



# WORKCOVER NSW ANNUAL REPORT 09/10



# LETTER TO THE MINISTER

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30 November 2010

The Hon Michael Daley MP  
Minister for Finance  
Minister for Police  
Parliament House, Macquarie Street  
Sydney NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, I have pleasure in submitting for your information and presentation to Parliament, the Annual Report of WorkCover NSW for the financial year ended 30 June 2010.

As in previous years, the Treasurer has granted an extension of time in order to synchronise the reporting of the WorkCover Scheme Statutory Fund financial results with the release of WorkCover's Annual Report.

Yours sincerely

(signed)

**Lisa Hunt**

Chief Executive Officer  
WorkCover NSW

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This publication may contain occupational health and safety and workers compensation information. It may include some of your obligations under the various legislations that WorkCover NSW administers. To ensure you comply with your legal obligations you must refer to the appropriate legislation.

Information on the latest laws can be checked by visiting the NSW legislation website ([www.legislation.nsw.gov.au](http://www.legislation.nsw.gov.au)).

This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals or as a substitute for legal advice. You should seek independent legal advice if you need assistance on the application of the law to your situation.

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# YEAR IN REVIEW

WorkCover continues to find new and better ways to help NSW employers improve their workplace safety, while increasing focus on commercial outcomes to support the NSW economy. Improved levels of efficiency have seen the average premium rate reduce by 33 per cent since November 2005, apprentice wages removed from workers compensation calculations and automatic workers compensation provided for employers who pay annual wages of \$7500 or less. These savings have contributed to reducing costs and red tape for employers and improving the NSW economy.

**38%**

REDUCTION IN MAJOR WORKPLACE INJURY RATES SINCE 1999/00



**58%**

REDUCTION IN WORK RELATED FATALITIES INCIDENCE RATE SINCE THE SCHEME COMMENCED

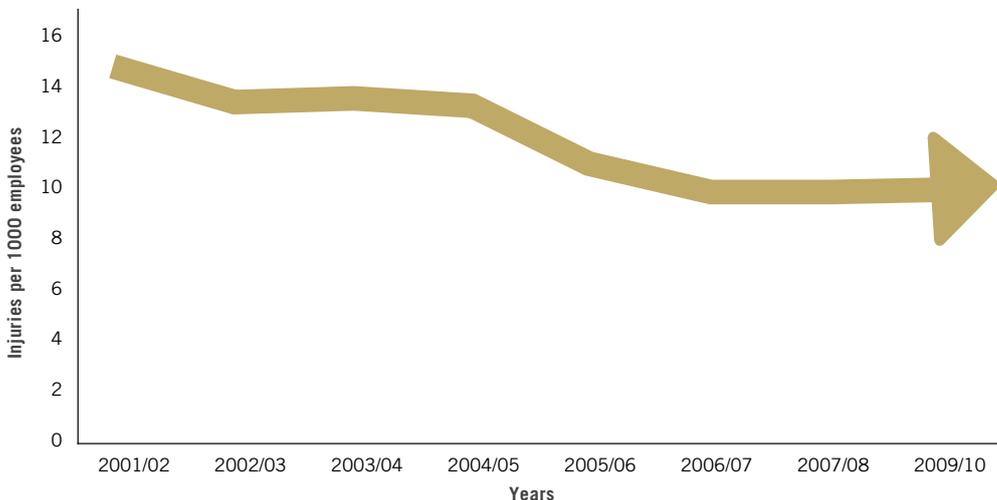


**33%**

REDUCTION IN THE AVERAGE PREMIUM RATE OVER THE LAST FIVE YEARS



## WORKPLACE INCIDENCE RATES – MAJOR INJURIES





## VISION

Safe secure and productive workplaces.

## MISSION

To work in partnership with NSW employers, employees and the NSW community to achieve safer and more productive workplaces, effective recovery, return to work and support for injured workers.

# CHIEF EXECUTIVE OFFICER'S REPORT



## CEO FOREWORD

I commenced as Chief Executive Officer of WorkCover NSW in January 2010 and immediately realised the breadth of services we deliver.

New South Wales represents more than a third of all economic activity in Australia and what WorkCover does is vitally important.

The NSW Workers Compensation Scheme provides protection for over 265,000 employers and their employees.

Preliminary figures show that over 109,331 work-related injuries and illnesses were reported to WorkCover in 2009/10. Each year we issue over 200,000 licenses, notifications, certificates and permits. Our Information Centre receives over 200,000 calls and 10,000 emails, and the Claims Assistance Service manages around 10,000 matters.

## FUNDS MANAGEMENT

We are one of Australia's largest insurance businesses, responsible for approximately \$10.5 billion under funds management in June 2010, invested in international and domestic markets.

The Workers Compensation Insurance Fund outperformed similar funds both during the Global Financial Crisis and more recently during the global economic recovery producing an average investment return of 5 per cent.

On the basis of the Workers Compensation Insurance Fund's overall financial performance and strong underlying position, it has been possible to reduce premium rates while still collecting sufficient funds to meet future NSW Workers Compensation Scheme costs.

I would like to thank the members of the Workers Compensation Insurance Fund Investment Board for their expertise and direction of the investment fund over the past financial year.

## WORKERS COMPENSATION

WorkCover's annual revenue is primarily from the collection of \$2.6 billion in workers compensation premiums received from employers, making premium collection and the calculation of premium rates an important part of our business.

Through sound financial management we were able to reduce workers compensation premium rates by up to 2.5 per cent effective from 30 June 2010 for industries that showed a sustained improvement in work health and safety, injury prevention and management. Businesses operating in more than 240 industry classes will have their premium rates reduced as a result.

This is the sixth premium rate cut since November 2005.

## SUSTAINABLE RETURN TO WORK

Supporting injured workers to enable a sustainable return to work remains a key priority.

Injured workers in NSW are provided with a comprehensive suite of benefits designed to rehabilitate and return them to suitable, safe and durable employment. In addition to weekly payments, injured workers are entitled to medical and related costs, compensation for permanent impairment and the costs of rehabilitation where required. Further assistance for injured workers is provided through the Claims Assistance Service who provide assistance to injured workers and employers in addition to providing mediation on disputes between injured workers, employers and insurers.

## PREVENTION OF WORK HEALTH AND SAFETY INCIDENTS

When efficient workplace safety systems are in place, businesses are more productive, gain a better public reputation and suffer less financial impact from workers compensation claims.

Importantly, workers have a far better chance of returning home safe every day. Sadly, preliminary figures to date indicate that 115 workers were fatally injured at work in the last financial year. The loss of a co-worker or a valued employee impacts many people. Most significantly, the loss of a family member through a workplace incident has life-long consequences on the family, especially on the children left behind.

We do not accept that any lives should be lost at work and that is why we are focused on working with business to learn lessons from fatalities in the workplace so that we can find ways to prevent further lives being lost.

WorkCover staff have worked with business and key stakeholders to develop some solutions to work health and safety risks that are delivering tangible outcomes:

In 2009/10:

- free workplace advisory visits have been provided to 660 workplaces
- a further 813 workshops, presentations, expos and events have been staged
- WorkCover inspectors have conducted a total of 23,106 visits to workplaces throughout NSW
- the Mentoring Program has facilitated relationships between small businesses and large business to provide practical advice and assistance regarding workplace safety within specific industries
- funding of over \$4.07million has been provided to industry groups to fund education, training and development projects in workplace safety and injury management.

## CHALLENGES

The world of work is changing, which poses a number of challenges for WorkCover NSW.

The NSW economy was hit hard by the global financial crisis. We are proactive in assisting businesses and understand the difficulties they face as they recover.

The dynamics of the NSW workforce continues to change and we need to be aware of these shifts. There are around 3.5 million people employed in NSW and WorkCover is looking at ways to direct our resources towards high risk and high incident businesses, considering the issues raised by their growth and decline.

While the retail sector remains one of the largest employers in NSW, the proportion of people employed in this sector is decreasing while other areas such as the health care, professional, scientific and technical employees is increasing.

More people are also staying in the workforce longer or working on a part-time or casual basis. Combined with an increase in other flexible employment such as working from home and a larger proportion of workers from non-English speaking backgrounds in the workforce, there are a lot of changes taking place.

Work-related injuries are at their lowest levels in NSW since the Scheme commenced in 1987.

A large part of this is due to the efforts of the WorkCover NSW staff offering assistance – often following traumatic fatalities or serious injuries. Their expertise and commitment is our best asset and together we work hard to ensure our stakeholder engagement enables us to deliver a high standard of services to all our customers.

I thank the WorkCover Authority Board directors for their contribution to the business strategy and direction, and the members of the Workers Compensation and Workplace Occupational Health and Safety Council for their input to our key initiatives. I also thank our staff for their commitment and drive to provide our services to our customers and our stakeholders.

(signed)

### **Lisa Hunt**

Chief Executive Officer

November 2010



# ABOUT WORKCOVER NSW

## VISION

Safe secure and productive workplaces.

## MISSION

To work in partnership with NSW employers, employees and the NSW community to achieve safer and more productive workplaces, effective recovery, return to work and support for injured workers.

## WHO WE ARE

### HISTORY

WorkCover NSW serves the New South Wales community to improve work health and safety, rehabilitation, injury management and workers compensation. The establishment of WorkCover on 1 July 1989 made it the first government agency in Australia to integrate injury prevention, rehabilitation and compensation into a single body with a unified mission.

### ROLE

WorkCover also promotes compliance with workplace safety legislation by providing information, education and assistance on work health and safety in the workplace, as well as licensing the operation of hazardous equipment, activities and defined premises. It assists businesses to improve their workplace safety by providing advice, information and industry-based incentives. WorkCover undertakes workplace inspections, investigation of incidents and complaints, mediation of disputes, and when necessary issues penalties and undertakes prosecutions.

WorkCover also monitors the workers compensation system, licenses self and specialised insurers to provide workers compensation insurance, regulates insurers and manages Scheme agents on behalf

of the Nominal Insurer. It ensures the administration of insurers provides for efficient operation of workers compensation insurance arrangements.

At 30 June 2010, WorkCover is responsible to the Hon Michael Daley MP, Minister for Finance.

### FUNDING

WorkCover operations are primarily funded through transfers from the Workers Compensation Insurance Fund (WCIF) to the WorkCover Authority Fund. WorkCover prepares an annual base expenditure budget and estimates of expected income from various sources. Following NSW Treasury approval, additional funding requirements are then transferred from the WCIF. Surplus funds may be transferred back to the WCIF as determined by the WorkCover Board.

The WCIF is funded through premium collections from employers and investment returns. As such, industry bears the direct cost of work health and safety services and the management of the workers compensation system in New South Wales.

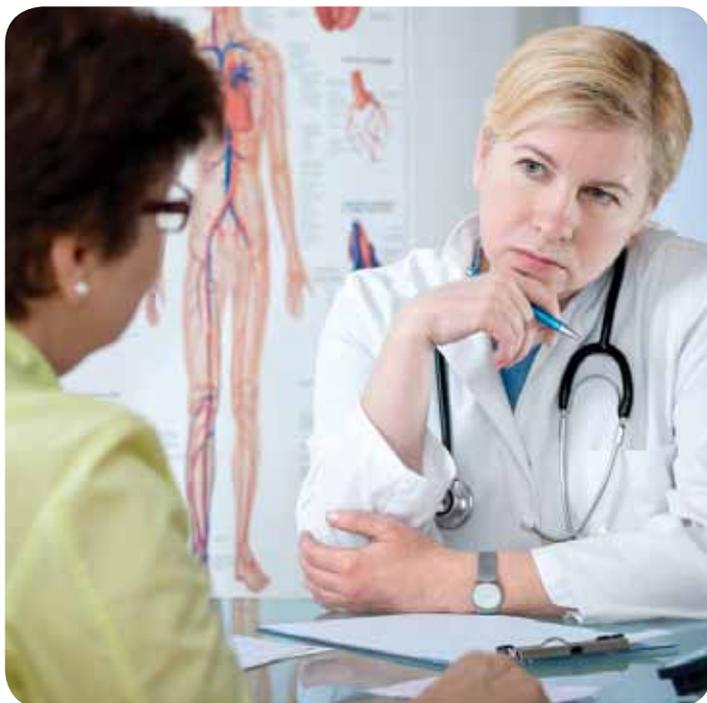
### REFORM

From 1 July 2005, the Nominal Insurer commenced operation as the insurer for the NSW Workers Compensation Scheme through the WCIF. The Nominal Insurer is responsible for issuing workers compensation policies and managing claims. WorkCover acts on behalf of the Nominal Insurer and exercises its powers and performs its operational functions.

WorkCover continues to undertake significant reform of its work health and safety and workers compensation regulatory regimes against the backdrop of greater inter-jurisdictional cooperation and national collaboration. These reforms are delivering a modern regulatory framework that provides national consistency. This is complemented by non-regulatory approaches designed to achieve legislative objectives, reduce red tape and the cost of regulation on businesses, while continuing to improve workplace safety and the rehabilitation of injured workers in New South Wales.

In July 2008 the states, territories and Commonwealth signed an Inter-Governmental Agreement for Regulatory and Operational Reform in Health and Safety, committing to implement national uniform model work health and safety (WHS) legislation.

WorkCover is on track to commence operations under the national model Work Health and Safety legislation from January 2012. Further details are available on page 19.



## LEGISLATION

WorkCover's main statutory functions are to ensure compliance with the following legislation: *Occupational Health and Safety Act 2000*, *Workers Compensation Act 1987*, *Workplace Injury Management and Workers Compensation Act 1998*, *Workers Compensation (Bush Fire, Emergency & Rescue Services) Act 1987*, *Explosives Act 2003*, *Workers Compensation (Dust Diseases) Act 1942*, *Sporting Injuries Insurance Act 1978*, *Rural Workers Accommodation Act 1969* and their associated regulations and codes of practice.

## CORPORATE DIRECTION AND REPORTING

This 2009/10 Annual Report is structured to provide information using the key objectives and organisational outcomes identified in the 2009-12 WorkCover Corporate Plan. The four key objectives are:

- prevention of workplace injury and illness
- a financially and socially responsible workers compensation system
- engaging stakeholders to improve WHS and workers compensation outcomes
- building organisational capability through our people and our systems.

The financial statements contain the audited financial statements for the year ended 30 June 2010.

The appendices to this report provide additional information required under the *Annual Reports (Statutory Bodies) Act 1984* and its regulations, the *Freedom of Information Act 1989*, Treasury circulars and Premier's memoranda.

## REPORTING REQUIREMENTS

The 2009/10 WorkCover NSW Annual Report provides financial reports for the Workers Compensation Investment Fund, the Workers Compensation Commission and the Compensation Authorities Staff Division.

## WORKERS COMPENSATION INSURANCE FUND

The Workers Compensation Insurance Fund (WCIF) was established in July 2005 as a single entity to administer the investment funds of the NSW Workers Compensation Scheme. The WCIF's investment policies are determined by the Workers Compensation Insurance Fund Investment Board. The Board is responsible for reporting to the Minister on the investment performance of the WCIF.

Additional information about the activities of the WCIF in 2009/10 is provided on page 29. Financial statements for the WCIF commence on page 131.

## WORKERS COMPENSATION COMMISSION

The Workers Compensation Commission is an independent statutory tribunal within the justice system of New South Wales, which commenced operating on 1 January 2002.

The Commission was established by the *Workplace Injury Management and Workers Compensation Act 1998*. The Commission's principal objective is to provide a just, timely and cost effective forum for the resolution of workers compensation disputes in New South Wales. The Commission's non-adversarial dispute resolution process ensures injured workers obtain a fair and quick resolution to their disputes about workers compensation entitlements.

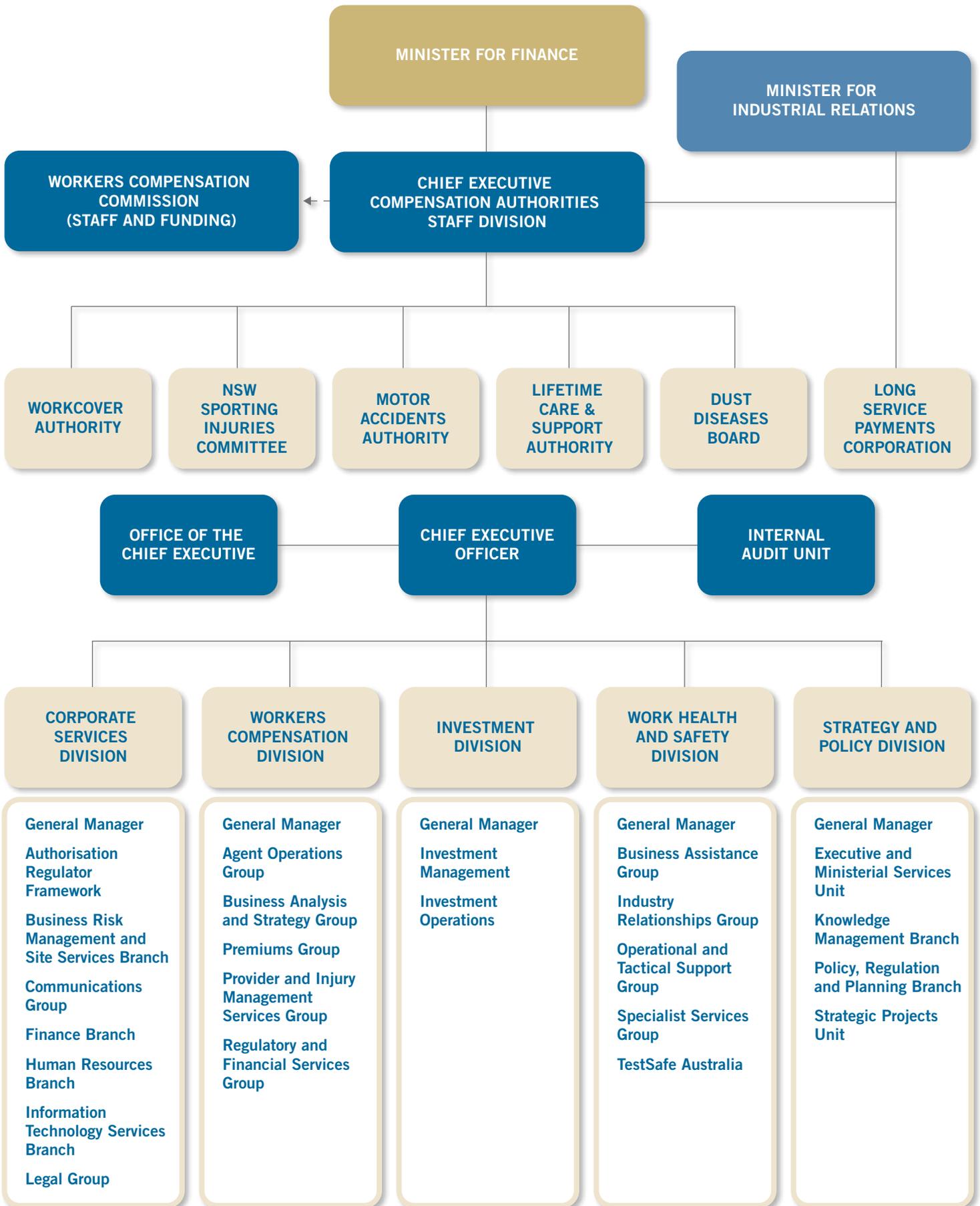
In accordance with the *Public Finance and Audit Act 1983* and Australian Accounting Standards, the Workers Compensation Commission is required to prepare financial statements to consolidate operations of the Commission, as well as separate financial statements. These commence on page 93.

## COMPENSATION AUTHORITIES STAFF DIVISION

On 1 July 2009, the Compensation Authorities Staff Division was formed pursuant to *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*.

The Office of the WorkCover Authority (previous employer of WorkCover staff) was abolished, with WorkCover becoming part of this new entity, along with the Building and Construction Industry Long Service Payments Corporation, the Workers Compensation (Dust Diseases) Board, Sporting Injuries Committee, Lifetime Care and Support Authority, the Motor Accidents Authority and the Workers Compensation Commission. The Compensation Authorities Staff Division (CASD) is a Division of the Government Service under the *Public Sector Employment and Management Act 2002*. Financial statements have been prepared in accordance with the *Public Finance and Audit Act 1983* and commence on page 113.

# ORGANISATIONAL STRUCTURE ON 30 JUNE 2010



# FUTURE DIRECTION

In May 2010 WorkCover commenced an internal capability review to provide the organisation with clear direction and strengthened capability for our business going forward.

Key aspects of the review include:

- development of a new Key Result Area (KRA) and Key Performance Indicator (KPI) framework
- alignment of our organisation capabilities to ensure we can meet our core and critical responsibilities
- a move to a shared corporate services model for the Compensation Authorities Staff Division (CASD),
- preparation for the Treasury's Better Value and Services Taskforce expenditure review of the CASD.

The review outcomes will embrace the new values and business framework developed in early 2010.

- Workers compensation system – We strive to ensure timely, quality care for injured workers and affordable premiums for employers.
- Innovation – We are continually looking for more effective ways to deliver our services and improve our policies and processes.
- Sound investment performance – We consider both prospective risks and returns to ensure the Scheme investments are managed responsibly and sustainably.

At the heart of the framework, as depicted by a 'wheel' are WorkCover's values which represent the way we do business.

Our success in these areas will shape our corporate reputation and the sustainability of our business, and deliver benefits to our stakeholders including the NSW community.

The Wheel is used internally for presentations to highlight the areas of key focus for all of our business activities.

## VALUES

WorkCover's corporate values form an integral part of our workplace culture. WorkCover's values go to the very heart of our organisation and shape the way management and staff interact with each other and how the organisation is perceived by our stakeholders.

By universally applying these values, the organisation builds a culture of which we can all be proud and creates a strong environment for delivering high quality services to our stakeholders, in particular injured workers. Our values are:

- Integrity – I do what I say I will do.
- Respect – I value people.
- Ethical Behaviour – I am honest and fair.
- Accountability – I take responsibility.
- Excellence – I aim to be my best.

## BUSINESS FRAMEWORK

WorkCover has adopted a new business framework that represents the organisation's key focus areas of:

- Safety – Safety is core to our business – both for our own employees and for all workers in NSW. Every worker has a right to come home safe everyday.
- Our people – Our employees are integral to our success and their health, wellbeing and capability are critical.
- Relationships – Our success in achieving our mission relies on lasting and meaningful relationships with all our stakeholders including workers, employers, government and the community.
- Financial discipline – Every dollar is spent responsibly and with sound governance.



## CORPORATE PLANNING FRAMEWORK

The review currently being undertaken by WorkCover will be finalised in October 2010. A WorkCover 'Purpose Statement' and key result areas (KRAs) have already been developed, with the remaining layers of the framework to be rolled out in the new financial year.

WorkCover's purpose statement will re-direct the organisation towards a unified organisational intent that aligns with the priorities identified in the State Plan. Our new purpose statement is:

Increase competitiveness of the NSW economy through productive, healthy and safe workplaces.

The purpose statement is our overarching objective. All projects, strategies and resources will be directed towards achieving this objective.

The underlying KRAs represent the priority outcomes or results to deliver on our primary purpose. They are:

- prevention of workplace injury and illnesses
- sustainable return to employment
- low premiums
- sound fund management and system financial viability
- exemplar organisation
- cost and efficiency
- superior customer service.

The KRAs cover all areas of the organisation's business.

