guidelines, including the *Public Sector Employment and Management Act 2002*, the Public Sector (Goods and Services) Regulation and the Code of Practice for NSW Government Procurement in all its procurement activities.

The amount spent determines the extent of market testing. In all cases, WorkCover ensures compliance with the financial thresholds determined from time to time by the State Contracts Control Board.

When the amount to be expended is anticipated to exceed the threshold for issuing a public request for tenders (ie. currently \$150,000), WorkCover engages the Department of Commerce through State Procurement to manage the tender process.

APPENDIX 27 > RESEARCH AND DEVELOPMENT

A VOLATILE ORGANIC COMPOUNDS SCREENING TEST BY GAS CHROMATOGRAPHY

This test would screen for the most common solvents and volatile organic compounds that are used in industry. Examples include benzene, toluene, xylene, styrene, hexane, petrol and mineral turps. Solvents when used incorrectly in industry can lead to a wide range of health disorders affecting the nervous system and the skin. The test would involve the collection of breathing zone air samples on either charcoal filled sorbent tubes or organic vapour monitors which can be worn by a worker on their collar near their breathing zone. The new test would use the popular mass spectrometric technique often called 'GC/MS' and is hoped to give customers of this laboratory a test with over 70 volatile organic compounds reported.

AN ORGANOPHOSPHORUS INSECTICIDE SCREENING TEST BY GAS CHROMATOGRAPHY

Organophosphorus insecticides are commonly used in the agriculture, horticulture and pest control industries. There is a need for a screening test that can cover all of the most commonly used organophosphorus insecticides. Examples include chlorpyrifos, dichlorvos, malathion, dimethoate and fenthion. The test would be applicable to either air samples collected on appropriate sorbent tubes or swab samples when suspected contamination may have occurred at a particular site in a workplace. Organophosphorus insecticides can be quite toxic to humans and affect the central nervous system of the body.

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APPENDIX 27 > RESEARCH AND DEVELOPMENT (CONTINUED)

MEASUREMENT UNCERTAINTY

The Thornleigh laboratory needs to calculate the measurement uncertainties that are associated with its tests to satisfy the current ISO17025 accreditation requirements of the National Association of Testing Authorities, Australia.

The Laboratory Services Unit will then be able to issue reports with an estimation of the measurement uncertainty. The measurement uncertainty is an estimate attached to a measurement that characterises the range of values within which the true value is asserted to lie. Every measurement has an uncertainty associated with it, resulting from errors arising in the various stages of sampling and analysis and from imperfect knowledge of factors affecting the result. For measurements to be of practical value it is necessary to have some knowledge of their reliability or uncertainty. A statement of uncertainty is a quantitative estimate that tries to address this issue. A wide variety of factors make any analytical measurement result liable to deviate from the true value. As far as reasonably possible, such errors are minimised by external control or explicitly corrected for. The exact deviation of a single measurement result from the (unknown) true value is, however, impossible to obtain, both because the different factors vary from experiment to experiment, and because the effects of each factor on the result is never known exactly. The likely range of deviation is therefore estimated.

TESTING FOR BENZENE EXPOSURE

WorkCover NSW's Thornleigh Laboratory Services Unit has introduced a urine test for measuring worker exposure to the cancer-causing chemical benzene. A useful method of monitoring a worker's exposure to benzene is by measuring the concentration of a breakdown product (muconic acid) in a urine sample taken after a work shift has been completed. The level of muconic acid found in the urine can then be compared to an established occupational limit for exposure to benzene and this can be used to assess the extent of exposure and also what the level of risk is to the worker. Appropriate control measures can then be put into place if required. The Thornleigh Laboratory Services Unit is the only facility in Australia that offers this test.

APPENDIX 28 > EVENTS THAT HAVE A SIGNIFICANT EFFECT ON THE SUCCEEDING YEAR AFTER THE BALANCE DATE

There were no events that would have a significant effect on the WorkCover Authority or the WorkCover Scheme in the year succeeding the balance date.