Tactical strategies, key performance indicators (KPIs) and associated targets are currently being finalised. The framework will provide accountability and transparency through evidence based decisions and open reporting. The 2010/11 Annual Report will reflect the organisation's new direction, reporting on delivery of our new KRAs and KPIs.



# 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 Chief Executive Officer. The part-time directors are appointed by the Governor of NSW on the recommendations of the Minister.
- The Chief Executive Officer controls and manages the affairs of WorkCover in accordance with the policies of the Board.
- Both the Board and the Chief Executive Officer are subject to Ministerial control and direction.

The Board was appointed on 31 May 2010 for a three-year period. As at 30 June 2010 there was one vacant Director position on the Board.

## MEMBERS OF THE WORKCOVER BOARD ON 30 JUNE 2010



### GREG MCCARTHY AAIL

Greg McCarthy has worked in the field of workers compensation and compulsory third party insurance as well as disability management for more than 30 years. This period includes 25 years working within the insurance industry at various levels, having spent five years as the National General

Manager for a workers compensation and compulsory third party insurer, providing him with extensive experience in both privately underwritten and government schemes. Greg also has extensive experience in workplace rehabilitation and injury management.

Greg is a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance and has a Management Certificate in Insurance.

Greg's current roles include:

- Chair of the WorkCover Authority of NSW Board.
- Chair of the NSW Workers Compensation and Workplace Occupational Health and Safety Council.
- Chair of the Builders Home Warranty Scheme Board.
- Chair of the Builders Advisory Council.
- Director of StateCover Mutual.
- Industry consultant.

Greg was first appointed to the WorkCover NSW Board on 30 January 2002, and appointed WorkCover NSW Chairperson on 1 June 2005. Greg was re-appointed as Chairperson on 31 May 2010.



### GENIERE APLIN MBA (Exec), LLB

Geniere Aplin has extensive experience in banking and commercial insurance and practiced as a solicitor prior to entering the financial services industry. Geniere is also the Chair of the Motor Accidents Authority NSW and of the Motor Accidents Council. Geniere was appointed to the WorkCover NSW Board in May 2010.



### SUE CLARK BA, LLB, LLM, MBA, Dip Fin Markets

Sue Clark has extensive experience in the insurance industry, including predecessor companies to ING Australia and CGU Ltd/ IAG Ltd, as well as the Government Insurance Office of NSW. Most recently she was Chief Executive Officer of LawCover Pty Ltd, which

is responsible for ensuring that New South Wales solicitors have access to professional indemnity insurance to meet the requirements of their practising certificates.

Sue was appointed to the WorkCover NSW Board on 1 November 2004 and re-appointed on 31 May 2010.

Sue is also a member of the Board Audit and Risk Management Committee.



### MARK LENNON BComm, LLB

Mark Lennon is currently Secretary of Unions NSW and was appointed to that position in October 2008. Mark joined Unions NSW (formerly the Labor Council) in 1988 and has held the positions of occupational health and safety training officer, industrial officer, Assistant

Secretary prior to becoming Secretary.

Mark was appointed to the WorkCover NSW Board on 30 May 2007 and re-appointed on 31 May 2010.



### CAROLYN WALSH BEc

Carolyn Walsh has over 25 years experience in policy development, regulation and safety management at both the Commonwealth and State levels. From 2004 to 2009, Carolyn was the Chief Executive of the NSW Independent Transport Safety and Reliability Regulator

(ITSRR). Carolyn has specialist expertise in safety (both transport and occupational health and safety), risk management and the regulatory framework governing transport operations in Australia.

In addition to her role on the Workcover Board, Carolyn is currently a Commissioner of the Australian Transport Safety Bureau (ATSB),

and a member of the NSW Minister's (Minister for Roads) Freight Advisory Council. She is a member of the Audit and Risk Committees for the NSW Police Integrity Commission, Aboriginal Lands Council and Public Transport Ticketing Corporation.

Carolyn has a Bachelor of Economics degree and is a graduate of the AICD's Company Directors Course (GAICD).



### **NICHOLAS WHITLAM** **AB (Hons), MSc**

A career banker, Nicholas has experience in most aspects of banking, finance and insurance – notably as CEO of the State Bank of New South Wales and Chairman of IAG/NRMA Insurance.

Nicholas' current roles include:

- Chair of the Lifetime Care and Support Authority Board.
- Chair of the Port Kembla Port Corporation.
- Deputy Chair of the WorkCover Insurance Fund Investment Board.
- Deputy Chair of the Whitlam Institute.

Nicholas was appointed as Deputy Chair of the WorkCover NSW Board on 31 May 2010.



### **LISA HUNT BA LLB**

In January 2010, Lisa Hunt was appointed Chief Executive Officer, WorkCover NSW and is an ex officio Board member.

Lisa concurrently commenced as Chief Executive, Compensation Authorities Staff Division, which oversees the offices of WorkCover Authority, Dust Diseases Board,

Motor Accidents Authority, Lifetime Care and Support Authority and Long Service Payments Corporation.

Lisa is a former senior executive at infrastructure owner, operator and developer Transurban Limited. Lisa also has significant experience on private and public sector boards .

Lisa commenced her career in law before working in government in a range of sectors including: immigration, regulatory systems, transport and infrastructure development.

### **JON BLACKWELL BA, MA**

Jon Blackwell commenced as WorkCover NSW Chief Executive Officer on 18 August 2003, and resigned as Chief Executive Officer of WorkCover on 14 August 2009. Jon was an ex Officio Board member.

### **DONNA STAUNTON BA LLB**

Donna Staunton is the Managing Director of The Strategic Counsel – a Sydney based company specialising in providing strategic communications advice to a range of clients, predominately in the health area. She is also the Chief Executive Officer of The Hearing Care Industry Association. She was previously Executive Director of Communications at CSIRO, and was on the senior management teams of AMP Limited (1999 – 2001) and Philip Morris Group (1995-1999). Donna is a qualified lawyer and worked for a number of years with Clayton Utz, Solicitors in their litigation area. She has served on the Boards of the National Breast Cancer Centre and the Global Foundation.

Donna was appointed to the WorkCover NSW Board on 14 October 2001 with her final term expiring on 29 May 2010. Donna remains a member of the Board Audit and Risk Management Committee.

### **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 Building and Construction Industry Long Service Leave Payments Committee, the Board of the Vocational Education and Training Accreditation Agency, and the Board of the Hunter Valley Training Co. He is a Director of Worldskills Inc., representing The Australian Industry Group and is also Director of Commonwealth Study Conferences Australia (Incorporated). In 2009 Doug was appointed to the Governing council of TAFE Higher Education.

Doug was appointed to the WorkCover NSW Board on 16 August 1995, with his final term expiring on 29 May 2010.

Doug remains the Chair of the Board's Audit and Risk Management Committee.

## WORKCOVER EXECUTIVE ON 30 JUNE 2010

### LISA HUNT BA, LLB

Chief Executive Officer

### ROBERT GRAY MMgt

General Manager, Corporate Services Division

### JEROME LANDER MBBS (1st Class Hons), MBusCom, Grad Cert Business Admin, CIMA

General Manager, Investment Division

### JOHN WATSON PSM, Assoc Dip OHS, HFSIA.NSW

General Manager, Work Health and Safety Division

### VICKI TELFER BSc, DipEd, MPA, MALP

General Manager, Strategy and Policy Division

### MARY HAWKINS ADRC, BA, MADR

Acting General Manager, Workers Compensation Division

### JULIE NEWMAN BHSMgt

CPA Chief Financial Officer

## EXECUTIVE LEAVING WORKCOVER IN 2009/10

### JON BLACKWELL BA, MA

Resigned August 2009

### ROB THOMSON BBus

Resigned May 2010

## INTERNAL AUDIT UNIT

WorkCover's Internal Audit Unit manages the organisation's operation, systems of control and ethical culture to identify and prevent corruption and deliver improved systematic performance. The Director of Internal Audit reports directly to the Chief Executive Officer.

## DIRECTORS' MEETINGS

During 2009/10 the meetings held and attendances by directors were:

	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
<b>BOARD</b>		
Jon Blackwell *	1	1
Rob Thomson**	5	5
Lisa Hunt***	5	5
Sue Clark	11	11
Greg McCarthy	11	11
Donna Staunton****	10	8
Doug Wright****	10	10
Mark Lennon	11	9
Nicholas Whitlam*****	1	1
Geniere Aplin*****	1	1
Carolyn Walsh*****	1	1

\* Jon Blackwell CEO until 14 August 2009

\*\* Rob Thomson Acting CEO from 17 August 2009 until 31 December 2009

\*\*\* Lisa Hunt CEO from 1 January 2010

\*\*\*\* Donna Staunton and Doug Wright completed term on 30 May 2010

\*\*\*\*\* Nicholas Whitlam appointed as Deputy Chairperson on 31 May 2010

\*\*\*\*\* Geniere Aplin and Carolyn Walsh appointed on 31 May 2010

	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
<b>BOARD AUDIT AND RISK MANAGEMENT COMMITTEE</b>		
Doug Wright	4	4
Sue Clark	4	3
Donna Staunton	4	3
Richard Allely	4	3
Mark Lennon	0	1
Jon Blackwell *	1	1
Rob Thomson **	1	1
Lisa Hunt ***	2	2

\* Jon Blackwell CEO until 14 August 2009

\*\* Rob Thomson Acting CEO from 17 August 2009 until 31 December 2009

\*\*\* Lisa Hunt CEO from 1 January 2010

# INJURY AND ILLNESS PREVENTION

WorkCover administers New South Wales occupational health and safety legislation by providing advice and assistance, undertaking workplace inspections, investigations into workplace incidents and complaints, and where necessary the application of sanctions. WorkCover's Inspectors and Business Advisory Officers supply these services.

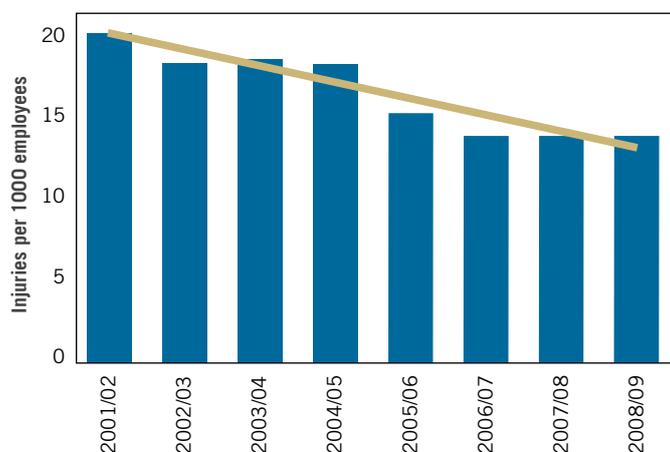
To measure the effectiveness of its illness and injury interventions WorkCover measures the changes in the incidence rates for major workplace injuries and workplace fatalities. The most recent figures (2008/09 data) show that major workplace injury rates (definition below) have remained the same over the past three years, remaining at their lowest levels since the workers compensation scheme began in 1987. Work related fatality rates have reduced by 58 per cent over the same period.

## WORKPLACE INJURIES

The incidence rate for major workplace injuries is defined as the number of major workplace injury claims per 1000 employees. Workplace injuries are defined as those caused by incidents occurring at the workplace either during work or during a work break, where the worker's activity is under the control of an employer. Major injury claims are those that result from incidents causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. Graph 1 below indicates the incidence rates of major workplace injury claims. The graph shows a continued reduction in workplace injuries, with the downward sloping line representing a linear trend from 2001/02.

A reclassification of road accidents in 2004/05 means that road traffic accidents at work are now included in workplace calculations. This reclassification should be taken into consideration when comparing pre 2004/05 workplace injury and fatality data with data from recent years.

**GRAPH 1: WORKPLACE INCIDENCE RATES – MAJOR INJURIES**

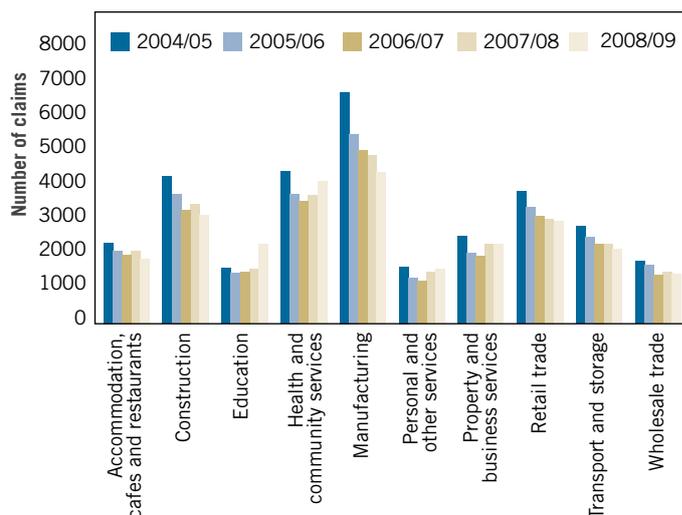


There were a total of 30,133 major workplace injuries reported in 2008/09 (the latest released data), a reduction of 28 per cent from the 41,739 reported in 1998/99. This represents a 43 per cent reduction in major workplace injury incidence rates over the same period. This decrease is significant considering the reclassification of road traffic accidents in 2004/05.

The agriculture, forestry and fishing industry were the highest represented industry with an incidence rate of 24.3 major workplace injuries per 1000 employees. This industry also contributed to four workplace fatalities in 2008/09.

The manufacturing industry has had the highest number of injuries over the past five years as shown in Graph 2, however the number of injuries is trending downward.

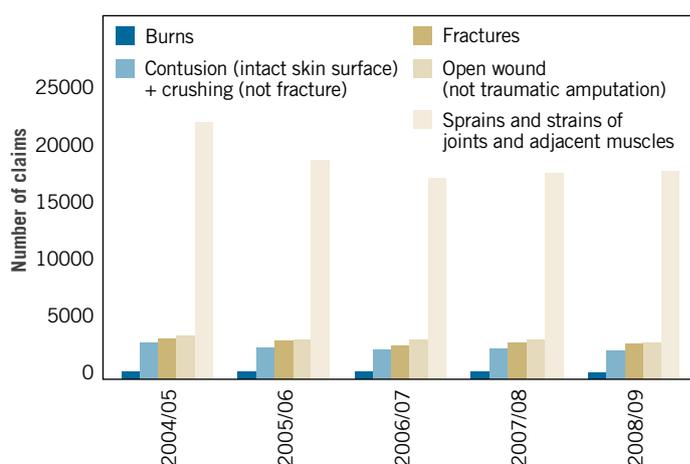
**GRAPH 2: INDUSTRIES WITH THE HIGHEST NUMBER OF MAJOR WORKPLACE INJURIES**



Manual handling injuries were the most common mechanism for workplace injuries, contributing 8744 of the 30,133 workplace injuries across all industries.

Sprains and strains of joints and adjacent muscles are the highest number of reported injury types recorded over the past five years.

**GRAPH 3: FIVE MOST COMMON INJURY TYPES**



Labourers and related workers were the occupation with the highest incidence rate with 25.3 major injuries per 1000 workers. There were 10 workplace fatalities for this occupation, only the fourth highest number of fatalities by occupation, behind intermediate production and transport workers (19), professionals (14) and tradespersons and related workers (13).

The 50 to 54 year age bracket are the most represented age with 3799 injuries and an incidence rate of 12.7. This age bracket also

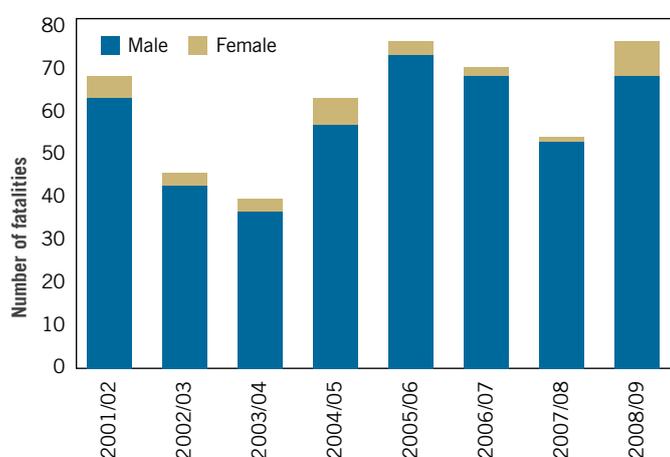
had the highest number of fatalities by age range with 15. The lowest incidence rate by age bracket belonged to the 15 to 19 year range with 6.7 injuries per 1000 employees, followed by the 20 to 24 year bracket (8.1) and the 25 to 29 year bracket (8.3).

## WORKPLACE FATALITIES

Workplace fatalities continue to fluctuate from year to year having increased from 53 in 2007/08 to 75 in 2008/09.

There have been 687 workplace fatalities in the ten year period from 1999/00 to 2008/09.

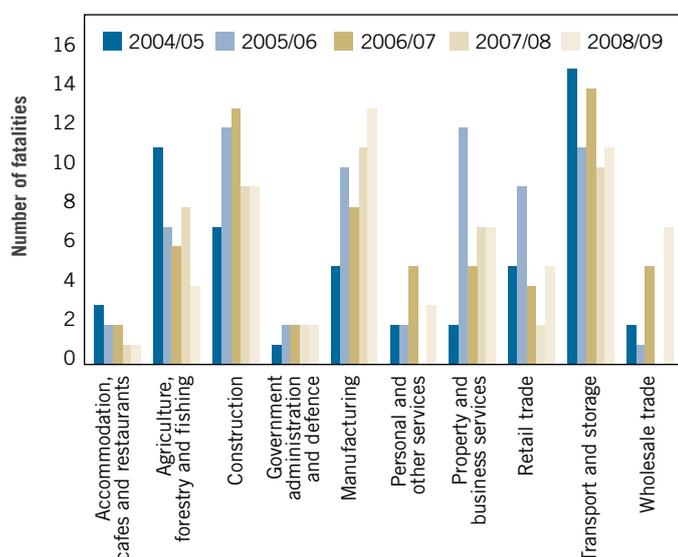
**GRAPH 4: WORKPLACE FATALITIES**



Graph 4 shows the number of workplace fatalities by gender. Of the 75 workplace fatalities in 2008/09, 67 were males, with eight female fatalities, increasing from a single female fatality in the previous year. Care should be taken when comparing recent results with years prior to 2004/05. Recent years appear higher as a result of the reclassification of road accidents, with road traffic accidents accounting for 17 of the 75 workplace fatalities in 2008/09.

The transport and storage industry has had the highest number of workplace fatalities over the past five years, with a total of 61.

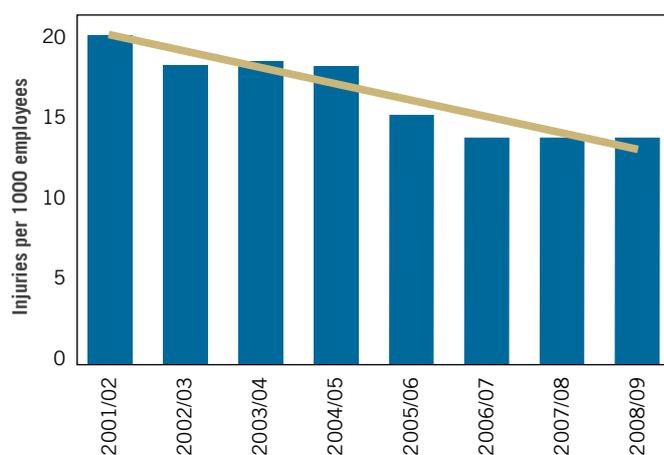
**GRAPH 5: INDUSTRIES WITH THE HIGHEST NUMBER OF WORKPLACE FATALITIES**



## EMPLOYMENT INJURIES

Employment injuries comprise all injuries resulting from incidents and all occupational diseases contracted or aggravated in the course of a worker's employment. Total employment injuries include all claims whether or not there was any time lost from work and also include claims for medical costs only. There were 133,188 employment injuries reported in 2008/09, a reduction of seven per cent from 142,542 reported in 2007/08. This represents a 6 per cent reduction in the incidence rate (total employment injuries per 1000 employees) from 47.2 in 2007/08 to 44.3 in 2008/09.

**GRAPH 6: INCIDENCE RATE – MAJOR EMPLOYMENT INJURIES**



Major injury claims are those that result from incidents causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. Major employment incidence rates (major employment injuries per 1000 employees) have reduced by 30 per cent from 20.3 in 2001/02 to 14.2 in 2008/09.

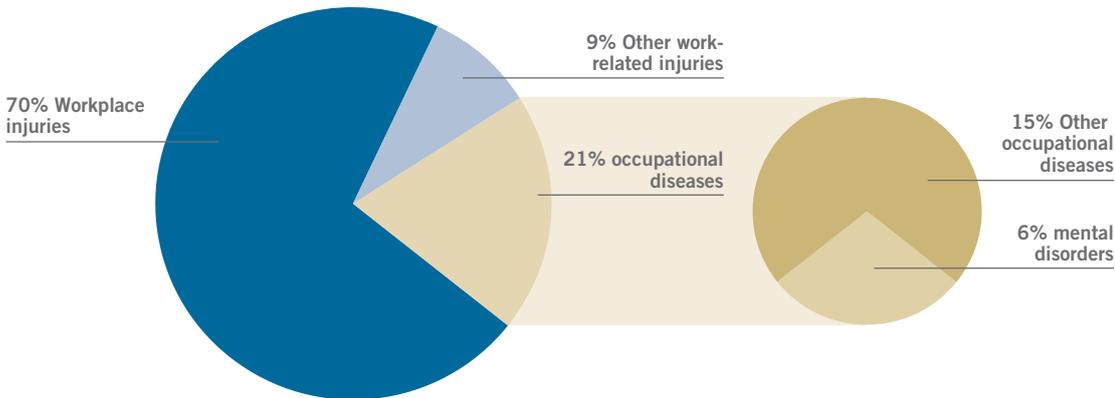
Graph 6 shows the continual reduction in major employment injury incidence rates since 2001/02, with the downward sloping line representing the trend over this period. The mining sector had the highest incidence rate (33.5) in 2008/09 followed by the agriculture, forestry and fishing (27.5), manufacturing (26.9) and the construction industry (23.5).

An analysis of employment injuries represented in Graph 7 shows workplace injuries make up approximately 70 per cent of all employment injuries, followed by occupational diseases (21 per cent), with other work-related injuries contributing to 9 per cent.

Deafness was the major contributor of occupational disease, representing 3285 of the 8985 claims, despite a 39 per cent reduction in incidence rates for deafness claims from 1.8 in 1999/00 to 1.1 in 2008/09.

Mental disorders continue to be highly represented with 2530 claims, or 28 per cent of all occupational disease claims. The incidence rate of mental disorders has steadily reduced from a high of 1.2 (3246 claims) in 2002/03 to 0.8 (2530 claims) in 2008/09.

## GRAPH 7: MAJOR EMPLOYMENT INJURIES

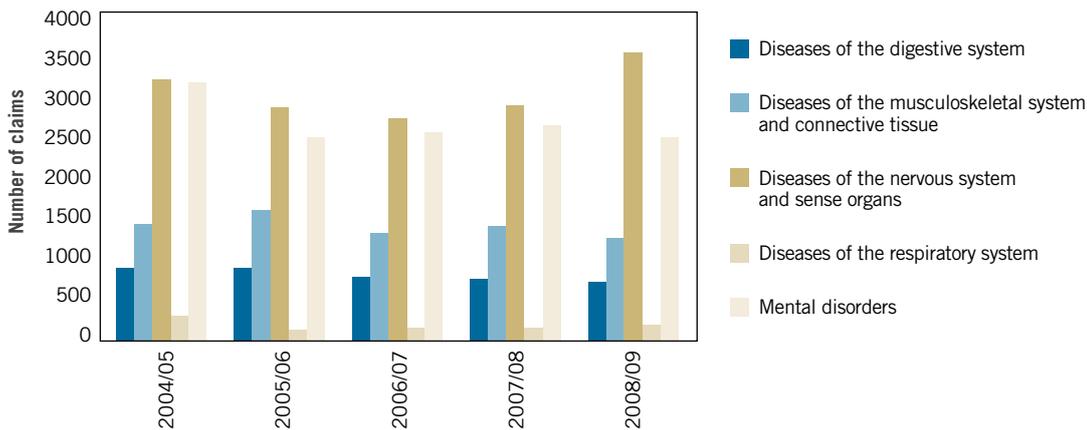


Note: The percentages have been rounded to the nearest full percent and therefore may exceed 100 per cent in total.

Mental disorders refers to a range of psychological conditions for which workers compensation may be paid, including clinical depression and post traumatic stress disorder.

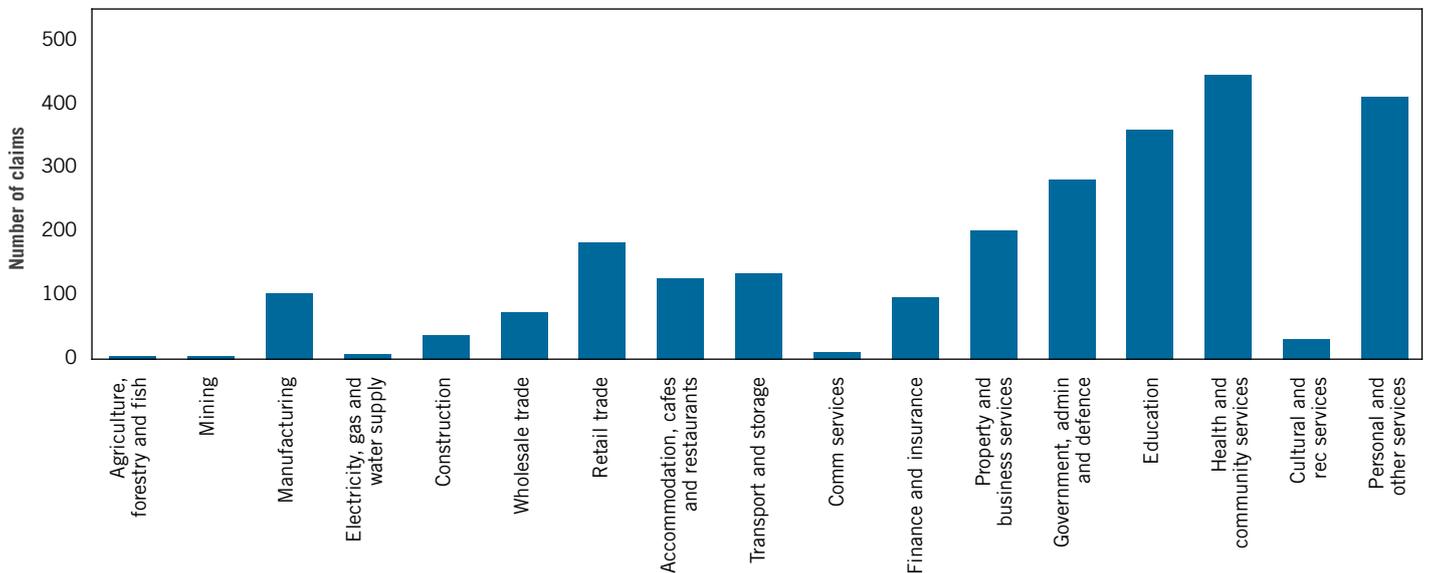
The most common claim for occupational disease over the past five years has been 'Diseases of the nervous System and Sense Organs', which includes a high rate of industrial deafness.

## GRAPH 8: FIVE MOST COMMON ILLNESS (OCCUPATIONAL DISEASE CLAIMS)



As shown in Graph 9 below, the health and community services industry was the major contributor, representing 18 per cent of all reported mental disorders.

## GRAPH 9: NUMBER OF MENTAL DISORDER CLAIMS BY INDUSTRY

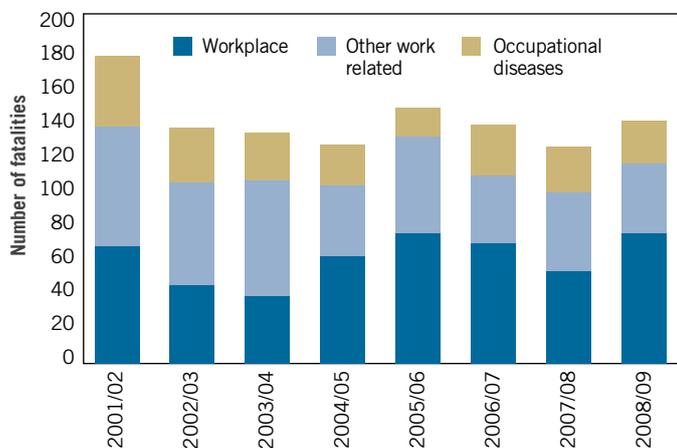


## EMPLOYMENT FATALITIES

There were 139 fatalities resulting from employment related injury and disease reported during 2008/09. This represents a reduction of 58 per cent in incidence rates since the workers compensation scheme commenced. As shown in Graph 10:

- 75 occurred as a result of traumatic injury while the person was at work (including 13 fatalities resulting from road traffic accidents while at work)
- 24 resulted from diseases contracted or aggravated as a result of employment
- 40 occurred while the person was away from their place of work (for example commuting to or from work).

GRAPH 10: EMPLOYMENT FATALITIES



Further workers compensation claims data is available in the WorkCover NSW Statistical Bulletin, accessible from the WorkCover website [workcover.nsw.gov.au](http://workcover.nsw.gov.au).

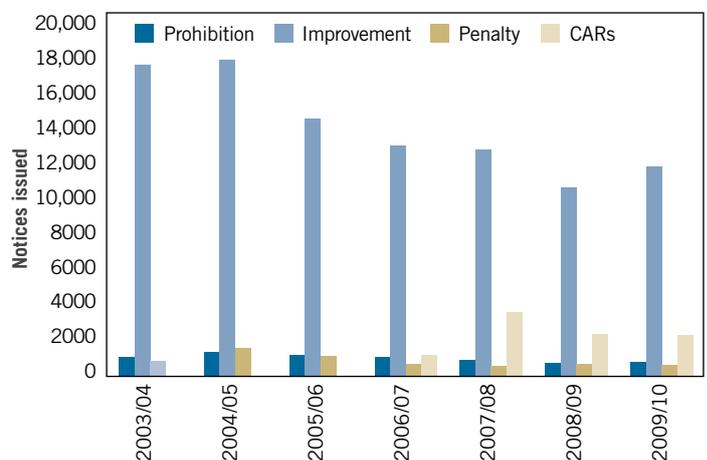
## APPROPRIATE APPLICATION OF INFORMATION, ASSISTANCE, EDUCATION, ADVICE, INCENTIVES AND DETERRENTS

WorkCover NSW provides workers compensation and work health and safety information, advice and educational services through its inspectorate, project teams, Business Assistance Group and ongoing business activities, to assist employers meet their workplace safety obligations.

These services are delivered through advice and education programs, individual site visits, targeted interventions, industry rebate programs and a range of seminars and workshops held throughout the state.

In 2009/10, WorkCover inspectors carried out workplace visits resulting in the issue of 2486 confirmation of advice records (CARs), 688 penalty notices, 856 prohibition notices and 12,161 improvement notices for non-compliance with workplace safety legislation. WorkCover's focus on the provision of information and advice has seen a reduction in the number of prohibition and penalty notices issued, as evidenced in Graph 11. Improvement notices and the new CARs notices provide advice to employers on how to improve their workplace safety, without the need to issue formal enforcement notices.

GRAPH 11: NOTICES ISSUED



## WORKPLACE ADVISORY VISITS

Workplace advisory visits provide small business operators with the opportunity to work one-on-one with a Business Advisory Officer from WorkCover. The visit is free and provides practical OHS, workers compensation and injury management advice relevant to the small business. Businesses can receive up to three advisory visits in a year and are provided with a written report of the issues and advice that have been discussed.

WorkCover responded to 840 requests for workplace advisory visits in 2009/10.

### CANVASSING A WORKPLACE ADVISORY VISIT

Local WorkCover Business Advisory Officer, Lydia Plim attended the Canvas Hair in Kingscliff for a workplace advisory visit. Trevor West and business partner Donna Lavis said their salon has gone from strength to strength since inviting Lydia to attend their salon. 'Having somebody come out to help us with our OHS was just invaluable – you're dealing with a person and not just a set of regulations,' Trevor said.

With Lydia's help, Trevor and Donna made simple changes that are already working to keep both his employees and clients safe. Together, the partners looked at safe work procedures, established work health and safety consultation arrangements to assist Trevor share information and seek contribution on work health and safety matters from his employees, and implemented a work health and safety management system. With an eye to the future, other safety improvements will be implemented over time. 'It can only help your business and your industry. Fixing any immediate physical safety issues and having a practical safety system in place for yourself and your staff is just so important – it's great to know WorkCover is there to help,' Trevor said.

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## WORKSHOPS, PRESENTATIONS, EXPOS AND TRADE SHOWS

In 2009/10 WorkCover undertook 290 workshops and delivered 167 presentations to small and medium businesses across NSW on workplace safety, workers compensation and injury management, attracting more than 10,000 participants.

Workshops are interactive and involve attendees in discussion and practical reviews of particular WHS risks. They encourage attendees to share experiences and ideas on safety problems and solutions. Attendees receive free copies of relevant WorkCover safety codes and guides. Frequently covered topics include working at heights, managing workplace bullying, contractor safety, working with chemicals and workers compensation.

Presentations are provided to local business chambers, industry and occupational associations, group apprenticeship and business training organisations on issues and information relevant to their unique WHS needs. Presentations can range from one hour talks, to 10 minute safety updates at business chamber meetings.

WorkCover also attended 37 expos and trade shows, often staffing an information booth where attendees can talk one-on-one with Workcover staff and at larger events WorkCover giving presentations to large audiences on specific health and safety topics. Key events included the Safety Show, National Manufacturing Week, trade shows, Sydney Women's Network Expos, road shows and small business expos in the Sydney region. These events were highly successful, with over 11,000 attendees in total interacting with WorkCover.

## INDUSTRY SOLUTIONS PROGRAM

The Industry Solutions Program establishes consultative committees to address identified key safety issues across a range of industries and recommends practical solutions for them. Solutions to safety issues are developed in partnership with industry over a three-month period, and reviewed following a 12 month industry wide implementation period.

This year the Program has addressed safety issues relating to slashers, front end loader attachments on tractors, masonry wall safety during construction work, erecting, altering and dismantling scaffolding, and quad bikes.

Two separate national working parties have developed two practical guidance tools for slashers and front-end loader attachments on tractors. The guidance tools will assist designers, manufacturers, suppliers and users of plant to identify hazards and control risks associated with their use.

A short pocket book guide was developed on masonry wall safety during construction work, to assist in effective planning and preparation, risk management and the selection and use of temporary supports.

A suite of guides have been developed to assist the construction industry with the erection and use of prefabricated steel modular scaffold, trestle frame scaffold and aluminium tower-frame scaffold.

A Trans-Tasman Industry Solutions Program working party was convened the auspices of Heads of Workplace Safety Authorities (HWSA), to develop an industry strategy for the reduction of fatalities and serious incidents resulting from on-farm use of quad bikes. The working group will focus on correct safety advice at point of sale, training and instruction, personal protective equipment, after market accessories, safety information, safe use, safer design, and implementation and communication strategies.

The Industry Solution Program continues to be a success in engaging various industry stakeholders to work together to find practical solutions to difficult issues. The acceptance of the Program's solutions has been encouraging and demonstrates the commitment of industry to this collaborative approach.

## OHS PROSECUTIONS

As the regulator for workplace safety in NSW, WorkCover undertakes prosecutions for non-compliance with occupational health and safety legislation. In 2009/10 WorkCover concluded a total of 103 successful occupational health and safety prosecutions involving 76 defendants in 44 matters. Total fines awarded by the courts were over \$5.6 million.

A total of 75 defendants were charged for breaches of the legislation in 2009/10.

As at 30 June 2010, 160 defendants were before the Courts for serious breaches of the occupational health and safety legislation. This does not include matters before the Coroner or under current investigation.

## SAFETY SOLUTIONS REBATE

WorkCover's Safety Solutions Rebate Program provides financial help to small businesses across NSW to make safety improvements that will make their workplace safer and more productive.

The Program offers small business owners and sole traders up to \$500 (excluding GST) for identifying and implementing safety solutions in the workplace. It provides free workshops and workplace advisory visits to give small businesses the confidence and skills to implement these solutions. It also helps them to undertake further non-cost improvements that directly benefit their businesses such as consultative arrangements like toolbox talks, developing workplace procedures and implementing injury management programs.

The Program has proven highly successful with WorkCover providing over 800 payments totalling \$0.375 million to June 2010. The rebates have resulted in \$1.24 million in safety improvements being made to NSW workplaces. Over 85 per cent of the rebate solutions were provided to priority risks.

Small business participants have reported that they highly value the Program because it helps make safety improvements more affordable and has enabled them to purchase important safety equipment that directly benefited their business. Over 98 per cent of small businesses indicated they would recommend the rebate program to others.

## BULLYING PREVENTION COMPLIANCE STRATEGY 2010

Over the past two years WorkCover has investigated 1165 complaints relating to workplace bullying. WorkCover data indicates there have been 2400 workers compensation claims made for workplace bullying over this period costing more than \$60 million.

WorkCover's bullying prevention strategy is targeting the retail, hospitality, manufacturing, health and education sectors. The strategy consists of workplace advisory and compliance visits that assess the systems employers have in place to address bullying and provides educational resources to help businesses understand their work health and safety obligations.

A suite of guidance material has been developed in consultation with WorkSafe Victoria and published on the WorkCover NSW website. The guidance material offers advice to employers and workers on what they can do if bullying occurs in their workplace. It offers a checklist to help identify the signs of bullying, providing ideas on what simple changes can be made in any workplace to prevent bullying from occurring and tools that help to identify what underlying work environments might pose a risk to health and safety.

In the second half of 2010, WorkCover will hold more than 50 free public workshops across the State that will provide practical information on how to identify and address workplace bullying.

## DEVELOPMENT AND OPERATIONALISATION OF NATIONAL MODEL LEGISLATION

### HARMONISED HEALTH AND SAFETY LEGISLATION

WorkCover continues to work towards implementing nationally harmonised work health and safety (WHS) legislation in NSW by 1 January 2012.

The Commonwealth and state and territory governments have agreed to harmonise their work health and safety laws (including regulations and codes of practice) so that work health and safety laws are consistently applied in each jurisdiction.

The harmonisation of work health and safety legislation aims to reduce the incidence of workplace death, injury and disease across Australia. It is also intended to simplify safety compliance for businesses and workers, regardless of which state or territory they are operating in.

WorkCover has been instrumental in the development of much of the national model Work Health and Safety Act.

WorkCover is also participating in the development of model Regulations and codes of practice. It is anticipated that an exposure draft of these Regulations and codes will be available for public comment in December 2010.

In December 2009, WorkCover established the National Work Health and Safety Legislation (NWL) Implementation Program to ensure WorkCover and its stakeholders are ready to operate under

a harmonised regulatory framework. Under this program, work streams have been established to progress implementation of the new laws. These work streams include communication, workforce planning, legal, business processes and information technology systems, external training and development of policy.

The NWL Implementation Program is a three year project. Planning activities undertaken in the first half of 2010 will ensure the NWL Implementation Program will achieve the following by 1 January 2012:

- WorkCover has the structure, procedures, systems and trained personnel in place to support the a harmonised legislative framework
- WorkCover websites and publications reflect the new legislative framework
- measures are in place for performance indicators and targets for both employers and WorkCover
- training certifications in NSW are consistent with a harmonised regulatory framework
- NSW businesses understand that the new framework is operational, understand their responsibilities under the framework and are comfortable with the changeover
- the transition to a harmonised regulatory framework is seamless
- workers are aware of their WHS obligations.

### NATIONAL CODE OF PRACTICE FOR INDUCTION FOR CONSTRUCTION WORK

On 1 September 2009 WorkCover adopted the National Code of Practice for Induction for Construction Work. Under the National Code, training and assessment of the national unit of competency is conducted by Registered Training Organisations. Successful participants receive a WorkCover Construction Induction Card.

Prior to adoption of the Code, four information sessions were held for existing WorkCover accredited trainers and Registered Training Organisations. The sessions provided practical assistance on delivery and administration of the new training in line with WorkCover guidelines. A total of 249 parties attended the sessions and were provided with promotional kits and handouts detailing the new administrative requirements. Comments received from the information session participants were positive, with one RTO commenting 'Excellent facilitation'.

To ensure the smooth industry transition to the new arrangements and harmonisation of arrangements across jurisdictions, WorkCover initiated a national working group comprised of representatives from all work health and safety jurisdictions. A set of recognition principles was agreed to by all states and territories that mutually recognises general (construction) induction cards issued in Australia, removing the need for workers to undergo additional training when working across borders.

As at 1 July 2010 there are a total of 184 Registered Training Organisations delivering the training in New South Wales.

## IMPLEMENTATION OF THE NATIONAL STANDARD FOR LICENSING PERSONS PERFORMING HIGH RISK WORK IN NSW

The National Standard for Licensing Persons Performing High Risk Work was introduced in NSW on 1 September 2009. The purpose of the Standard is to facilitate the operation of a nationally uniform, competency based licensing system.

Training and assessment under the National Standard must be conducted under the supervision of a Registered Training Organisation. Prior to adopting the Standard, workers operating high risk work plant or equipment in NSW could work under logbook supervision and then proceed straight to licence assessment.

A comprehensive three-tiered consultation strategy on the implementation of the Standard occurred with NSW accredited assessors, unions, associations and interested stakeholders through a call for public comment, consultation forums and a series of workshops. The forums and workshops were utilised as mechanisms for Registered Training Organisations and assessors to network and establish communication links which were crucial in ensuring a smooth transition to the vocational education and training sector.

NSW industry will have a robust licence process that provides high risk workers with the underpinning skills and knowledge required to competently perform their duties. A National Licence to Perform High Risk Work issued by WorkCover is recognised in all states and territories.

## DEVELOPMENT AND IMPLEMENTATION OF PRACTICAL WORKPLACE STANDARDS, INFORMATION, TESTING AND WORKABLE SOLUTIONS

### IDENTIFYING WORK HEALTH SAFETY PRIORITIES

WorkCover implemented the Problem Solving Approach in July 2008 to identify specific work health and safety issues. Workers compensation, coroner, hospital, labour force, economic and various other national and international data, along with health and safety literature reviews, and stakeholder consultation are used to accurately define health and safety problems. WorkCover can then develop the most appropriate solution to assist workplaces manage a specific health and safety risk.

During 2009/10 a number of health and safety problems were identified as priorities requiring solutions. These included:

- manual handling injuries in meat process workers
- fatalities and serious injuries whilst conducting hot work on drums
- fatalities and serious injuries associated with split rim tyres
- manual handling of surgical loan kits
- fatalities and serious injuries associated with all terrain vehicles.

Additional research is undertaken to inform WorkCover's prevention and response functions and to ensure that serious health and safety risks in NSW are adequately understood before an intervention is designed.

As a result of this research, a program was undertaken in relation to risks associated with conducting hot work on drums. Completed in 2009/10, solutions developed during the program included a drum disposal pilot program where owners of drums could dispose of their empty 44 gallon drums for free and a 'do not cut' sticker being placed on new drums distributed by Castrol. The outcomes of this program will be evaluated to determine the effectiveness of these solutions.

### SURVEY WEEK – MEASURING PERFORMANCE

A number of surveys were conducted in 2009/10 with stakeholders who had an interaction with WorkCover to evaluate the organisation's performance against its business plan.

In March 2010 an annual survey with 2014 telephone interviews and six focus groups was conducted. The survey covered a range of compliance and advisory interactions, and assessed business size, industry and geographical location.

The survey results show that:

- 92 per cent of stakeholders thought WorkCover actions were reasonable
- 74 per cent of businesses felt they are more capable of managing OHS, workers compensation and injury management as a result of their interactions
- 79 per cent of stakeholders agree that compliance messages were consistent
- 89 per cent of stakeholders in a relationship (e.g. Partnerships) with WorkCover think the relationship is valuable
- 76 per cent of stakeholders felt they had more knowledge and skill in managing safety as a result of their interactions
- 92 per cent of stakeholders thought that their efforts to manage safety were acknowledged by WorkCover representatives.

WorkCover will continue to conduct surveys in 2010/11, along with a number of other evaluation processes that will support continued evidence based decision making and business improvement.

### REDUCING RED TAPE IN THE CONSTRUCTION INDUSTRY – FORMWORK AND EXPLOSIVE-POWERED TOOLS

In support of the NSW Government's commitment to reducing red tape for businesses without compromising safety standards, WorkCover has removed the requirement for workers to obtain certificates of competency for formwork and explosive-powered tools. Until February 2010 NSW was the only state that required these licences.

Extensive research and consultation with industry showed that there was no significant difference in the incident and fatality rate in NSW when compared to the other jurisdictions where the licences are not required.

Formwork and explosive-powered tool competencies are included in the NSW Office of Fair Trading qualification requirements for general concreting and carpentry licences. As such, businesses engaged in formwork were dissatisfied with the duplication of licensing requirements and the additional costs of compliance.

The simplified administrative requirements for industry reduce the regulatory and financial burden for people undertaking this work, many of which operate in more than one state or territory.

## **SAFETY – A TOP PRIORITY AT THE SYDNEY ROYAL EASTER SHOW**

WorkCover played an important role at this year's Sydney Royal Easter Show by providing safety advice and assistance to the contractors, stallholders and workers associated with the event.

WorkCover worked with the Royal Agricultural Society on an ongoing basis from November 2009 and throughout the 2010 show period to ensure that safety was a top priority for employers, show workers and ride patrons. WorkCover also worked with stakeholders to assist them in better managing their work health and safety and workers compensation responsibilities.

Information packs were sent out to NSW and interstate employers, licensees and exhibitors prior to the commencement of the show. The packs contained information for stakeholders regarding WorkCover's activities at the show and contact numbers for advice and assistance.

The Royal Agricultural Society and WorkCover delivered joint safety and workers compensation presentations to participants, including young workers and carnival, catering and show bag workers.

Inspectors and WorkCover technical specialists conducted visual and logbook audits of amusement devices to ensure the rides were installed and maintained in safe working order. Safety issues identified by Inspectors during the set up of rides were highlighted and referred to the ride operator for rectification.

## **SERVICE STATION VERIFICATION PROGRAM**

The Service Station Verification Program was developed following signing of the Partnership between WorkCover and the Service Station Association Ltd and consultation with industry stakeholders.

The Program ran for five months between June and November 2009 with Inspectors visiting 164 sites across NSW. The site visits identified that there were a number of non-compliance issues across the industry, mostly involving smaller operators specifically relating to inadequate workers compensation, and storage and handling of dangerous goods.