APPENDIX 29 > LICENSED AND SELF-INSURERS AS AT 30 JUNE 2003

LICENSED INSURERS

Allianz Australia Workers' Compensation (NSW) Limited
CGU Workers Compensation (NSW) Limited
CGU Workers Compensation (NSW) (No 1) Pty Ltd
CGU Workers Compensation (NSW) (No 2) Pty Limited
Employers Mutual Indemnity (Workers Compensation) Limited
GIO Workers Compensation (NSW) Limited
QBE Workers Compensation (NSW) Limited
Royal and Sun Alliance Workers Compensation (NSW) Limited

SELF-INSURERS

Bankstown City Council
BOC Limited
Bonds Industries Pty Limited
Campbelltown City Council
Collex Pty Ltd
Commonwealth Steel Company Limited
Council of the City of Blacktown
Council of the City of Lake Macquarie
Council of the City of Newcastle
Council of the City of South Sydney
Council of the City of Sydney
Council of the City of Wollongong
Delta Electricity
Effem Foods Pty Ltd
Electrolux Home Products Pty Ltd
EnergyAustralia
Eraring Energy
Fairfield City Council
Fletcher International Exports Pty Limited

Forestry Commission of New South Wales
Gosford City Council
GrainCorp Operations Limited
Hawkesbury City Council
Inghams Enterprises Pty Limited
Integral Energy Australia
Johnson & Johnson Pty Limited
Liverpool City Council
Mobil Oil Australia Pty Limited
National Australia Bank Limited
Pacific National (NSW) Pty Ltd
Pasminco Cockle Creek Smelter Pty Limited (licence suspended)
Prestige Property Services Pty Ltd
Qantas Airways Limited
Rail Infrastructure Corporation
Rocla Pty Limited
Shoalhaven City Council
Star City Pty Limited
State Rail Authority of New South Wales
State Transit Authority of New South Wales
Sutherland Shire Council
3M Australia Pty Limited
Toll Pty Limited
Transfield Services (Australia) Pty Limited
TransGrid
Unilever Australia Limited
The University of New South Wales
United Goninan Limited
University of Wollongong
Warringah Council
Westpac Banking Corporation
Wyong Shire Council

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APPENDIX 29 > LICENSED AND SELF-INSURERS AS AT 30 JUNE 2003 (CONTINUED)

GROUP SELF-INSURERS

Australia and New Zealand Banking Group Limited
Brambles Industries Limited
BHP Billiton Limited
BHP Steel Limited
Coles Myer Limited
Commonwealth Bank of Australia
CSR Limited
Goodman Fielder Limited
Mayne Group Limited
McDonald's Australia Holdings Limited
Northern Co-operative Meat Company Limited
NSW Treasury Managed Fund
OneSteel Limited
Rinker Group Limited
Sydney Water Corporation
Transfield Holdings Pty Limited (licence suspended)
Woolworths Limited

SPECIALISED INSURERS

Catholic Church Insurances Limited
Coal Mines Insurance Pty Ltd
Guild Insurance Limited
New South Wales Thoroughbred Racing Board
North Insurances Pty Ltd
StateCover Mutual Limited

SPECIALISED DOMESTIC WORKERS COMPENSATION INSURERS

Allianz Australia Insurance Limited
Australian Unity General Insurance Limited
CGU Insurance Limited
Chubb Insurance Company of Australia Limited
Commonwealth Insurance Limited
EIG-Ansvar Limited
Elders Insurance Limited
GIO General Limited
Lumley General Insurance Limited
Mercantile Mutual Insurance (Australia) Limited
NRMA Insurance Limited
NZI Insurance Australia Limited
QBE Insurance (Australia) Limited
Royal and Sun Alliance Insurance Australia Limited
Westpac General Insurance Limited
Zurich Australian Insurance Limited

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