As well as issuing notices to achieve safety outcomes WorkCover Inspectors provided advice and assistance to increase the knowledge, awareness and capability of the service station operators. A significant improvement in compliance across the industry has been observed following the program.

Recommendations from the program have resulted in the development of self-assessment tools and checklists to assist Service Station Industry stakeholders meet their safety obligations.

Many service station operators have indicated their need for ongoing engagement with WorkCover to improve their management of safety, with the Partnership being renewed in 2010.



## **LONG DISTANCE TRUCK DRIVER FATIGUE**

An important part in ensuring 36,600 NSW truck drivers come home safely is providing the long distance trucking industry with the right safety information. This year there have been a number of fatalities involving trucks; each incident has a devastating impact on the families and friends of those involved as well as the broader community.

WorkCover is working with the Roads and Traffic (RTA) and NSW Police to hold driver awareness days at high use RTA truck stops across NSW, with representation from all three agencies. These interactive days aim to raise truck driver awareness on fatigue, and provide information on good fatigue management practices, as well as to seek valuable information directly from truck drivers on relevant industry issues.

In April 2010, WorkCover commenced workplace audits on high freight movement organisations, distribution and receiving depots. The audits focus on the obligations of consignor and consignees in the supply chain, particularly the systematic management and application of Driver Fatigue Management Plans.

A communication campaign started this year with the cooperation of the Transport Workers Union and Australian Trucking Association. The campaign has involved media releases by the Government and WorkCover, advertisements on websites and trucking journals, trucking radio and a focus on the transport industry as part of the Come Home Safe campaign.

## GROUND BREAKING TEST

The WorkCover Testsafe facility has achieved an important break through in testing a workers exposure to isocyanates chemicals. These chemicals are used in spray painting, the manufacture and application of polyurethane plastics and in mining to stabilise walls and ceilings. Previously exposure could only be tested by measuring the amount of the chemical in the air. This measure is difficult and can underestimate the volume in the air and therefore was not preferred in assessing the exposure of individual workers. Isocyanates are known to penetrate the skin. The only way to test exposure is through a urine test. WorkCover staff developed a test using the latest technology and is an Australian first. The test will enable workers to monitor their exposure to dangerous chemicals and improve workplace health and safety practices to reduce exposure.

## FIREWORKS AND EXPLOSIVES

WorkCover is coordinating a whole of government approach to the management of explosives, fireworks and flares in the community. Historically, the fireworks industry has been tainted by accidents and rogue activities created by the sale of fireworks on the black market.

Regulatory models developed in NSW are now being considered at a national level. Under new fireworks guidelines for councils, local government plays a pivotal role as an approval authority for fireworks displays in the community.

Police and WorkCover are actively collaborating under the banner of the 'Explosives and Fireworks Taskforce' to crack down on illegal possession and use, targeting high-risk professional fireworks. NSW Maritime, WorkCover and the Department of Environment, Climate Change and Water have developed a collection and disposal scheme for expired flares that is attracting international attention. This has all been achieved within an emerging national security framework for the management of explosives and chemicals of security concern, such as ammonium nitrate.

WorkCover also works closely with Industry and Investment NSW to manage large quantities of blasting explosives manufactured and used in the expanding coal and mineral mining of mid-northern and central NSW.

## WIND FARMS

WorkCover's Goulburn District Office is central to a high concentration of proposed wind farms identified in the 'Renewable Energy Precincts' map produced by the Department of Environment, Climate Change and Water NSW.

There have been a number of safety issues identified during the construction and maintenance phases of the wind farm construction projects. Working at heights, confined spaces, dust, ladders and lifting operations are a few of the OHS issues encountered by Inspectors during visits to the work sites.

WorkCover has engaged in the establishment of a consultative arrangement with various industry stakeholders to improve safety during the construction and operation of the turbines. Consultation will continue throughout 2010 to ensure ongoing compliance with OHS legislation.



# EFFECTIVE WORKERS COMPENSATION SYSTEM

Sustained workplace safety improvements, sound financial management of the Workers Compensation Scheme funds and other reforms have delivered better services and increased benefits for injured workers, savings for employers, and improved levels of efficiency:

- six premium rate reductions since November 2005 have reduced workers compensation premium rates by an average of 33 per cent (effective 30 June 2010), which will save NSW industry around one billion dollars in 2010/11 alone
- apprentice wages have been removed from the calculation of workers compensation premiums, providing ongoing savings to employers of over \$40 million per year
- red tape surrounding workers compensation wage declarations and certificates of currency requirements has been reduced, saving employers an additional \$20 million per year
- the requirement for keeping wage records has been reduced from seven to five years
- the lump sum payable if a worker dies as a result of their employment increased to \$449,850 on 1 April 2010 and the circumstances in which the benefit is available have been broadened
- automatic workers compensation coverage has been provided to employers who pay annual wages of \$7500 or less, including private households employing domestic workers.

## RESPONSIBLE FINANCIAL MANAGEMENT

### WORKCOVER SCHEME FINANCIAL PERFORMANCE

The New South Wales WorkCover Scheme's financial position stabilised during 2009/10, with a deficit increasing by \$101 million (to \$1,583 million). The Scheme's funding ratio was 89 per cent at the close of the financial year, unchanged from the ratio achieved at 30 June 2009.

For the second year, 2009/10 saw the Scheme's financial position strongly influenced by external factors, most notably the Global Financial Crisis' impact on investment markets.

The financial position improved in the first six months of the financial year, driven by improved investment markets. These gains were however offset in the second half of the year primarily due to a fall in long term yields.

By excluding the impact of external factors, and examining the Scheme's performance from underwriting operations it can be seen that the Scheme achieved a surplus of \$28 million in the six months to June 2010.

The underwriting operations result is the most appropriate measure of the Scheme's fundamental health, as it looks through external factors, such as fluctuating investment returns rates.

On the basis of the Scheme's overall financial performance and strong underlying position, it was possible to reduce premium rates while still collecting sufficient funds to meet future Scheme costs. Consequently, average workers compensation premium rates were reduced by up to 2.5 per cent from 30 June 2010, the sixth premium rate cut since November 2005.

The latest rate cut is targeted to those industries that have shown a sustained improvement in work health and safety, injury prevention and management. Businesses operating in more than 240 industry classes had their premium rates reduced as a result.

The reduction benefits more than 161,000 employers – or 55 per cent of employers covered by the WorkCover Scheme – across the State.

Premium rates for all other industries were maintained at the same level as in the previous year.

The cuts delivered since 2005 bring the target premium collection rate in New South Wales to 1.66 per cent, saving New South Wales employers around \$1 billion dollars each year in premiums.

### PREMIUMS

Each year the New South Wales WorkCover Scheme collects around \$2.6 billion in premiums from NSW employers. The Scheme is a pool of employer premiums that provides protection to workers injured at work while limiting the financial exposure of employers.

The aim of the Scheme is:

- to provide financial support and medical and rehabilitation services to injured workers to assist them return to work
- be fair and affordable for employers.

### RETRO-PAID LOSS PREMIUM METHOD

A new optional alternative premium method for large employers was introduced from 30 June 2009 and has provided the opportunity for WorkCover to work more closely with industry to improve injury prevention and management outcomes.

The approach offers employers with a basic tariff premium of more than \$500,000 a choice between the conventional premium calculation method and an alternative method, based on commercial retro-paid loss arrangements.

The Retro-Paid Loss Premium Method derives an employer's premium almost entirely from their individual claims experience and success in injury prevention and claims management during the period of the insurance policy.

Retro-paid loss arrangements are available to large employers who meet a range of eligibility criteria. These include evidence of satisfactory injury prevention and management systems, and meeting targets against key performance indicators specified by WorkCover.

As at 30 June 2010, 29 participant organisations, incorporating 136 employing entities have been accepted into the Retro-Paid Loss Premium arrangements. These participants have a combined wage roll of \$4,652 million; and a combined basic tariff premium of \$82.24 million.

The implementation of these arrangements followed more than 18 months consultation with stakeholders. It fulfils WorkCover's commitment following the 2005 Premium Review, which focused on small and medium sized employers, to consider the needs of the State's largest employers.



The *Retro-Paid Loss Premium Model Guidelines* can be found on the WorkCover website. These outline the eligibility criteria and application process for large employers wishing to enter into retro-paid loss arrangements.

## PREMIUM COMPLIANCE

Workers compensation premiums are calculated on information provided by employers. As a key component of its premium compliance strategy, WorkCover conducts a wage audit program to help ensure employers are paying the correct premiums – no more, no less. These audits review the wages and business activity declared by an employer for premium calculation purposes.

A panel of auditors appointed and managed by WorkCover undertakes the audits. A public tender was conducted to appoint a new wage audit panel, the results of which were announced in September 2009. The new contracts commenced on 1 February 2010.

In 2009/10 wage audits identified \$9.2 million in underpaid premiums because of under declaration of wages and also resulted in \$2.8 million being refunded to employers who had overstated their wages.

Wage audits are also an opportunity to assist employers to understand their workers compensation premium obligations.

Future workers compensation compliance strategies will focus on targeted initiatives identified through data analysis and other information sources.

## PREMIUM APPEALS

Workers compensation premiums are calculated by Scheme agents based on information supplied to them by the insured employer. If an employer disagrees with the premium calculated by their Scheme agent, the employer may apply to WorkCover for a determination.

Appeals can be lodged about:

- the WorkCover Industry Classification (WIC) applied to an employer's business
- the estimate of the cost of claim(s) impacting the employer's premium
- the inclusion of payments as wages for premium calculation purposes.

The application must be received by WorkCover within one month after the date on which the Scheme agent issued the notice of the premium to the employer.

WorkCover's target is to finalise appeals within 90 days of receiving a completed application. Completion of the appeal process depends on the complexity of the appeal including the number of items in dispute and the quality of the information provided.

Details on premium appeals determined in 2009/10 are:

	TOTAL DETERMINED	AVERAGE TIMEFRAMES FOR COMPLETION (MONTHS)
APPEAL TYPE		
Cost of Claim	89	3.6
WIC	113	2.8
Wages	113	5.4
<b>TOTAL</b>	<b>315</b>	<b>3.9</b>

## RECOVERY OF GST

During 2009/10 the NSW WorkCover Scheme in conjunction with its actuaries undertook a review of GST on payments made by Scheme agents and former licensed insurers to third party service providers, such as rehabilitation and legal providers.

The review determined that since 2000, GST has been overpaid to the Australian Taxation Office. In a cooperative effort with the Australian Taxation Office, \$17 million has been returned to the Workers Compensation Insurance Fund in 2009/10.

The review of GST payable and potentially recoverable is ongoing and further refunds will be finalised in 2010/11. A review will be undertaken by the Nominal Insurer in 2010/11 of Scheme agent claims management systems, to ensure that they have been designed and implemented to correctly determine the amount of GST on claim related expenses that can be claimed back from the Australian Taxation Office.

## WORKERS COMPENSATION FRAUD

Fraud undermines the community's confidence in the workers compensation system. Every year, WorkCover investigates numerous reports of suspected fraudulent activity and works closely with Scheme agents and Self and Specialised Insurers to target and uncover potentially fraudulent matters.

Fraud may be committed by employers, workers and service providers. Where sufficient evidence is gathered a decision will be made whether to prosecute or issue a caution, depending on the seriousness of the offence. Where the required standard of proof for investigation or prosecution is not met, warnings may be issued and debt recovery action taken to recoup monies received fraudulently.

As a result of fraud activities undertaken in 2009/10:

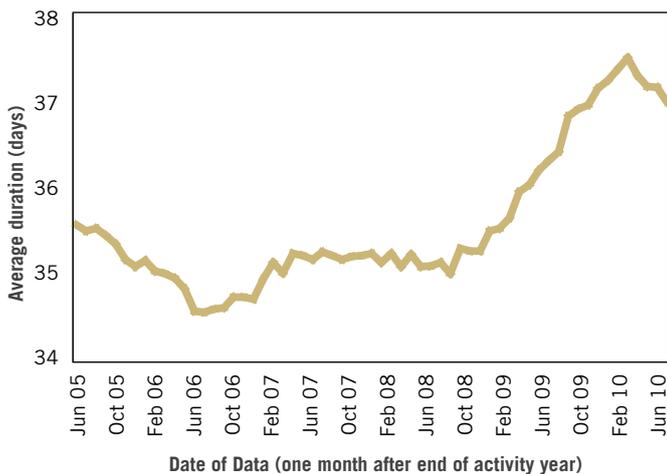
- WorkCover received 354 referrals of alleged fraudulent activity, all of which have been or are being actioned
- 10 prosecutions resulted in convictions
- 18 matters resulted in cautions in lieu of prosecution and 18 warnings were issued.

## IMPROVED HEALTH, SOCIAL AND RETURN TO WORK OUTCOMES FOR INJURED WORKERS

### WORKCOVER SCHEME RETURN TO WORK (RTW) PERFORMANCE

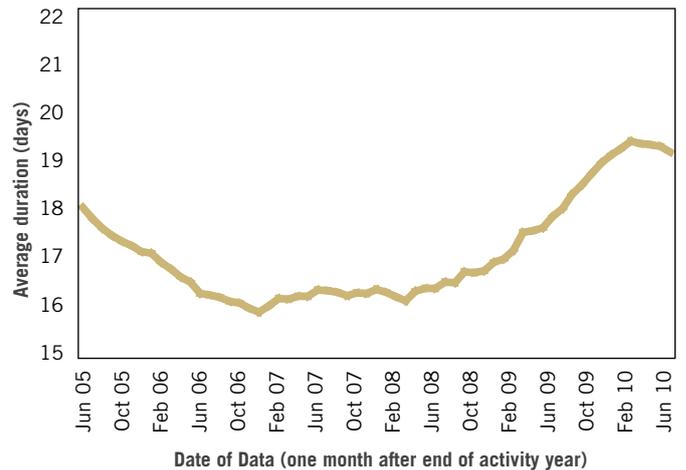
The average duration on weekly benefits is used as a measure for monitoring the return to work performance of the WorkCover Scheme. The measure examines all claims resulting in five or more days of incapacity to work, but separates them into categories based on the length of incapacity (six, 12 and 18 months).

GRAPH 12: RTW SCHEME RESULTS – 6 MONTH MEASURE

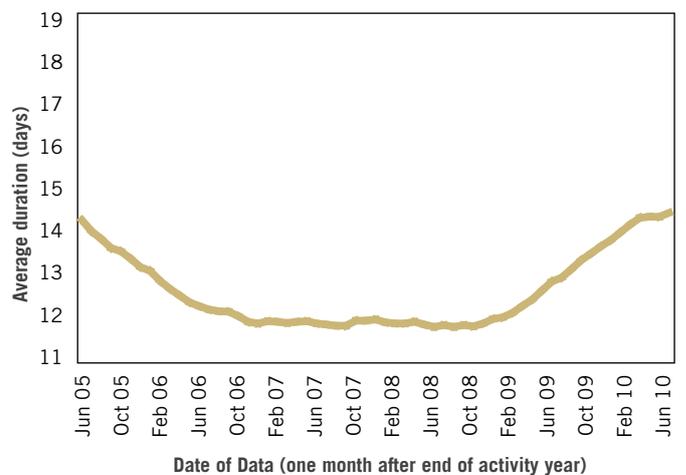


These results show that the amount of time injured workers remained unfit for work following an injury decreased markedly between 2003 and 2006 then remained relatively stable for a time. Following a period of deterioration, the six and 12 month measures are now improving.

GRAPH 13: RTW SCHEME RESULTS – 12 MONTH MEASURE



GRAPH 14: RTW SCHEME RESULTS – 18 MONTH MEASURE



## WORK TRIAL PROVIDES A SECOND CHANCE

A worker was injured at work in 2007 when he attempted to move a bucket that was iced to the floor, damaging his neck so badly that surgery was required. After the operation he returned to work on light duties, but found his work as a forklift driver and storeman increasingly difficult. Eventually his symptoms returned, requiring a second operation.

On consultation with his surgeon it was decided that it was not safe for the worker to return to work as a forklift driver, so the search began for a more suitable occupation.

The worker's work history, his transferable skills, his interests, as well as the opportunities available in the labour market were all considered. Certain areas of security work, like concierge and front desk duties, were identified as one of the most suitable options.

By accessing WorkCover's retraining program, the worker was able to undergo training as a security guard.

After successfully completing his course, with the assistance of the rehabilitation provider the worker began the process of active job hunting. Potential employers were informed of the WorkCover work trial program through letters and followup phone calls.

One of the benefits of the work trial is that the employer has the chance to test-drive the employee and the employee has the opportunity to test-drive the role to make sure they can physically manage it.

The employer showed themselves to be flexible and accommodating by agreeing to relocate the worker to another position due to the physical demands of the job he was initially placed into. Companies are able to be more flexible because they do not pay for the training, allowing them find a way to work around the injured workers limitations.

In December 2009, the worker received some much needed Christmas cheer with the news that the security firm was offering him full time employment after the successful completion of his work trial. The company retained the worker as an employee through WorkCover's JobCover Placement Program, which provides a financial incentive for an employer to employ a worker who has a work-related injury.

The worker said 'It's great to be working again. It has been a long process getting here because once you're injured it's very hard to find a job – many times I would pick up the phone and get a negative answer but I refused to admit defeat because I knew that would only make it harder to get my life back on track.'

'What really helped was having the support of my family and those around me trying to help out. WorkCover provided the programs and equipment I needed to move ahead, and the company showed they were willing to listen and give me a chance.'

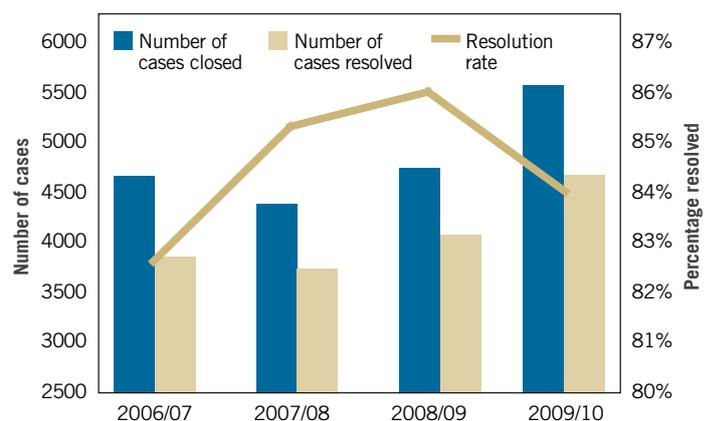
## EFFECTIVE DECISION MAKING WITH TIMELY AND EQUITABLE RESOLUTION TO DISPUTES

The Claims Assistance Service (CAS) provides help to injured workers and employers about workers compensation claims. CAS assists in communication between injured workers, employers, Scheme agents and insurers with the primary aim of resolving problems quickly.

In 2009/10 the CAS received 5519 new cases. It resolved 4689 (84 per cent) of the 5585 cases closed throughout the year.

Graph 15 shows the high level of consistency in resolution of cases referred to the CAS.

GRAPH 15: CAS RESOLUTION RATES



## FOCUSING ON PERFORMANCE, AND ENSURING THE ACCOUNTABILITY OF AGENTS, INSURERS AND SERVICE PROVIDERS

WorkCover contracts the services of seven agents to manage workers compensation policies and claims on behalf of the Nominal Insurer. WorkCover's focus is on agents' accurate premium calculation and collection; timely processing of injured workers' claims and payment of benefits (weekly income, medical and rehabilitation expenses, permanent impairment and compensation for fatally injured workers); assistance to injured workers and their employers to minimise the time a worker is away from work. The contractual arrangement between WorkCover and the seven Scheme agents emphasises improved performance, with agents being financially rewarded for superior performance.

### IMPLEMENTATION OF SCHEME AGENT CONTRACTS FOR THE PROVISION OF CLAIMS AND POLICY SERVICES

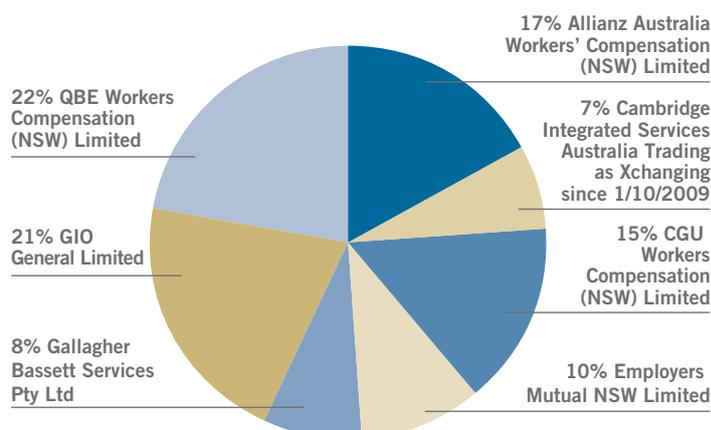
In August 2009, WorkCover, on behalf of the Workers Compensation Nominal Insurer, finalised a Request for Proposal process in relation to the provision of claims and policy services for the period 1 January 2010 to 31 December 2014 (the 2010 Deed). As a result, contracts were entered into between the Workers Compensation Nominal Insurer and the following successful respondents:

- Allianz Australia Workers' Compensation (NSW) Ltd
- Cambridge Integrated Services Australia Pty Ltd (trading as Xchanging)
- CGU Workers Compensation (NSW) Limited
- Employers Mutual NSW Limited
- Gallagher Bassett Services Pty Ltd
- GIO General Limited
- QBE Workers Compensation (NSW) Limited.

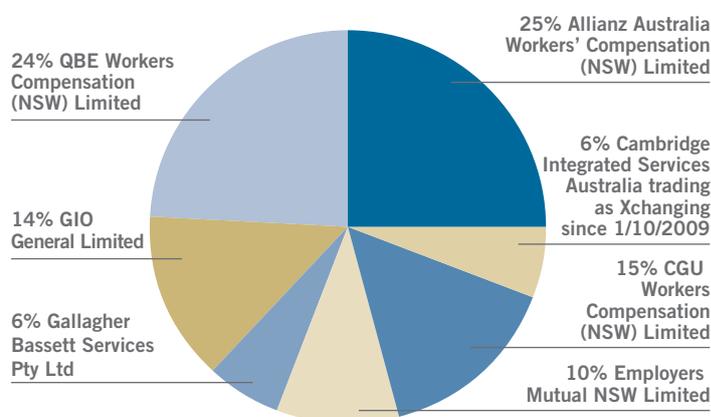
The implementation of the 2010 Deed involved the movement of market share, consisting of workers compensation policies and claims. The movements are designed to optimise service delivery by aligning market share with each Scheme agents' capacity, capability and performance.

Around 27,000 policies and 8200 open claims were identified for transfer between Scheme agents, representing 12 per cent and eight per cent of the total market respectively. The claim and policy market shares of each Scheme agent following the transfer process are shown in the following graphs.

GRAPH 16: POLICY MARKET SHARE (%)



CLAIMS MARKET SHARE (%)



### MANAGEMENT OF SCHEME AGENT PERFORMANCE

Under the terms of the 2010 Deed, Scheme agents act as agents of the Nominal Insurer in providing claims and policy services in the WorkCover Scheme. Remuneration is based on a Scheme agent's ability to meet specific performance targets including return to work and financial outcomes for the Scheme. The Nominal Insurer conducts regular performance monitoring in respect of these two measures, which is used to inform Scheme agents of progress against their agreed performance targets as well as to identify Scheme wide issues. In addition, Key Performance Indicators in relation to premiums, case management, data quality and information technology have been established with financial recognition for achieving certain targets.

The contractual arrangements between the Nominal Insurer and each Scheme agent are administered in accordance with strict contract management practices. Performance management forms a key element of contract management practices and incorporates the Nominal Insurer's capacity to direct rectification of breaches or potential breaches such as performance or system failures. The 2010 Deed also includes a governance framework which outlines the Scheme agent's key Scheme governance obligations and requirements, as well specifying those governance obligations that will be subject to audit by the Nominal Insurer.

Details of Scheme agent performance are provided in Appendix 21.

In addition, claims against employers who did not hold a current workers compensation policy are managed by WorkCover on behalf of the Nominal Insurer within the WorkCover Scheme.

## REGULATION OF SELF AND SPECIALISED INSURERS

### Self-Insurers and Group Self-Insurers

Self-insurers are an integral part of the NSW workers compensation system. The *Workers Compensation Act 1987* provides for employers to be licensed by WorkCover subject to meeting certain criteria which are set out in WorkCover's *Licensing Policy for Self-Insurers*. Self-insurers take responsibility for case management and payment of their own claim liabilities.

WorkCover's licensing policy has been established to protect injured workers against self-insurer insolvency and to ensure that appropriate injury prevention and management systems are implemented and maintained by self-insurers. Each self insurer is required to have in place a workplace safety management system appropriate to the risks and activities undertaken.

WorkCover may grant a self-insurer licence to a single employer or to a holding company and its wholly owned subsidiaries (group licence). New applicants for a single or group licence must have a minimum of 500 employees in New South Wales. There are currently 43 self-insurers and 17 group self-insurers. Based on deemed premiums, self-insurers and group self-insurers represent approximately 30 per cent of the New South Wales workers compensation system.

The types of entities who are self-insurers and their industries are very diverse, including several NSW Government authorities involved in rail, electricity generation and distribution and forestry. The entity type with the largest number of licences is local government with 15 local councils having self-insurer licences. Major retailers are represented: Coles, Woolworths and Myer. Other high profile names and brands include: Westpac, ANZ, BHP, QANTAS, CSR, Toll, Brambles, Electrolux, Inghams, Mars, Johnson & Johnson, Unilever and McDonalds. A full list of self-insurers is included in Appendix 20.

Licences are granted for a standard period of three years and are generally renewed for additional three year terms. WorkCover monitors self-insurers for compliance with licensing policy and licence conditions and conducts regular audits of self-insurer's safety management systems and case management practices. WorkCover has the discretion to grant licences for shorter terms if it believes this is warranted. A short term licence provides a self-insurer with the opportunity to demonstrate their commitment to improved performance. WorkCover offers assistance to these insurers to help ensure that they meet the minimum performance standards of all licence conditions.

WorkCover requires self and specialised insurers to lodge security for their outstanding claims liability. WorkCover reviews the amount of security required annually based on actuarial assessment and includes a prudential margin of 50 per cent to ensure it is sufficient to cover outstanding claims. At 30 June 2010 WorkCover held deposits, bank guarantees and authorised government securities totaling more than \$1.5 billion to safeguard the liability of self and specialised insurers' for current and future workers compensation costs (Note 25 to the financial statements).

### Specialised Insurers

Unlike self-insurers who cover their own risks, specialised insurers have a restricted licence to issue workers compensation policies to a certain class of employer or industry. For example, Guild Insurance Limited covers members of the Pharmacy Guild of Australia; StateCover Mutual Limited covers local government councils; and Hotels Employers Mutual Limited covers members of the Australian Hotels Association (NSW).

Currently there are seven specialised insurers. Only employers operating in an industry covered by a specialised insurer may take out a policy with that specialised insurer.

Specialised insurers are governed by a similar licensing policy to that of self-insurers and are subject to regular workplace safety and case management audits. Specialised insurers carry their own underwriting risk and are free to set their own premiums at commercial rates. Specialised insurers are expected to assist their insured employers to meet their workplace obligations based on a systematic approach to injury prevention.

The majority of specialised insurers are also licensed as general insurers by the Australian Prudential Regulation Authority (APRA) and are subject to regulation by APRA as well as WorkCover. WorkCover has identified that there is scope to work in conjunction with APRA to harmonise key aspects of regulation for specialised insurers.

WorkCover's main interactions with self and specialised insurers for 2009/10 have been through:

- 40 workplace safety and case management audits with 88 per cent of insurers found to be performing to a satisfactory standard
- regular briefing sessions at the Self Insurers Association bi-monthly Executive meetings
- forums on the implementation of the psychological and counselling services framework
- the Self Insurers Association Education Day in March 2010 covering a range of important workers compensation issues.

## PSYCHOLOGISTS AND COUNSELLORS REGULATORY FRAMEWORK

After extensive consultation in 2008 and 2009, WorkCover implemented a regulatory framework for services provided by psychologists and counsellors which took effect on 1 January 2010.

Features of the framework include:

- approval process for suitable practitioners
- promotion of evidence based practices, measurable outcomes by providers and common understanding of reasonably necessary treatment
- administrative arrangements for communication between insurers, workplace rehabilitation providers, employers and service providers
- maximum fees for services
- peer support and review of service providers, through a network of independent consultants
- complaints management
- education of Scheme agents, insurers, and other service providers.

Since commencement on 1 January 2010, more than 1800 psychologists and counsellors have obtained a WorkCover approval number.

The Australian Psychological Society has provided training on WorkCover's behalf to over 1200 service providers and will provide further training opportunities for service providers over the next two years.

More than 150 independent consultations have been conducted to assist service providers and case managers improve treatment outcomes for injured workers receiving psychology or counselling services.

In common with WorkCover's approach to provider management, the training emphasises the need for outcome focussed treatment with a primary objective of assisting the injured worker to return to employment.

## EFFECTIVE MANAGEMENT OF SCHEME INVESTMENTS

### WORKERS COMPENSATION INSURANCE FUND (WCIF)

The *Workers Compensation Legislation Amendment Act 2004* prescribed the establishment of the Workers Compensation Insurance Fund Investment Board (the Board). The Board has these functions:

- determining investment policies for the investment of the Workers Compensation Insurance Investment Fund (Fund)
- reporting to the Minister on the investment performance of the Fund.

The Board determines the investment policy of the Fund and reports to the Minister on its investment performance. The Board has a determinative, not an advisory role. This means that the Nominal Insurer, as manager of the Fund, must implement the Board's decisions on investment policy for the Fund, through its agent, the WorkCover Authority of NSW.

The functions of the Board are distinct from the functions of the WorkCover Authority of NSW Board. In performing its functions, the Board develops appropriate policies and procedures.

As previously advised, the Board has entered into a Memorandum of Understanding with the WorkCover Authority of NSW to facilitate the conduct of its policies. The Investment Division of the WorkCover Authority of NSW (Investment Division) undertakes operational management of the Fund.

The Board members as at 30 June 2010 were David Spruell (Chairperson), Nicholas Whitlam (Deputy Chairperson), Kerry Adby, Peter Collins, Terry Downing and Lisa Hunt, CEO of the WorkCover Authority of NSW. Short backgrounds of the Board members are included in this report. The Governor of NSW re-appointed the five part-time Board members for a second three-year term from 9 March 2008, due to expire on 9 March 2011.

## INVESTMENT PERFORMANCE AND MARKET INFORMATION

The Fund has produced an 11 per cent return for the financial year ending June 2010.

WorkCover estimates that the Fund has made a 2.1 per cent or approximately \$220 million contribution to a reduction in the Scheme deficit compared to June 2009. The positive contribution was delivered in the period from July 2009 to December 2009. Investment returns in the six months to June 2010 did not keep pace with the notional return from the liability benchmark. Growth assets pulled back due to the Greek sovereign debt crisis whilst nominal bond rates on which the discounted value of the Fund's liabilities are based fell, thereby automatically increasing the net present value of those liabilities.

## INVESTMENT PERFORMANCE

**TABLE 1: FUND TOTAL PERFORMANCE FOR THE PERIOD ENDING JUNE 2010 AND SINCE INCEPTION**

	TOTAL FUND PERFORMANCE (% P.A.) <sup>1</sup>	
	12 MONTHS	SINCE INCEPTION <sup>3</sup>
Total Fund performance	11.0%	4.6%
Liability benchmark return <sup>2</sup>	8.9%	7.3%
<b>RELATIVE PERFORMANCE</b>	<b>2.1%</b>	<b>(2.8%)</b>
Asset allocation return	11.3%	4.0%
<b>RELATIVE PERFORMANCE</b>	<b>(0.3)%</b>	<b>0.6%</b>

1. All figures shown are based on market values and income of the assets provided by the Master Custodian.

2. The liability benchmark return is an approximation to the effect on the Fund's claims liabilities of market moves in nominal government bond interest rates.

3. Inception 30 November 2005.

**TABLE 2: FUND ASSET CLASS PERFORMANCE FOR THE YEAR ENDING JUNE 2010 AND SINCE INCEPTION**

ASSET CLASS	PERFORMANCE (% P.A.)		BENCHMARK (% P.A.)		OUTPERFORMANCE/ (UNDERPERFORMANCE) (% P.A.)	
	FINANCIAL YEAR	SINCE INCEPTION <sup>1</sup>	FINANCIAL YEAR	SINCE INCEPTION <sup>1</sup>	FINANCIAL YEAR	SINCE INCEPTION <sup>1</sup>
	Aust. equities (incl. overlays)	11.5	2.8	13.2	2.5	(1.7)
Aust. equities (ex. overlays)	13.3	2.9	13.2	2.5	0.2	0.4
Int'l equities <sup>2</sup>	14.7	(0.1)	11.5	(1.0)	3.2	0.9
Aust. unlisted property	4.4	5.1	8.6	8.6	(4.2)	(3.5)
Int'l listed property	24.9	(3.4)	26.3	(4.0)	(1.4)	0.6
Aust. fixed interest	8.2	6.8	6.4	6.3	1.8	0.6
Aust. inflation-linked bonds	9.9	5.0	10.4	4.1	(0.5)	0.9
Aust. bonds <sup>3</sup>	1.5	1.5	1.5	1.5	0.0	0.0
Investment Grade Credit	5.3	5.3	5.7	5.7	(0.4)	(0.4)
Commodities	6.6	(18.3)	5.3	(21.9)	1.3	3.6
Cash	6.6	6.0	3.9	5.8	2.7	0.2

1. Inception date for performance is 30 November 2005, except Unlisted Property 20 December 2005, Commodities 5 August 2008 and Investment Grade credit performance 11 October 2009.

2. International developed markets currency exposure hedged 50 per cent at June 2010. Includes emerging markets.

3. Australian bonds asset class is 60 per cent Australian fixed interest and 40 per cent Australian inflation-linked bonds held in the TCorp Inflation-linked bond mandate. This asset class is a composite effective 1 June 2010 until the mandate is split into its respective asset classes.

Growth assets rebounded in 2010, following a difficult 2009.

Australian shares gained 13 per cent in the year to June 2010 with global equities gaining nearly 12 per cent on a currency hedged basis or 5 per cent on an unhedged basis. The Fund had a currency hedge ratio for developed market global equities between 37.5 per cent and 62.5 per cent over the year.

Defensive assets produced better returns for the year, with inflation-linked bonds returning 10 per cent following a weak 2009. Inflation-linked bonds rallied in 2010 from oversold levels following the flight to safety in the global financial crisis.

It was a year of two distinctly different halves with the first half of the year driven by optimism of economic recovery and growth assets, especially Australian equities, producing returns of 20 per cent or more for the six months to December 2009. Markets faced a reality check in 2010 with the new Greek government admitting to a material understatement of public debt by the previous government. This led to increased risk aversion amongst government bond investors with most of the Mediterranean countries receiving downgrades to their credit ratings and experiencing increased difficulties in raising new debt or rolling over existing debt from financial markets. Greece itself was downgraded to below investment grade status and its ten-year government bond yields rose to more than 10 per cent, a 7 per cent margin above equivalent German bonds.

In May 2010, European governments agreed a support package of €750 billion in conjunction with the International Monetary Fund and the European Central Bank to purchase government debt, which helped stabilise markets. As a result of the Greek sovereign debt crisis, growth assets suffered a correction of between 7 per cent and 10 per cent in the six months to June 2010, leading to more subdued returns for the year. Due partly to the flight to safety, Australian government ten-year bond yields fell 0.5 per cent to 5.1 per cent over the financial year, having spent most of the year between 5.3 per cent and 5.5 per cent.

The financial sector faced increased regulation and scrutiny in the last year with the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in July 2010. This bill seeks to reduce banks' investment in hedge funds and private equity, compartmentalise trading of some derivatives into separately capitalised subsidiaries and improve the ability of regulators to seize any financial company that threatens the financial system. The US Securities and Exchange Commission settled a US\$550 million lawsuit against Goldman Sachs in the trading of mortgage backed securities and the new UK government imposed a levy on banks to help reduce the budget deficit.

## ASSET ALLOCATION

Table 3 below details the Fund's asset allocation as at 30 June 2010.

**TABLE 3: ASSET ALLOCATION**

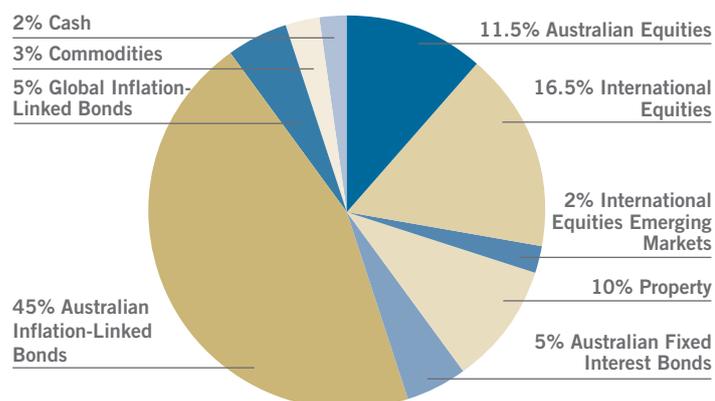
ASSET CLASS	AA (%)
Australian Equities	11.0
International Equities <sup>1</sup>	14.0
International equities emerging markets	2.0
Property	6.0
Australian Fixed Interest Bonds	18.0
Australian Inflation-Linked Bonds	39.0
Investment Grade Credit	6.0
Commodities	2.0
Cash	2.0
<b>TOTAL</b>	<b>100.0</b>

1. Developed market currency exposure strategic hedge ratio was 50 per cent as at 30 June 2010.

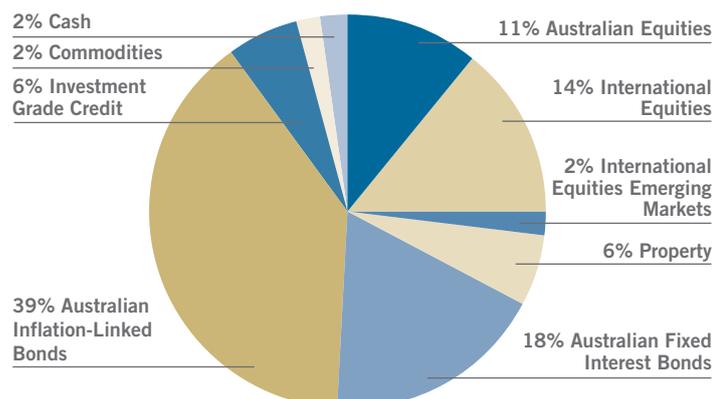
The charts below show the asset allocation and defensive/growth asset allocation mix in June 2009 and June 2010

**GRAPH 17: THE ASSET ALLOCATION (AA) OF THE FUND AT 30 JUNE 2009 AND 30 JUNE 2010**

### AA AS AT JUNE 2009

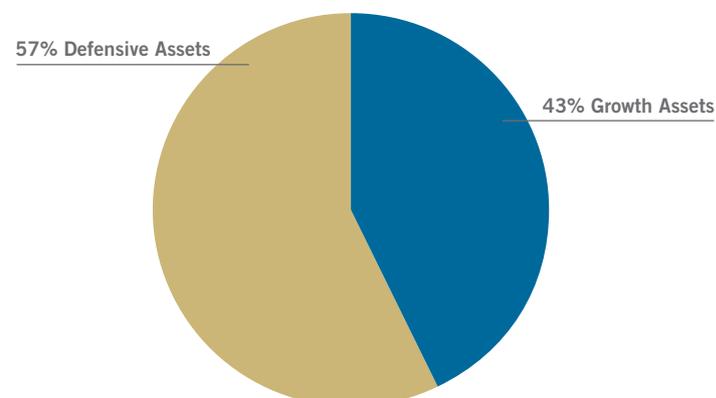


### AA AS AT JUNE 2010

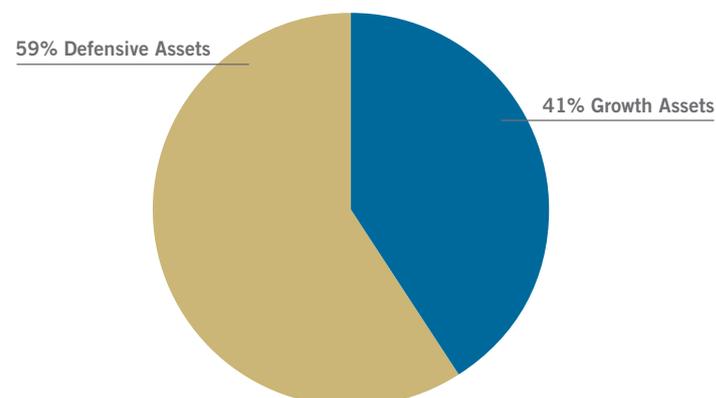


**GRAPH 18: THE ASSET ALLOCATION'S MIX OF GROWTH AND DEFENSIVE ASSETS OF THE FUND AT 30 JUNE 2009 AND 30 JUNE 2010**

### GROWTH/DEFENSIVE ASSET SPLIT 2009



### GROWTH/DEFENSIVE ASSET SPLIT 2010



## FUND OVERVIEW

### ASSET CONSULTANT APPOINTMENT

The asset consultant plays an important role in the overall management for the Fund. The asset consultant undertakes asset/liability analysis, investment manager research and monitoring, ongoing review of investment markets and performance. The Investment Division tendered for an asset consultant in the first half of 2009. The successful tenderer for the asset consultant review was Mercer (Australia) Pty Limited. Mercer was formally appointed in September 2009.

### PROPERTY

For the first six months, property values continued to fall, with market activity (especially transactions) non-existent. The second half of the financial year saw property values stabilise and a number of large transactions in the market occurred, assisting in setting pricing parameters for valuation purposes. Over the financial year the Fund purchased over \$100 million additional exposure to Australian unlisted property, generally at discounts to net asset value.

The Board at its May meeting decreased the allocation to Australian unlisted property from 7 per cent to 6 per cent.

In October 2009, the Board effectively ended the Fund's exposure to listed property, both Australian and International.

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## REMOVED EXPOSURE TO INTERNATIONAL INFLATION-LINKED BONDS

As part of the Investment Division's and the Board's ongoing review of asset allocation the Board decided to fund an allocation to credit from international inflation-linked bonds. When the initial allocation to the international inflation-linked bond sector was made there was insufficient liquidity in the Australian market to meet the Fund's need for inflation protection. More opportunities in Australia, through the use of swaps and increased governmental issuance of inflation linked securities, have removed the need to seek such securities offshore.

Upon funding of investment grade credit, the Fund's exposure to international inflation-linked bonds was eliminated in October 2009. The Fund continues to hold a large exposure to Australian inflation-linked bonds, which provide a better fit for the liabilities of the Scheme.

## REVIEW OF EQUITY MANAGERS

WorkCover has undertaken a review of the Fund's international equity managers. Arrowstreet was appointed as a low volatility international equity manager in December 2009. This strategy aims to better align the Fund with its longer-term objectives and protect it from excessive equity market volatility. The strategy has added significant value since inception.

Further strategies that may provide better risk-adjusted returns for the Fund are being investigated in 2010, including a potential investment in managers who invest in relatively cheap, high quality global companies.

## ASSET ALLOCATION REVIEWS

The Board, on the advice of the Investment Division and the asset consultant, decided to de-risk the Fund in two stages. As the funding ratio improved in late 2009, the Fund reduced growth assets by 5 per cent with the proceeds invested in Australian fixed interest. The Board's main reason for the reduction was to better align the investment strategy of the Fund with the liabilities of the Scheme and to reduce the degree of downside risk to the Fund during adverse market conditions.

At the same time, the Fund made an investment in investment grade credit which is expected to provide a higher return than fixed income with less risk than equities. This is classified as a growth investment primarily because credit is not necessarily defensive in crises. This was funded primarily from global inflation-linked bonds.

The Board further reduced growth assets by 4 per cent, as well as a 4 per cent reduction in inflation-linked bonds with the proceeds invested in Australian fixed interest in March 2010. This was done to reduce the volatility of the funding ratio, and provided a useful cushion to the Fund during a volatile second half of the financial year.

The Board continues to investigate ways of reducing the risk of the Fund compared to Scheme liabilities, without reducing the long-term outlook for investment returns.

## OPERATIONAL REVIEWS

As part of the appointment of new fund managers, WorkCover undertakes reviews of each manager's middle and back office operations. This is an assessment of the manager's operational practices including a review of the compliance and operational environments. This assessment is in addition to the assessment of the manager's investment management capability. WorkCover also conducts ongoing operational assessments on a rolling five year basis. In the period ending 30 June 2010, WorkCover tabled nine operational review reports for consideration by the Audit and Compliance Committee. Some of these reviews were outsourced to Mercer Investment Consulting.

There was significant progress on the implementation of the recommendations from the operational review of the Fund's master custodian, State Street Bank and Trust (SSBT) conducted in 2009. A review of service levels was commenced to be completed prior to moving to a daily control environment. Implementation is planned by the end of the 2010 calendar year.

## INVESTMENT MANAGERS

Over the 12 months to June 2010, Francis Fisher Trees & Watts was terminated as Global Inflation-Linked Bond Manager, along with Vanguard Investments Australia Ltd for Australian listed property. A small residual International Listed Property investment remains. AMP Capital Investors and Kapstream were appointed to manage investment grade credit.

Arrowstreet Capital Limited Partnership was appointed and GMO was terminated within International Equities. The Fund's commodities manager, Barclays Global Investors was purchased by BlackRock.

Table 4 below lists all investment managers as at June 2010.

**TABLE 4: WCIF INVESTMENT MANAGERS**

ASSET CLASS	INVESTMENT MANAGER
Australian Shares	BlackRock Investment Management (Australia) Limited. (passive) Independent Asset Management Pty Limited. Perennial Investment Partners Limited. Tyndall Investment Management Limited.
Global Shares	Colonial First State Investments Limited. Lazard Asset Management Pacific Co. MFS International (UK) Limited. State Street Global Markets. Arrowstreet Capital Limited Partnership.
Australian Unlisted Property	AMP Capital Investors Limited. GPT Group Limited. Goodman Wholesale Limited. Lend Lease Real Estate Investments Limited. Dexus Property Group.
International Listed Property	Russell Investment Management Ltd.
Investment Grade Credit	AMP Capital Investors Limited. Kapstream Capital Pty Limited.
Australian Fixed Interest	Investment Division (Portfolio Construction) with BlackRock Investment Management (Australia) Limited (Portfolio implementation). New South Wales Treasury Corporation.
Australian Inflation-Linked Bonds	Colonial First State Asset Management (Australia) Limited. Aberdeen Investment Management Australia Limited. New South Wales Treasury Corporation.
Currency Hedging	Aberdeen Investment Management Australia Limited.
Commodities	BlackRock Investment Management (Australia) Limited.
Cash	New South Wales Treasury Corporation.

## FUND COSTS

The estimated total cost of running the Fund for the financial year ending June 2010 was approximately 0.25 per cent of the average value of the Fund over the year. Costs attributed to the Investment Division represent a small proportion of this. Compared to the 2008/2009 financial year, there has been a significant reduction in external investment management costs to the Fund. The reduction

in total cost is not a sustained reduction, as it is due to reduced performance fees paid to investment managers. The Fund's fee arrangements in certain asset classes are aligned to investment manager's performance. Performance fees are expected to normalise as the Fund's managers obtain greater outperformance on the Fund's mandates in the future.

## INFORMATION, ASSISTANCE, EDUCATION, INCENTIVES AND DETERRENTS

### PROFESSIONAL PATHWAYS PROGRAM

In 2009/10 WorkCover continued its Professional Pathways Program. This is an integrated program of projects and initiatives aimed at supporting the workers compensation insurance industry to create educational and professional development resources that can be used to attract, train and retain a skilled and experienced workforce.

In the vocational education sector, WorkCover finalised a new Certificate IV course in Workers Compensation Case Management. The new course was developed and piloted over the past two years. It will serve as an important learning opportunity for junior case managers seeking to progress their careers to more senior and/or more complex case management roles.

WorkCover also participated in the national revision and update of the Financial Services Training Package, which sets out the national assessment rules for the Certificate III, Certificate IV and Diploma level qualifications in Workers Compensation.

In the tertiary sector WorkCover continued its work as a member of the Personal Injury Education Foundation (PIEF), contributing to the development and maintenance of several graduate level courses in personal injury management. The PIEF courses, delivered through Deakin University, provide industry professionals with specialised educational options to support their career progression into senior and executive level roles within the Workers and Accident Compensation industries.

During the 2009/10 period, 15 students from NSW enrolled in PIEF postgraduate courses as new students, a further 27 NSW-based students undertook continuing studies in the two and three year programs, and an additional 12 NSW students were among the first cohort of graduates in Australia to complete their studies and receive their post graduate qualifications in Personal Injury Management.

In support of these industry specific postgraduate courses, WorkCover has continued its annual Industry Scholarship Program, this year awarding seven new scholarships to industry personnel enrolling in PIEF postgraduate studies. The scholarships will provide each of the recipients with up to \$15,000 per year during their studies.

In the professional development sphere, WorkCover has continued to support PIEF in the establishment of three new professional certification programs – the Certified Personal Injury Professional Program, the Certified Disability Management Professional Program and the Certified Return to Work Coordinator Program. These new programs will help to drive individual and industry professionalism through formal recognition of skills, experience and continuous professional development.

In September 2009 WorkCover also contributed to a series of PIEF industry seminars held in Sydney and Melbourne, which provided industry personnel with an opportunity to network and interact with peers and expert speakers, and exchange and explore ideas on contemporary industry issues.

### CASE STUDY: CERTIFICATE IV – WORKERS COMPENSATION FINANCIAL SERVICES

WorkCover manages workers compensation claims against employers who did not hold a current workers compensation policy and in relation to volunteer associations such as Surf Life Saving, Rural Fire Service and State Emergency Service volunteers.

In 2008, Lynne Arahill, a WorkCover Claims Consultant was given the opportunity to attend the pilot *Certificate IV – Workers Compensation Financial Services* course at Deakin University. This course was a 12 month self-paced course with three workshops per module and four modules in total.

Lynne found the course interesting and challenging, and says she has gained a greater working knowledge of the objectives of workers compensation legislation. Lynne improved her knowledge of injury and case management, in particular the development and implementation of injury management plans and achieving the all important return to work outcomes.

The course includes assessment tasks, coaching, workshops and role-playing activities.

Since successfully completing the course in 2009, Lynne has been applying her training to her role as a Claims Consultant. Lynne commented that the course gave her a huge advantage in understanding claimant and service provider behaviours, and allowed her to build on the skills, knowledge and attributes necessary in her day-to-day role.

Lynne said, 'I would recommend this course to anyone wanting a career in injury management or within the workers compensation system'.



LIZ VINNING, DIRECTOR ALLIANCES, DEAKIN PRIME, LYNNE ARAHILL, AND ROB THOMSON, WORKCOVER NSW

## INFLUENCING NATIONAL WORKERS COMPENSATION STRATEGIES AND INITIATIVES

### SAFework AUSTRALIA

SafeWork Australia commenced operation in November 2009. It is an independent statutory agency with responsibility to improve work health and safety and workers compensation arrangements across Australia.

As a SafeWork Australia member, during 2009/10 WorkCover contributed to the development of a national workers compensation action plan to support national workers compensation and injury management reform.

### HEADS OF WORKERS COMPENSATION AUTHORITIES

The Heads of Workers Compensation Authorities (HWCA) is a forum for Australian and New Zealand workers compensation regulators to share information and develop coordinated responses to common workers compensation and injury management issues.

During 2009/10 New South Wales lead or contributed to several HWCA initiatives including:

- development and implementation of a nationally consistent approval framework for workplace rehabilitation providers
- an expansion of the scope of the NSW expert committee responsible for reviewing the NSW *Guides for the Assessment of Permanent Impairment* – to support other states which also utilise a version of the NSW Guide
- reassessment of workers compensation arrangements for workers operating in more than one state (cross-border arrangements)
- developing cooperative arrangements for managing workers compensation claims from workers who reside outside of the jurisdiction managing the claim
- a review of the national occupational health and safety audit tool for self-insurers.



# EFFECTIVE STAKEHOLDER RELATIONSHIPS

WorkCover recognises the need to partner with our stakeholders to improve work health and safety and workers compensation outcomes for NSW.

Listening to stakeholder and partnering with them to address their workplace safety concerns will gain buy-in and increase their capability to improve workplace safety, injury management and return to work outcomes.

## LISTENING TO STAKEHOLDERS

### CUSTOMER SERVICE

The WorkCover Assistance Service provides information and assistance to workers, industry and the community on workplace health and safety, injury management and the workers compensation system. The WorkCover Assistance Service is comprised of the Information Centre and the Claims Assistance Service.

The Information Centre is the central point of contact in WorkCover for enquiries about work health and safety, injury management and workers compensation legislation. The Information Centre has a high rate of customer contact with 209,188 phone calls, 11,160 emails and 4180 counter enquiries received in 2009/10.

WorkCover's Licensing Solutions Unit is a high volume customer service provider, responsible for the timely and accurate processing of OHS licence applications, notifications and registrations. The major areas of service include high risk plant registration, hazardous activities such as explosives, and pest and fumigation licences, notification of dangerous goods on premises, Construction Induction Certificates (green cards), and certification, such as National Certificates of Competency, asbestos/demolition licences and State Certificates of Competency.

In 2009/10 the Unit received 350,000 customer requests, comprising 200,000 licences, notifications, certificates and permits, and 150,000 customer calls for assistance received through the Licensing hotlines.

Licensing Solutions provide first point call resolution to approximately 90 per cent of calls.

### CUSTOMER FEEDBACK

In 2009/10, WorkCover received more than 90 formal compliments, with many more informal compliments commending WorkCover staff knowledge, professionalism and helpfulness. WorkCover staff are committed to the high standards outlined in the Customer Charter and Values of the organisation, and this is reflected in the feedback received through the Customer Feedback Website.

Compliments ranged from provision of relevant and timely advice to farmers, providing empathy for families in sometimes difficult circumstances following investigations, through to helping workers inquiring about alleged workplace bullying.

WorkCover received a number of compliments regarding its 'mates helping mates' program that promotes help for people suffering depression, in particular men working on farms in rural areas.

### COMPLAINTS

In 2009/10, WorkCover received 77 complaints requiring a formal investigation and response. A number of informal complaints were also received where the complainant did not identify themselves and while no formal response was required for the complainant, all issues raised that identified potentially serious matters were investigated and the outcomes used to improve practices and achieve enhanced customer services.

The complaints received related to a variety of issues including how Inspectors conducted workplace investigations, the service received from the WorkCover Information Centre and injured workers in dispute with insurers about their workers compensation claims. WorkCover staff ensures each complaint received is thoroughly investigated and complainants are provided with all available information, assistance and contact details to achieve a satisfactory outcome to their complaint.

WorkCover is currently reviewing and updating its Customer Feedback Policy and Procedures and developing enhancements to the Customer Feedback information on the WorkCover website.

### SMALL BUSINESS FORUMS

The Small Business Forums were established in February 2008 as a means for small to medium businesses to have a voice in how products and services are developed and presented. The businesses are able to work with WorkCover to identify solutions and stay up to date on decisions that may affect their business.

With increasing attendance, almost 2000 small to medium businesses have participated in the program since its inception, with 50 Small Business Forums held in 2009/10.

CREEDA Projects Pty Ltd has independently evaluated the Small Business Forum Program, reporting that small business participants found the program to be highly valuable and helped them:

- become up to date with the latest information from WorkCover
- network with other small businesses
- improve their knowledge of WHS and workers compensation in the workplace
- share the safety achievements of their business
- work with WorkCover to assist other small businesses.

Forum feedback has contributed to a range of service improvements including enhancements to WorkCover's Safety Solutions Rebate Program, new approach to simplified workshop material, development of the Small Business Injury Management Kit and the current development of a new Business Start Up Kit. The Forums have also encouraged participants to access other WorkCover services such as workplace advisory visits, workshops and safety solution rebates.

### PARALYMPIAN SPEAKERS PROGRAM

WorkCover has a long-standing partnership with the Australian Paralympic Committee supporting them through annual sponsorship of paralympian athletes.



PARALYMPIAN KAHU PURU SHARING HIS STORY WITH STEVEDORING WORKERS.

The athletes are available to share their stories and regularly appear at businesses, organisations, schools, conferences, seminars and other workplace events to promote workplace safety. Through their inspirational stories of despair, courage, and triumph these athletes drive home a powerful message about the importance of working safe, thinking safe and going home safe.

## 2009 SAFETY SHOW AND CONFERENCE

As NSW's largest safety event, the 2009 Safety Show and Conference attracted over 10,000 visitors over three days. WorkCover has been the principle sponsor for the event since its inception in 2003.

Over 50 WorkCover staff provided information and advice from their custom-built stand, and were rewarded winning the 'Safety Show and Sydney Materials Handling 2000' award for 'Best Use of Exhibition Medium'.

The Safety Conference held in conjunction with the Show hosted over 60 Australian and international speakers.

## SAFework AWARDS 2009

Nearly 600 guests attended the 2009 WorkCover SafeWork Awards ceremony at the Rosehill Gardens in Sydney. A total of 119 entries were received with 47 finalists recognised for innovation and best practice in workplace safety. The 2009 winners were Transfield Services (Port Kembla), Roads and Traffic Authority NSW, Rotacaster Wheel Limited (The Junction), Pride Investment Holdings (Ingleburn), Alan Burman (Country Energy), Nardia Zelukovic (Orange Precision Metalcraft Pty Ltd), and the Motor Traders' Association (Darlinghurst).

All 2009 SafeWork Award winners were eligible to enter the national safe work awards held in Canberra.

## PARTNERING WITH STAKEHOLDERS TO BETTER UNDERSTAND THEIR NEEDS AND WORKING WITH THEM TO ACHIEVE IMPROVED OUTCOMES

WorkCover is working in partnership with NSW employers, employees and the community to achieve safer workplaces. WorkCover and its partners work together to advance the development of practical and effective approaches to work health and safety, injury management and workers compensation issues. Over the past 12 months WorkCover has signed new agreements with the Australian Meat Industry Council, Waste Contractors and Recyclers Association of NSW, Restaurant and Catering Australia and Boating Industry of Australia.

### PARTNERSHIP WITH RESTAURANT AND CATERING AUSTRALIA

In 2007/08 there were 2462 injuries in cafes and restaurants in NSW costing more than \$12.6 million.

A partnership between Workcover and Restaurant and Catering Australia was launched February 2010 by the Minister for Finance.

The partnership represents a commitment to develop sustainable work health and safety outcomes for the 2500 restaurant and catering businesses in NSW and the ACT.

Restaurant and Catering NSW President, Ian Martin, said the industry is made up of a diverse, mobile workforce with a high proportion of young workers as well as those from diverse cultural backgrounds. The Partnership is helping their members increase their capability to develop practical and effective approaches to reduce injuries and embed a strong safety culture across the industry.

### MENTOR PROGRAM

The primary purpose of the mentor program is to utilise a network of businesses in partnership with WorkCover to mentor organisations with 20 employees or less. The mentor program provides small businesses with new ideas and practical assistance on work health and safety, workers compensation and injury management from an experienced mentor business. It is a unique opportunity for small business to tap into invaluable health and safety resources and experience.

The mentor program commenced as a pilot in 2006 for the construction industry. The pilot's success facilitated the program's continuation and to date 249 small businesses have participated from the construction, manufacturing, community services, transport, agriculture, consumer services and retail industries.

There were 84 small businesses that participated in the 2009 mentor program as mentees, with 71 individual mentors assisting the program, from 42 mentor organisations. The program ran from August 2009 and concluded in April 2010.

## CASE STUDY: DANRAE

DANRAE has nine permanent staff and a number of sub-contractors. 'Being family owned and operated, workplace safety is important to us – that's why we applied for the mentor program,' said Ron Caruana, owner operator of DANRAE.

Environment Health and Safety Manager NSW at Bovis Lend Lease, Danny Potocki, mentored DANRAE. Together over the eight-month program they developed an action plan to tackle safety areas at DANRAE that needed improvement.

'Through the WorkCover workshops I learnt more about the health and safety issues facing small business – like manual handling and workers compensation – and what we could do to address them,' said DANRAE's Operations Manager Daniel Caruana.

'To be able to ask Danny and WorkCover questions was a great help towards improving our OHS policies and procedures,' he said.

'Danny came to our office and made safety easy for us. He went back to basics, explaining why sound OHS, workers compensation and injury management practices are important'.

DANRAE not only adopted workplace safety principles from Bovis Lend Lease, they also implemented some of their safety systems. This improved the quality of DANRAE's work all round, helping them to secure larger contracts and higher profile work.

## SAFETY AMBASSADOR PROGRAM

The Safety Ambassador Program is primarily aimed at assisting small businesses to improve their awareness of WHS and the implementation of safe work practices. Evidence suggests that small business operators are more likely to increase their knowledge of WHS, workers compensation and injury management by learning from their peers. The Safety Ambassadors are experienced small business operators who will discuss their own challenges in

addressing safety in their workplace and how they achieved change, improved systems and processes, and improved their business.

WorkCover is piloting the Safety Ambassador Program with three Safety Ambassadors appointed at the pilot launch in May 2010. The Safety Ambassadors were all participants in previous Mentor Programs. They have all shown their commitment to safety and made impressive improvements to their systems, processes and organisational safety culture.

## CASE STUDY: SAFETY AMBASSADOR – JAMES WILLIS

Eminent Waste Pty Ltd trading as All Types of Rubbish, a demolition and waste removal company, participated in the 2008 Mentor Program, to improve their OHS policies and practices. The company's contracts administrator, James Willis, wanted to entrench a culture of safety in the workplace that provided a safe work environment for all at Eminent Waste.

During the Mentor Program, James was successful in implementing a series of improvements, re-focusing the workforce to understand the importance of safety and implementing new safety strategies and processes, which resulted in an improved safety record for the business. Eminent Waste was awarded 'highly commended finalist' in the category of 'best workplace health and safety practices in a small business' at the WorkCover NSW SafeWork Awards in 2009.

## STATE AND NATIONAL OHS AWARDS IN CONSTRUCTION

WorkCover established an Alliance with Richard Crookes Constructions Pty Ltd and the Department of Commerce for the construction of the South Coast Correctional Centre at Nowra. The project commenced in July 2008 and was completed in early 2010. The Correctional Centre will house both minimum and maximum security prisoners and will contain a workshop, gym, community centre, chapel, clinic and visitor centre facilities.

In October 2009, Richard Crookes Constructions Pty Ltd won Master state and national OHS Builders Association awards for

implementation of their OHS management systems during the planning and initial construction phase of the Centre. The awards included the 'Federal Safety Commissioner's national award for Occupational Health and Safety Excellence-Commercial', with the NSW award for "OHS person of the year" being won by Barry Malone for his efforts as OHS Coordinator for the project.

The company acknowledges that the WorkCover alliance focused their attention on the systematic approach to OHS management and helped drive their continuous improvement strategies within the company.

## WORKCOVER ASSIST PROGRAM

WorkCover recognises that employer and employee organisations and not for profit group training organisations are uniquely positioned to assess the needs of their members.

The WorkCover Assist grants provides funding to support employer associations, trade unions and not for profit group training organisations in NSW to develop and implement innovative programs

to help employers and workers understand and comply with occupational health and safety and workers compensation legislation. As at the end of the 2009/10 financial year, the Government has made \$40 million available for this program.

Two successful projects undertaken as part of the 2009/10 WorkCover Assist Grants program are the 'Understanding young workers – the key to safety' and the OHS Awareness Training for Aboriginal Businesses.

### CASE STUDY: UNDERSTANDING YOUNG WORKERS – THE KEY TO SAFETY

The Group Training Association in partnership with Youthsafe received funding under the WorkCover Assist Grants Program to develop a multi-strategic work health and safety training program that targets young apprentices and trainees employed by group training organisations. The program developed under the funding aims to provide a more holistic approach to young worker safety through increasing knowledge of work health and safety specific to young workers among the interconnected groups in the group training industry. The program will be launched on 14 September 2010 at the Erina Fair Shopping Centre.

### CASE STUDY: OHS AWARENESS TRAINING FOR ABORIGINAL BUSINESSES IN NSW

Grant funding has been allocated to improve workplace safety for Aboriginal people in NSW. The program will also contribute towards building a professional working relationship between WorkCover and the Aboriginal community. Overall, the project will contribute towards achieving safer and more productive workplaces, effective recovery, return to work and security for injured workers.

## OUTWORKER PROGRAM

The Outworker OHS Outreach and Education Project will develop and implement 'in-home' occupational health and training and an auditing process for home based outworkers in the clothing industry. Practical information will be provided on posters, stickers and fridge magnets in the outworker's homes in their first language. Auditing and training will be performed by bi-lingual community workers, who will be trained in the use of the checklist, auditing process and informal training sessions.

## DROUGHT ASSISTANCE RECOVERY PROGRAM

The Drought Recovery Assistance Program commenced in July 2008 to assist rural and regional business operators, their workers and families to work safely as they face the additional burdens that drought and its recovery period brings.

In 2009/10 WorkCover continued to work with Farmsafe NSW to develop an induction training package for new farm workers.

WorkCover partnered with organisations including YWCA, Anglicare, Beyond Blue, Blackdog Institute, Country Women's Association, Greater Southern and Western Area Health Services and other drought support workers to support mental health initiatives in rural areas. WorkCover has sponsored more than 38 events this year to assist in de-stigmatising mental health, especially in rural and remote communities, and encourage people that need help to seek it.

## DEVELOPING EFFECTIVE PARTNERSHIPS WITH NSW, COMMONWEALTH AND INTERSTATE GOVERNMENT AGENCIES

### WORKING TOGETHER STRATEGY

Final results for the public sector *Working Together: Public Sector Occupational Health and Safety and Injury Management Strategy 2005-2008* showed the strategy contributed to the prevention of approximately 10,000 injuries and an overall saving of \$540 million within the NSW public sector. Treasury Managed Fund agencies also saved \$108 million in premiums over the three year strategy.

Following the enormous success of *Working Together 2005-2008*, WorkCover led the development of a follow on strategy in partnership with the NSW Self Insurance Corporation and the Department of Premier and Cabinet, and in consultation with agencies, state-owned corporations and public sector unions.

The *Working Together: Public Sector Workplace Health and Safety and Injury Management Strategy 2010-2012* was launched on 30 March 2010 by the Minister.

*Working Together 2010-2012* is a whole of government initiative that seeks to reduce the incidence of workplace injury and illness and improve the management of workers compensation claims in the NSW public sector. It applies to all public sector agencies, departments and state owned corporations.

*Working Together 2010-2012* outlines the New South Wales Government's commitment, vision and policy for ongoing improvement in health and safety in its workplaces, and the timely and effective return to work of any sick or injured workers.

See [www.workingtogether.nsw.gov.au](http://www.workingtogether.nsw.gov.au) for more information.

## MAJOR HAZARD FACILITIES – MULTI AGENCY APPROACH

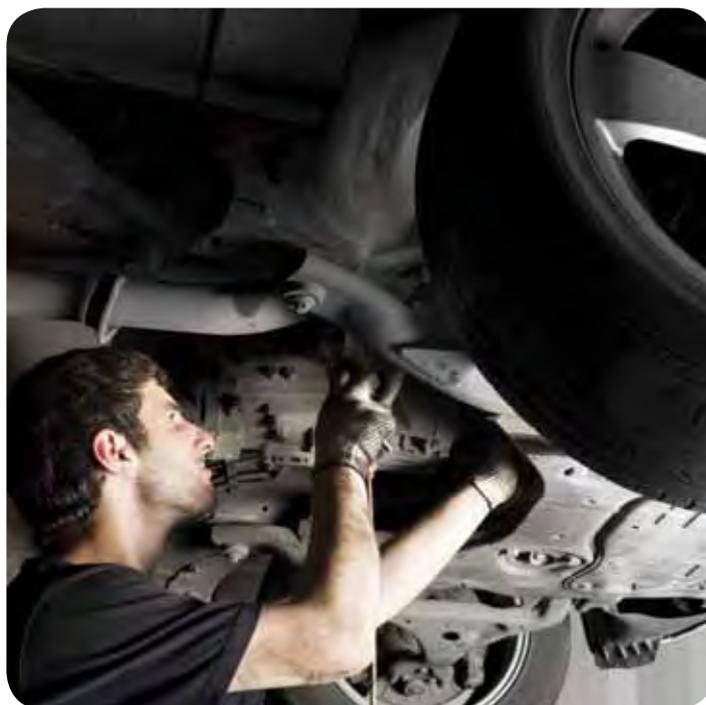
WorkCover's Major Hazard Facilities Team is responsible for the implementation of the regulations for the control of major hazard facilities in NSW. Major hazard facilities are industrial sites, such as oil refineries, large LP Gas stores and chemical processing plants that have certain hazardous materials in quantities that exceed specified threshold amounts.

A multi agency approach involving five agencies has been adopted for the administration of major hazard facilities regulation in NSW. In 2009/10, officers from the NSW Fire Brigades, NSW Police Force and the Department of Planning joined the Major Hazard Facilities Team. The officers are working with WorkCover, their respective agencies and the major hazard facilities to prevent major accidents and to mitigate their consequences. An officer from Department of Environment Climate Change and Water is to join the Major Hazard Facilities Team in mid-2010.

## ASBESTOS CO-REGULATORS WORKING GROUP

WorkCover has established an Asbestos Co-Regulators working group with senior representatives from the Department of Environment, Climate Change and Water, Dust Diseases Board, Local Government and Shires Association and the NSW Department of Planning. The working group will develop a "whole of government" approach for the management of asbestos issues.

The working group provides high level input to clarify roles and responsibilities for the management of asbestos issues, identifying potential issues arising from the legislative framework and providing technical and policy advice. The working group will be developing a better understanding of the regulatory framework and agency roles.



WorkCover also works closely with the Department of Planning regarding the removal of asbestos in residential properties.

WorkCover's Asbestos and Demolition Unit has dedicated inspectors who visit commercial demolition and asbestos removal sites to ensure training, supervision and safe work practices are in place.

A major focus of the Unit is the coordination of an ongoing audit program to verify and, where necessary, ensure compliance with the relevant standards required for asbestos removal and demolition work. The Unit also operates an emergency asbestos demolition hotline and after-hours response service to ensure that workers and the public are able to access information and assistance in a timely manner.

An on-line notification system has also been introduced to allow contractors to notify WorkCover of proposed asbestos and demolition work.

## ASBESTOS RELATED DISEASE

The long time between exposure to asbestos and the onset of symptoms of asbestos related disease means the instances of disease is expected to increase every year until at least 2018.

It is estimated up to 20,000 Australians may be affected by asbestos-related disease over the next 20 years.

The Workers' Compensation Dust Diseases Board staff work with victims and their families to offer advice, assistance and compensation for people exposed to asbestos dust while at work.

The Board is the only specialist workers compensation agency in Australia dealing specifically with the compensation needs of workers affected by dust diseases, with average annual compensation payments are around \$74 million.

As at the end of June 2010, the agency's staff are helping around 3701 people, including 1078 workers and 2623 dependents of deceased workers.

# BUILDING ORGANISATIONAL CAPABILITY THROUGH OUR PEOPLE AND OUR SYSTEMS

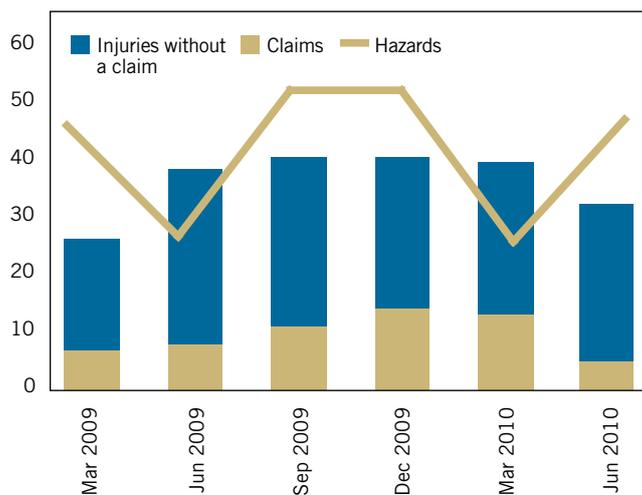
## ATTRACTING, DEVELOPING AND RETAINING QUALITY STAFF AND RECOGNISING THEIR SPECIFIC CONTRIBUTIONS TO CORE BUSINESS

### WORKCOVER NSW WORK HEALTH AND SAFETY AND WORKERS COMPENSATION PERFORMANCE

WorkCover continues to increase staff and management awareness of work health and safety responsibilities and improve organisational safety policies and procedures. Regular reviews of safety policies and procedures are undertaken, with staff being reminded of their responsibilities to report any identified hazards.

As a result, the number of hazards identified and resolved regularly exceeds the number of injuries reported (see graph 19 below). This positive indicator highlights an improved awareness by all staff across the organisation of safety policies, workplace safety responsibilities and risk management.

**GRAPH 19: REPORTED INJURIES AND HAZARDS IDENTIFIED**



Supervisors and managers are trained in applying risk management processes and reminded of their responsibilities to eliminate or minimise risks to the health and safety of staff. They are also required to keep their staff focussed on regular hazard assessment of their work areas and to then apply risk management steps to the resolution of any hazards identified.

WorkCover's performance against the key performance indicators of the *Working Together: Public Sector OHS and Injury Management Strategy* was closely monitored during the currency of the Strategy. WorkCover met and exceeded the five targets of the Strategy.

In exceeding Target 5 of the Strategy more than 90 per cent of all supervisors and managers were trained in applying risk management processes and reminded of their responsibilities to eliminate or minimise risks to the health and safety of staff. This training is also provided to all new managers and supervisors.

An action plan is being developed to enable WorkCover to meet and exceed the requirements of the new *Public Sector Workplace Health*

*and Safety and Injury Management Strategy*. The plan will identify the hazards causing the most injuries to staff members, including:

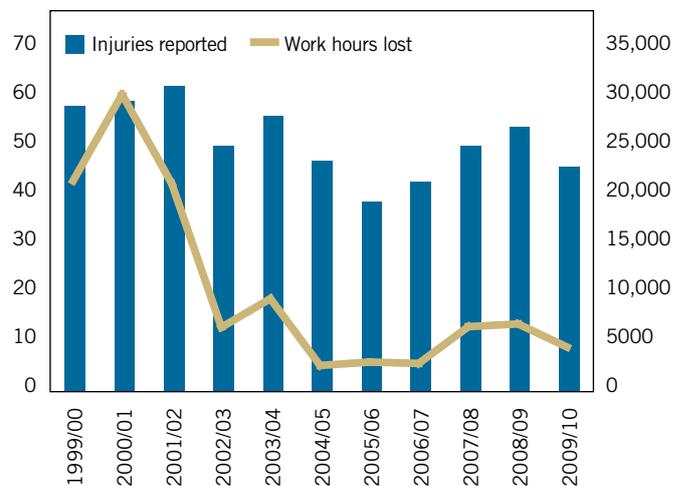
- manual handling
- slips trips and falls
- repetitive strains from poor work habits and workstation ergonomics
- strains and sprains from the use of motor vehicles.

A report on WorkCover (including the Workers Compensation Commission) WHS and workers compensation performance is submitted to the WorkCover Board on a monthly basis. WHS risks and performance are also standing items on WorkCover's Risk Management Steering Committee agenda.

WorkCover's workers compensation claims experience continues to improve from 55 workers compensation claims per 1000 employees in the 2002 fund year to 33 claims per 1000 employees in the 2009 fund year. These improvements have resulted in a return of funds from the deposit premiums paid for the 2003/04 and 2005/06 fund years.

In the 2009 fund year 45 claims were made, the majority of which were not significant, with the average time lost per claim reducing from 18 days in 2002/03 to 12 days in 2009/10.

**GRAPH 20: REPORTED INJURIES AND WORK HOURS LOST**



A working party with representatives from WorkCover management, the Public Service Association (PSA) and the OHS Committee chairs, developed a Respectful Behaviours survey for all staff. The survey results and recommendations from the survey provider were considered by the Executive and staff groups, with a range of actions to reduce and eliminate bullying risk factors being identified and implemented. A key action was a compulsory one-day 'Working with Respect' workshop that was rolled out to all staff and management.

A Bullying Response Service was introduced in January 2009 to provide staff members with independent advice and support from a workplace psychologist in relation to workplace conflict and possible bullying.

## PROMOTING SOCIAL JUSTICE IN NSW WORKPLACES

WorkCover is committed to its corporate social responsibility, actively promoting social justice and providing equitable access to all of its services. In 2009/10, WorkCover promoted social justice through the continued implementation of the 2008-11 Social Justice Plan and Policy Statement. It also continued implementation of Affirmative Action Strategies including:

- development and implementation of the 2009/10 Spokeswomen's Strategic Plan
- continued implementation of the Female Inspector Network to provide female inspectors with relevant networking and support opportunities
- continued implementation of the Indigenous Employment and Development Strategy
- continued implementation of WATSIN (WorkCover's Aboriginal and Torres Strait Islander Network) Future Directions Operational Plan
- continued implementation of the Aboriginal Cultural Understanding Program, further details on page 44
- continued promotion and participation in key social justice events including International Women's Day, NAIDOC Week, Harmony Day, International Day for People with a DisAbility and Loud Shirt Day
- inclusion of social justice considerations into WorkCover planning and project management frameworks and promotion of the social justice tool and the client diversity profile
- continued promotion of WorkCover's Client Diversity Profile, used to assist planning of activities with ethnic communities in NSW
- continued implementation of an Aboriginal information strategy, further details on page 44.

## SOCIAL JUSTICE

WorkCover undertakes a number of activities in partnership with NSW employers, employees, the community and other government agencies to address social justice issues in the promotion of workplace safety and improving workers compensation outcomes.

### Workers Compensation Commission

In October 2009, the Commission implemented the major recommendations of a review into how it undertakes its functions. The recommendations included an organisational restructure to improve service delivery to clients and bringing the arbitrator role as an inhouse function.

The Commission has continued to monitor its regional policy, improving the quality and standard of the regional based clients, including the use of a more coordinated approach to regional listing practices.

The Commission provides specialised services to support clients who do not have English as their first language. Brochures relating to the process within the Commission and access to Internet information are available in ten languages.

## MULTICULTURAL POLICIES AND SERVICES PROGRAM

WorkCover's planning, development and delivery of services are inclusive of and sensitive to the cultural, ethnic and religious needs of the people of NSW.

Initiatives undertaken in 2009/10 include:

- WorkCover's 'Homecomings' advertising campaign promotes the workers family as the most important reason for workplace safety and to return home safely each day. The campaign included in-language advertising in print and on radio ensuring this important message was accessible to the diverse communities within NSW. The campaign was translated in 14 languages
- the 'Be aware take care' advertising campaign highlighted the importance of being safe in and around schools during the 'Building the Education Revolution' initiative. The campaign was translated in several languages
- work health and safety workshops were conducted with a number of community groups including the Chinese Australian Service Society, Auburn Migrant Community Group, Cleveland Street Intensive English, Sydwest Multicultural Services Inc., Chinese Migrant Welfare Association and Ashfield Police LAC
- incorporation of an equity and access curriculum to help new inspectors build understanding of the needs of people from culturally and linguistically diverse backgrounds
- promotion of the Community Language Allowance Scheme with improvements in knowledge management and the collation of data. There are currently 16 officers offering services in 12 languages.

## DISABILITY ACTION PLAN

WorkCover's Disability Action Plan aims to meet the needs of service users, both as clients and workers. Key 2009/10 initiatives included:

- targeted recruitment for the Jumpstart Cadetship Program with the placement of a young person with a disability
- development and implementation of the Consolidated Action Plan for Staff with a Disability. The Plan ensures that staff identifying with a disability have equitable access to all career and development opportunities. The Plan ensures staff working with people with disabilities have training to understand the needs and requirements of their colleagues
- enhancements to WorkCover's website including raising the usability standards of the site and incorporating level one and two W3C compliance for accessibility. Details provided in the breakout box below
- enhancement of staff access to emergency information and ongoing training that reflects the needs of people with a disability in emergency planning and training programs
- sponsoring six paralympians injured in the workplace to assist WorkCover with the promotion of workplace safety in workplaces
- continued promotion and participation in key social justice events, such as International Day for People with a DisAbility and Loud Shirt Day.

## ACCESSIBILITY FOR PEOPLE WITH A DISABILITY

WorkCover maintains its commitment to providing 'best practice', maximum access to staff and clients with a disability. WorkCover office fit-out specifications meet 'AS 1428 Part 1 & Part 2 – Design for Access and Mobility', allocation for superior circulation space within the office. Reception counters are provided with a section set at a suitable height for wheelchair clients to improve their accessibility.

Additionally, WorkCover has undertaken a review of its website for clients with disabilities. The site is now fully accessible to impaired and non-mouse based users and aligns to W3C compliance and OCIO website standards. This enhances accessibility for clients that are blind or vision impaired and those with a physical impairment including those utilising head wands, eye movement technology and mouth wands, and those with cognitive impairment. Extensive testing was conducted with impaired stakeholders through one-on-one interviews to ascertain the usability and accessibility. The website now meets international standards for people with a disability.

## 'DON'T DIS MY ABILITY' DAY MORNING TEA

The event is a celebration of International Day of People with a Disability for people in NSW through the 'Don't DIS my ABILITY' campaign, which celebrates the diversity and ability of people with a disability. In 2009 WorkCover again sponsored the event and was successful in engaging 'Don't DIS my ABILITY' day Ambassador singer/songwriter Krystel Keller.

Krystel was six months old when she was diagnosed with Bilateral Retinoblastoma (cancer of the eyes) and by the age of two had become completely blind as a result of the cancer. Staff were inspired by Krystel's determination not to let her disability stop her from pursuing her ambitions and, if anything, how the obstacles have made her even more determined to accomplish her goals. Kystel's key message to not focus on a person with a 'disability' but rather on their 'abilities' left an impression on all.

## EQUAL EMPLOYMENT OPPORTUNITY MANAGEMENT

WorkCover collects Equal Employment Opportunity (EEO) data for the Department of Premier and Cabinet Workforce Profile. The data is used to measure performance in meeting the Government's employment benchmarks for staff from identified EEO minority groups and is used in the planning and development of EEO initiatives.

The 2010 workforce profile indicates the proportion of women remained at 55 per cent with the highest proportion, 44.1 per cent employed at the salary level \$68,148 – \$88,127. Women occupy a total of 42 per cent of management positions.

WorkCover's proportion of Aboriginal and Torres Strait Islander staff is 4.1 per cent, exceeding the public sector benchmark of 2.6 per cent. The proportion of staff from racial, ethnic or ethno-religious minority groups was 15 per cent.

The proportion of staff with a disability was 7 per cent, the same as the previous year. Of those with a disability, 3.8 per cent required workplace adjustment.

WorkCover's commitment to EEO outcomes was supported in 2009/10 through:

- inclusion of the organisation's EEO Management Plan in the 2008/11 Social Justice Plan, and aligning it with WorkCover's Corporate Plan
- enhancing our EEO workforce profile data collection tool to increase participation and enhance reporting
- promoting a policy development template, guidelines and a policy review process that incorporates EEO criteria
- incorporating EEO criteria into the development of templates and guidelines for policy review awaiting workforce profile from the Department of Premier and Cabinet (DPC).

## TRENDS IN THE REPRESENTATION OF EQUAL EMPLOYMENT OPPORTUNITY GROUPS ON 30 JUNE

EEO GROUP	BENCHMARK OR TARGET %	PERCENTAGE OF TOTAL STAFF <sup>2</sup>					
		2010 <sup>1</sup>	2009	2008	2007	2006	2005
Women	50.0	55.0	55.0	55.0	54.0	52.0	51.0
Aboriginal people and Torres Strait Islanders	2.6 <sup>3</sup>	4.1	3.1	3.2	2.9	1.1	1.1
People whose first language was not English	19.0	15.0	15.0	14.0	15.0	15.0	17.0
People with a disability	12.0	7.0	8.0	7.0	7.0	7.0	7.0
People with a disability requiring work-related adjustment	7.0	3.8	3.8	3.5	3.6	6.8	2.8

### Notes:

- 1 Calculations are based on the methodology used by DPC based on the annual workforce profile data submission (24 June 2010).
- 2 Excludes casual staff.
- 3 Minimum target by 2015.

## TRENDS IN THE DISTRIBUTION OF EQUAL EMPLOYMENT OPPORTUNITY GROUPS ON 30 JUNE

EEO GROUP	BENCHMARK OR TARGET %	DISTRIBUTION INDEX <sup>1,2</sup>					
		2010 <sup>3</sup>	2009	2008	2007	2006	2005
Women	100	89	91	90	89	89	88
Aboriginal people and Torres Strait Islanders	100	80	90	91	94	N/A	N/A
People whose first language was not English	100	102	100	101	100	101	97
People with a disability	100	102	99	100	104	N/A	105
People with a disability requiring work-related adjustment	100	100	97	97	105	104	103

### Notes:

- 1 A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values of less than 100 mean the EEO group tends to be more concentrated at lower salary levels than other staff. The more pronounced this tendency, the lower the index. In some cases, the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.
- 2 Excludes casual staff.
- 3 Calculations are based on the methodology used by DPC based on the annual workforce profile data submission (24 June 2010).

## SPOKESWOMEN'S PROGRAM

The WorkCover Spokeswomen's Program outcomes are linked to broader human resources and social justice initiatives.

The 2009/10 Spokeswomen's Strategic Plan was developed with initiatives aimed at enhancing the development opportunities for the Spokeswomen's representatives and staff. Sponsorship of the Central Coast Lifeline Steel Magnolia Awards – Young Achiever Award was continued through the program.

In addition, International Women's Day celebrations were held in various locations allowing greater access to activities and participation of over 150 staff.

Pink Ribbon awareness events were also held with guest speakers invited to share stories of inspiration and education on breast cancer. All offices participated by holding morning teas and purchasing Pink Ribbon merchandise.

## ABORIGINAL AND TORRES STRAIT ISLANDER DEVELOPMENT STRATEGIES

In 2009/10, WorkCover's proportion of Aboriginal and Torres Strait Islander staff increased to 4.1 per cent, exceeding the public sector benchmark of 2.6 per cent. WorkCover also implemented the 2009/10 Aboriginal and Torres Strait Islander Employment and Development Strategy. It also continued implementation of the Aboriginal Cultural Understanding Program to ensure its work health and safety and workers compensation services are accessible to Aboriginal employers and employees. All staff with community engagement responsibilities attended a one day session covering history and barriers faced to accessing government services.

## WATSIN (WORKCOVER'S ABORIGINAL AND TORRES STRAIT ISLANDER NETWORK)

WorkCover's Aboriginal and Torres Strait Islander Network (WATSIN) provides a formal network of support and encouragement to Aboriginal and Torres Strait Islander staff and provides management with advice and assistance on matters involving staff and clients with an Aboriginal and Torres Strait Islander background.

Throughout the year, WATSIN coordinated a number of successful initiatives aimed at raising cultural awareness including NAIDOC week celebrations and information sessions. The annual NAIDOC Week celebrations attracted over 60 staff members. Aboriginal and Torres Strait Islander staff were invited to contribute artefacts and historical records to share their history and culture with non-indigenous staff. The celebrations also included a cultural talk by a local Aboriginal Elder and sampling of 'bush tucker'. WorkCover

also participated in the local Central Coast Community NAIDOC Week celebrations by entering a team in the 2009 Kikupa Cup touch football competition.

WorkCover also:

- participated in the Central Coast Community Gathering and Health Expo
- continued representation on the Indigenous Reference Group within the National Heads of Workplace Safety Authorities
- held reconciliation week celebrations and information sessions
- development and implementation of WorkCover's Aboriginal and Torres Strait Islander Future Directions Operational Plan 2008-11 focusing on issues relating to Aboriginal and Torres Strait Islander communities in NSW.

## RAISING WORKPLACE SAFETY AWARENESS FOR ABORIGINAL BUSINESSES

A project was undertaken by Noel Arnold & Associates in partnership with Indigenous Success Australia under the WorkCover Assist Grants Program. The project aims to enhance awareness of workplace safety and form professional business relationships with Aboriginal businesses. The project activities include identification of Aboriginal businesses in NSW and creating an electronic data base, development of a culturally appropriate work health and safety training program and delivery of culturally appropriate workplace safety material to assist Aboriginal employers and employees understand workplace safety rights and responsibilities.

## SUCCESSFUL IMPLEMENTATION OF E-RECRUITMENT

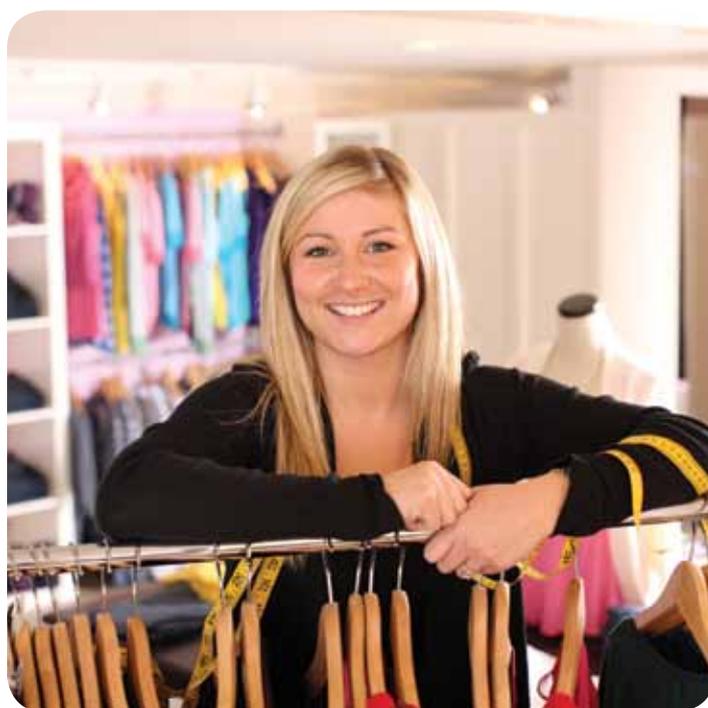
Friday 30 October 2009 saw the launch of a new e-Recruitment system for use in WorkCover.

This fully online system is a centrepiece of ongoing government reform and WorkCover was pleased to play an integral part in its introduction as a pilot agency.

For job seekers e-Recruitment offers an easier and faster way of searching for employment opportunities in the NSW public sector, applying for vacancies, expressing an interest in employment and tracking progress of their applications. If they choose to, job seekers can also make their resumes available to all government employers.

The e-Recruitment system has been successfully implemented in WorkCover and in the majority of its shared services clients. Our project management approach to implementing the initiative is being used by the DPC as a best practice model.

Because there is no longer any need to create and transport hardcopy recruitment files, WorkCover is able to 'make its mark' on reducing its carbon footprint. WorkCover is part of the lead group charged with the implementation of this new system for the NSW Government.



	2009/10							2008/09						2007/08						2006/07						
	CASD <sup>(3)</sup>	WCA	WCC	LSPC	SIC	DDB <sup>(2)</sup>	MAA	LCSA	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB
Administration and clerical	1094	745	87	60	4	40	111	87	974	774	94	61	4	41	933	747	87	63	5	30	915	713	90	64	5	43
Associates/ministerial									0												1					
Cadets <sup>(3)</sup>	17	15	2																							
Departmental professional officers	32	23				9			38	25				13	35	23				12	41	24				17
Engineers	12	12							16	16					13	13					13	13				
General division									1	1					1	1					2	2				
Graduates	15	15							19	19																
Legal officers	37	26	7				4		33	25	8				32	26	6				29	22	6			1
Safety inspectors <sup>(4)</sup>	310	310							296	296					284	284					290	290				
Senior management (senior executive service) <sup>(5)</sup>	15	9		1			3	2	11	10		1			15	14	1			1	14	13				
Senior officers	59	48	2			1	8		51	47	3			1	50	46	3				41	37	3			1
Statutory and other officers	5		4				1		4		4				4		4				3		3			
Technical officers	11	11							15	15					17	17					15	15				
Trainees									3	3																
<b>TOTAL</b>	<b>1607</b>	<b>1214</b>	<b>102</b>	<b>61</b>	<b>4</b>	<b>50</b>	<b>127</b>	<b>49</b>	<b>1461</b>	<b>1231</b>	<b>109</b>	<b>62</b>	<b>4</b>	<b>55</b>	<b>1384</b>	<b>1172</b>	<b>100</b>	<b>64</b>	<b>5</b>	<b>43</b>	<b>1364</b>	<b>1129</b>	<b>103</b>	<b>65</b>	<b>5</b>	<b>62</b>

Note: The HR statistics quoted (except for DDB, refer Note 2 below) for 2009/10 are headcount figures as at 24 June 2010 (being the census date for the DPC Annual Workforce profile data collection).

- (1) From 1 July 2009, employees from WorkCover NSW (WCA), the Building and Construction Industry Long Service Payments Corporation (LSPC), the Dust Diseases Board (DDB), the Sporting Injuries Committee (SIC), the Motor Accidents Authority (MAA), the Lifetime Care and Support Authority (LCSA) and the Workers Compensation Commission (WCC) have become employees of the Compensation Authorities Staff Division (CASD)
- (2) DDB headcount is as at 22 July 2010, due to DDB not being on the WorkCover NSW HR system until July 2010
- (3) Cadets are a new employment category in 2009/10
- (4) There were 4 vacant inspector positions as at 24 June 2010
- (5) From 30 June 2007, senior officers and senior management are noted separately

## VALUE OF RECREATION AND LONG SERVICE LEAVE AT 30 JUNE

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000
<b>CURRENT</b>					
Recreation leave	10,306	10,691	9,957	9,102	8,321
Extended leave	2,821	10,404	8,754	7,156	5,727
	<b>13,127</b>	<b>21,095</b>	<b>18,711</b>	<b>16,258</b>	<b>14,048</b>
<b>NON-CURRENT</b>					
Extended leave	29,769	15,901	15,528	14,402	14,239
<b>TOTAL</b>	<b>42,896</b>	<b>36,996</b>	<b>34,239</b>	<b>30,660</b>	<b>28,287</b>

Note: The basis for the calculation of extended leave and its apportionment into current and non current was amended. Extended leave is now calculated as the discounted cash flow of the future entitlements and is apportioned based on amounts expected to be paid in the next 12 month period. Previously it was calculated on the nominal value of staff entitlements at balance date and apportioned based on employee age.

## WORKFORCE ACTION PLAN

A Workforce Action Plan was developed in 2007 to meet workforce planning challenges including an ageing workforce, recruitment for high level and specifically skilled functions and the changing expectations of the workforce. The Plan is reviewed annually to respond to emerging issues and addresses four critical areas of attraction, retention, leadership and knowledge management.

A public sector staff freeze has presented some challenges. In response, WorkCover has focussed its workforce planning efforts on advertising strategies, reviewing its graduate program, attracting a number of young people to the organisation through the JumpStart cadetship program, assessing priority areas for knowledge transition and capability development. WorkCover is also participating as a pilot agency in the development and implementation of a contemporary e-Recruitment system for the NSW public sector.

## INSPECTOR RECRUITMENT

WorkCover undertook a comprehensive Inspector recruitment campaign in 2009/10 that included radio advertising, SMS messaging options, a dedicated information website, public information sessions, an on-line application process and internet advertising. The multi-pronged advertisement, recruitment and selection strategy proved to be successful with a strong group of new Inspector recruits. Over their first six months the new Inspectors have progressed through a structured learning program, incorporating class and field activities, which will ultimately lead to the awarding of a Diploma in Government (Workplace Inspection).

## CADETS

To attract young people to our organisation, WorkCover participated in the NSW Government's JumpStart Cadetship Program. This initiative provided opportunities to recent school leavers to jumpstart their career and to develop skills and abilities that will enable them to be successful within the NSW public sector. In 2009/10, WorkCover recruited six cadets, with ten being employed in the previous year.

The Program has been successful in attracting young people to our organisation. Ten cadets are due for permanent appointment in August 2010.

	2009/10								2008/09					2007/08					2006/07							
	CASD	WCA	WCC	LSPC	SIC	DDB	MAA	LCSA	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB
Number of CES/SES positions	15	10		1			3	2	11	10		1			15	14		1			14	13		1		
Number of positions filled by women	7	5				1	1	4	4	4					6	6					5	5				
Positions at or above SES level 5	7	5				1	1	5	5	5					5	5					5	5				

Note: One vacant SES position not reported in 2006/07.

Note: Motor Accidents Authority (MAA) and Lifetime Care and Support Authority (LCSA) are reported as part of the Compensation Authorities Staff Division as of 2009/2010.

## PROMOTING POSITIVE LEADERSHIP BEHAVIOURS

### STAFF SURVEY

The third Great Place to Work (GPTW) survey took place in April 2010 with 67 per cent of staff participation. Of this group, 66 per cent indicated that they found WorkCover a great place to work.

The 2010 results were benchmarked with the two previous surveys and other Australian organisations. The results were generally favourable when compared to the previous survey. Over the past twelve months there was significant change: a new minister, a new Chief Executive Officer commencing in January 2010, a staff freeze, an internal review of operations and the new national safety legislation activities.

Senior management have committed to actions that will contribute to a more effective workplace and increase the communication with staff about our strategic direction.

Two initiatives developed in response to surveys conducted have been introduced with substantial involvement of Public Service Association (PSA) representatives. Over 1000 WorkCover staff completed a one day Working with Respect Program in 2009. Feedback from staff attending the Program has led to the development of a half day Managing Conflict module. Piloted in May 2010, the training contains practical tips and strategies for managers to minimise any disrespectful behaviours and to better manage conflict within their work teams.

## ENHANCING INTERNAL COMMUNICATIONS

As part of the internal communications plan, WorkCover promoted a number of initiatives including the respectful behaviours guide, a new on-line service centre for internal staff use, cultural diversity events and email etiquette training. WorkCover also developed an internal blog site on our intranet as a potential future tool for two-way online communication between staff.

Based on the international AccountAbility standard AA1000SES, WorkCover intends to develop a stakeholder engagement strategy that will inform the way we communicate with all our stakeholders – including internal as well as external. Building from this foundation, we will align our internal communications plan with the new strategic direction for WorkCover in 2010/11.

## PROVIDE EFFECTIVE GOVERNANCE, RISK AND ISSUES MANAGEMENT AND STREAMLINED BUSINESS SUPPORT SYSTEMS

### INTERNAL AUDIT

WorkCover's Internal Audit Unit (IAU) is an independent review function that carries out an annual plan of risk-based audits across all of WorkCover's Divisions. In 2009/10, 14 out of 18 planned audits were successfully completed, with four deferred at the request of management for valid operational reasons (as approved by the Board Audit and Risk Management Committee). During 2009/10, the IAU made 122 audit recommendations to strengthen the organisation's internal controls, with 73 per cent already implemented by management by the end of June 2010.

The IAU also undertakes a range of fraud and corruption prevention activities, including maintenance of WorkCover's Fraud and Corruption Control Policy and Plan. IAU staff act as Protected Disclosure Officers to whom staff can report allegations of corrupt conduct within the *Protected Disclosures Act 1994*. The IAU also manages investigations into corrupt conduct liaising, where appropriate, with the Independent Commission Against Corruption.

The Director of Internal Audit and Corruption Prevention reports directly to the Board Audit and Risk Management Committee for strategic direction and accountability purposes; and reports administratively to the Chief Executive Officer to facilitate day to day operations.

### INTERNET REDEVELOPMENT

The WorkCover website remains the largest communication channel for workplace safety and workers compensation in NSW and enjoys a significant national and international presence with over 1.3 million unique visitors per year.

Launched on 22 February 2010, the new website is designed to meet the diverse needs of industry and workers for relevant, up to date and accessible information.

The new home page provides a one stop shop for all the latest news, safety alerts, media releases and publications from WorkCover. The sites 400 content pages were extensively reworked to ensure the information is current, concise and written with the user in mind.

Over 2500 publications are available from the site and in the first six months, 4000 publication orders were taken via the new online shop.

### RISK MANAGEMENT FRAMEWORK

WorkCover has developed and implemented an enterprise risk management framework that has increased risk awareness and created a positive risk management culture across the organisation.

The framework is in line with the International Standard ISO 31000: 2009 and has been structured to address both strategic and key organisational risks associated with our 'high risk' activities.

WorkCover undertakes an annual review of its strategic risk profile that incorporates the corporate and divisional objectives, our operating environment and existing control framework.

'High risk' activities are reviewed on a rolling program with each designated 'high risk' function assessed every two years. The assessment process focuses on potential areas of fraud risk and contributes to WorkCover's Fraud and Corruption Control Plan.

The Risk Management Steering Committee provides the authority and direction to ensure that WorkCover develops and maintains an effective enterprise risk management framework. The committee monitors and reviews the scope, priority and outcomes of our risk assessment program and provides recommendations for the implementation of particular mitigation strategies. Reports on the status of WorkCover's strategic risk environment are provided quarterly to the Executive and Board Audit and Risk Management Committee.

# INTERNAL AUDIT AND RISK MANAGEMENT ATTESTATION

## INTERNAL AUDIT AND RISK MANAGEMENT ATTESTATION FOR THE 2009/2010 FINANCIAL YEAR FOR WORKCOVER AUTHORITY OF NSW

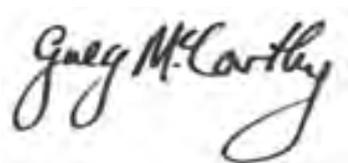
I, Greg McCarthy, declare on behalf of the WorkCover Authority that in my opinion the WorkCover Authority has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 Internal Audit and Risk Management Policy. These processes provide a level of assurance that enables the senior management of WorkCover Authority to understand, manage and satisfactorily control risk exposures.

I, Greg McCarthy, declare on behalf of the WorkCover Authority that in my opinion the Audit and Risk Committee for WorkCover Authority is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Douglas Wright, independent Chair
- Susan Clark, independent Member
- Richard Allely, independent Member
- Donna Staunton, independent Member.

I, Greg McCarthy declare on behalf of the WorkCover Authority that in my opinion this Internal Audit and Risk Management Attestation is made on behalf of the following controlled entities:

- Workers Compensation Commission.



**Greg McCarthy**

Chair

WorkCover Authority Board

Contact Officer:

**Lisa Hunt**

Chief Executive Officer

WorkCover Authority of New South Wales

92 – 100 Donnison Street

Gosford NSW 2250

## ENERGY PERFORMANCE AND WASTE REDUCTION

WorkCover continues to achieve savings in energy usage and apply sustained energy management principles. During 2009-2010, WorkCover had 33 owned or leased sites that purchased their electricity using the State Contracts Control Board (SCCB) electricity contracts. These contracts minimise costs and achieve a reduction of greenhouse gas emissions by purchasing 6 per cent green power.

Opportunities to improve energy consumption outcomes are reviewed regularly and where considered cost effective, will be implemented to reduce energy consumption and lower green house gas emissions.

	TOTAL ENERGY CONSUMED GJ			ANNUAL COST \$			CO2 EMISSIONS TONNES			ENERGY % CHANGE IN THE LAST YEAR
	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08	
<b>FUEL</b>										
Electricity – black coal	18,146	19,331	19,549	762,282	594,920	545,475	5408	5703	5192	-6.1%
Electricity – green power	1180	1216	1212	69,840	51,028	46,859	0	0	0	-3.0%
Natural gas	646	783	1219	9987	10,994	16,483	33	40	63	-17.5%
LPG	0	66	75	0	1418	1677	0	4	4	-100%
Diesel	592	1480	1210	17,083	52,759	44,548	41	103	84	-60%
Petrol	35,707	33,350	37,460	1,162,429	1,129,487	1,325,845	2278	2150	2473	+7.1
<b>TOTAL</b>	<b>56,271</b>	<b>56,226</b>	<b>60,725</b>	<b>2,021,621</b>	<b>1,840,606</b>	<b>1,980,887</b>	<b>7760</b>	<b>8000</b>	<b>7816</b>	

Overall energy consumption remained stable during 2009/10 with a minor increase of 0.1 per cent compared to the 2008/09 period. There were a number of favourable results achieved including a decrease of 3 per cent in greenhouse gas emissions and an overall 6.4 per cent decrease in building energy consumption. These reductions were largely due to a decrease in natural gas and electricity consumption.

Despite the decrease in building energy consumption, electricity costs increased by 28.8 per cent which can be attributed to the general increase in electricity costs across NSW.

WorkCover continues to consult with the Department of Services, Technology and Administration to identify advances in energy management to allow it to achieve sustained energy savings and deliver desirable environmental outcomes.

# WORKCOVER AUTHORITY

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# WORKCOVER AUTHORITY ADDITIONAL BACKGROUND INFORMATION

## JUNE 2010 FINANCIAL STATEMENTS OVERVIEW OF RESULTS

### INTRODUCTION

Under the *Public Finance and Audit Act 1983* WorkCover is required to prepare financial statements for the following entities:

- a consolidated entity that reports the combined results of both the WorkCover Authority and the Workers Compensation Commission (WCC). This report also shows the individual results of just the WorkCover Authority. Under Australian accounting standards WorkCover controls the WCC and is required to show the results of the consolidated entity of WorkCover and WCC in a set of financial statements
- the Workers Compensation Commission
- the Compensation Authorities Staff Division.

The financial results of the WorkCover Scheme Statutory Funds are reported separately.

Discussion of the key aggregated financial results contained in each of these financial statements follows.

### 1. WorkCover Authority

	2010 ACTUAL \$M	2009 ACTUAL \$M
<b>OPERATING RESULTS</b>		
Revenue	244.1	286.9
Expenses	270.0	340.0
<b>OPERATING (DEFICIT)/SURPLUS</b>	<b>(25.9)</b>	<b>(53.1)</b>
<b>FINANCIAL POSITION</b>		
Short Term Solvency	95%	105%
Long Term Solvency	87%	96%
<b>TOTAL ASSETS</b>	<b>271.2</b>	<b>256.6</b>
<b>TOTAL LIABILITIES</b>	<b>310.5</b>	<b>267.7</b>
<b>EQUITY</b>	<b>(39.3)</b>	<b>(11.7)</b>

### Operating Results

The operating results for the year ended 30 June 2010 was a deficit of \$25.9m. The operating deficit has increased the accumulated deficit from \$31.0m to \$56.9m. The result for 2009/10 is featured by:

- increases of \$11.4m in superannuation liabilities following actuarial review
- transfer of \$10.0m in surplus funds to the Workers Compensation Insurance Fund
- increases in actuarially assessed long service leave of \$4.5m.

### Financial Position

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 95 per cent (105 per cent, June 2009) of current liabilities.

Long-term solvency is also adequate with total assets representing 87 per cent of liabilities (96 per cent, June 2009). Outstanding claims and superannuation are the main liabilities. Outstanding claims have been actuarially assessed at \$110m (\$110m, June 2009). Superannuation has been actuarially assessed at \$66.4m (\$55.0m, June 2009).

### Cash Flow

Overall WorkCover is in a sound position in relation to the level of cash it holds and the amount of cash it generates to meet its operating activities. In 2009/10 WorkCover generated positive cash flows from operating activities of \$7.7m. This cash was used to fund expenditure of \$7.6m on WorkCover's capital program.

## 2. Workers Compensation Commission

In accordance with the *Public Finance and Audit Act* and Australian accounting standards the WorkCover Authority controls the Workers Compensation Commission and is required to produce a separate financial report for it.

Under Section 35(2)(e1) of the *Workplace Injury Management and Workers Compensation Act 1998* the costs of the Commission are to be met from the WorkCover Authority Fund. Accordingly the Commission is funded by WorkCover at a level sufficient to meet costs and has no operating surplus or equity.

The results of the Commission for 2009/10 show that overall costs of \$33.1m remained in line with 2008/09.

## 3. Compensation Authorities Staff Division

Effective from 1 July 2009 and in accordance with Division 10 of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009* (No. 352) the Compensation Authorities Staff Division (CASD) was established. CASD amalgamated the former Office of the WorkCover Authority (OWCA) and Office of the Motor Accidents Authority (OMAA) which were abolished under the same order.

CASD's objective is to provide personnel services to the following entities:

- Building and Construction Industry Long Service Payments Corporation
- Lifetime Care Support Authority
- Motor Accidents Authority
- Sporting Injuries Committee
- WorkCover Authority of NSW
- Workers Compensation Commission
- Workers' Compensation Dust Diseases Board

CASD has no operating surplus or equity as it only receives funding from these entities equal to the value of the personnel services it provides to them.

**Julie Newman**  
Chief Financial Officer

**WORKCOVER AUTHORITY OF NEW SOUTH WALES**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Statement by Directors**

Pursuant to Section 41C 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 consolidated financial statements exhibit a true and fair view of the consolidated financial position of the WorkCover Authority of New South Wales as at 30 June 2010 and transactions for the year then ended; and
2. these statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 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.



Greg McCarthy  
Chairperson

15 November 2010

(signed)

Lisa Hunt  
Chief Executive Officer



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**WORKCOVER AUTHORITY of NSW**  
**Actuarial Certificate**  
**Outstanding claims liabilities at 30 June 2010**

Ernst & Young has been contracted by the WorkCover Authority of NSW ("the WorkCover Authority") to make estimates of the outstanding claims liabilities as at 30 June 2010 of the following funds:

- ▶ Emergency and Rescue Workers Compensation Fund ("ERWCF")
- ▶ Bushfire Fighters Compensation Funds ("BFFCF")
- ▶ 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 also 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 WorkCover Authority.
- ▶ Some historical data was also obtained from PricewaterhouseCoopers.

Ernst & Young 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 allowances for:

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



## Valuation Results

The estimated outstanding claims liability at 30 June 2010 for the Other Fund, net of recoveries is set out in the following Table.

Outstanding Claims Liability at 30 June 2010 - Other	\$m
ERWCF	14,018
BFFCF	14,882
IGF - Non-HIH	67,185
IGF - HIH	13,743
Total	109,828

It is our understanding that the WorkCover Authority has provided \$109.8 million in the Financial Statements of the above Funds as at 30 June 2010 for the outstanding claims liabilities.

## Uncertainty

There is a limitation upon the accuracy of the estimates in this certificate in that there is 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 Schemes, 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.

## Reports

Full details of data, method, assumptions and results for the Other Funds are set out in two separate reports dated 6<sup>th</sup> August 2010 for ERWCF and BFFCF and 3<sup>rd</sup> September 2010 for IGF.

## Relevant Standards

Our estimates and reports are prepared in accordance with the Australian Accounting Standard AASB137 and the Institute of Actuaries of Australia's Professional Standard 300.

Peter McCarthy

Fellow of the Institute of Actuaries of Australia  
7 September 2010



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### WorkCover Authority of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the WorkCover Authority of New South Wales (the Authority), which comprises the balance sheets as at 30 June 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority and the consolidated entity as at 30 June 2010, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

#### The Board's Responsibility for the Financial Statements

The members of the Board of the Authority are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Authority or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



C J Giumelli  
Director, Financial Audit Services

18 November 2010  
SYDNEY

WORKCOVER AUTHORITY  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2010

		CONSOLIDATED		AUTHORITY	
REVENUES	NOTE	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Contributions	3(d)(i) & 4	199,544	259,744	199,544	259,744
Fees and charges	5	15,719	17,849	15,719	17,849
Investment revenue	6	14,130	(2,943)	14,130	(2,943)
Other revenue	7	13,924	11,393	14,749	12,228
<b>TOTAL REVENUES</b>		<b>243,317</b>	<b>286,043</b>	<b>244,142</b>	<b>286,878</b>
<b>EXPENSES</b>					
Salaries and employee payments	8	682	668	682	668
Personnel services	9	154,319	186,317	142,404	174,241
Office accommodation		13,949	12,954	12,308	11,391
Depreciation and amortisation		12,425	11,190	11,771	10,461
General grants	3(h)(iii)	4,455	6,020	4,455	6,020
Other operating expenses	10	70,568	103,457	52,506	85,538
Specific Grants	11	2,984	2,126	36,081	35,246
Net claims incurred	12	1,575	8,657	1,575	8,657
Finance costs	12	8,210	7,757	8,210	7,757
<b>TOTAL EXPENSES</b>		<b>269,167</b>	<b>339,145</b>	<b>269,992</b>	<b>339,979</b>
<b>(DEFICIT) FOR THE YEAR</b>		<b>(25,850)</b>	<b>(53,102)</b>	<b>(25,850)</b>	<b>(53,102)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Net (decrease) in property, plant and equipment asset revaluation reserve		(1,704)	(427)	(1,704)	(427)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(1,704)</b>	<b>(427)</b>	<b>(1,704)</b>	<b>(427)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(27,554)</b>	<b>(53,529)</b>	<b>(27,554)</b>	<b>(53,529)</b>

The accompanying notes form part of these financial statements.

**WORKCOVER AUTHORITY**  
**BALANCE SHEET**  
AS AT 30 JUNE 2010

		CONSOLIDATED		AUTHORITY	
CURRENT ASSETS	NOTE	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	23	53,513	51,392	53,512	51,391
Inventory	18	1,319	1,482	1,319	1,482
Trade and other receivables	13	19,057	8,476	18,799	11,687
<b>TOTAL CURRENT ASSETS</b>		<b>73,889</b>	<b>61,350</b>	<b>73,630</b>	<b>64,560</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	13	23,568	23,993	23,568	20,554
Financial assets	14	127,171	117,548	127,171	117,548
Intangible assets	17	14,650	17,593	13,817	16,504
Property, plant and equipment	16	33,568	38,157	33,078	37,435
<b>TOTAL NON-CURRENT ASSETS</b>		<b>198,957</b>	<b>197,291</b>	<b>197,634</b>	<b>192,041</b>
<b>TOTAL ASSETS</b>		<b>272,846</b>	<b>258,641</b>	<b>271,264</b>	<b>256,601</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19	25,278	13,679	23,579	12,605
Provisions	20	44,844	38,805	41,599	36,101
Outstanding claims	21	12,654	12,613	12,654	12,613
<b>TOTAL CURRENT LIABILITIES</b>		<b>82,776</b>	<b>65,097</b>	<b>77,832</b>	<b>61,319</b>
<b>NON-CURRENT LIABILITIES</b>					
Trade and other payables	19	47,361	36,100	53,295	39,529
Provisions	20	84,801	71,577	82,229	69,886
Outstanding claims	21	97,174	97,579	97,174	97,579
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>229,336</b>	<b>205,256</b>	<b>232,698</b>	<b>206,994</b>
<b>TOTAL LIABILITIES</b>		<b>312,112</b>	<b>270,353</b>	<b>310,530</b>	<b>268,313</b>
<b>NET ASSETS</b>		<b>(39,266)</b>	<b>(11,712)</b>	<b>(39,266)</b>	<b>(11,712)</b>
<b>EQUITY</b>					
Asset revaluation reserve		17,590	19,294	17,590	19,294
Retained earnings		(56,856)	(31,006)	(56,856)	(31,006)
<b>TOTAL EQUITY</b>		<b>(39,266)</b>	<b>(11,712)</b>	<b>(39,266)</b>	<b>(11,712)</b>

The accompanying notes form part of these financial statements.

WORKCOVER AUTHORITY  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 JUNE 2010

		CONSOLIDATED		AUTHORITY	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2010 \$'000 INFLOWS (OUTFLOWS)	2009 \$'000 INFLOWS (OUTFLOWS)	2010 \$'000 INFLOWS (OUTFLOWS)	2009 \$'000 INFLOWS (OUTFLOWS)
Contributions		233,575	276,251	202,981	276,251
Investments		2,507	3,051	2,507	3,051
GST refund from ATO		8,603	9,828	6,981	8,143
Other receipts		28,707	35,537	28,699	36,373
Salaries and employee payments		(2,146)	(668)	(682)	(668)
Personnel services		(134,364)	(130,113)	(125,401)	(120,123)
Office accommodation		(17,613)	(15,448)	(15,839)	(13,757)
Grants paid		(32,325)	(2,106)	(32,325)	(32,732)
Compensation claims paid		(9,722)	(7,844)	(9,722)	(7,844)
GST Payment to ATO		(490)	(477)	(490)	(477)
Other payments		(68,899)	(155,723)	(49,041)	(135,930)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	22	<b>7,833</b>	<b>12,288</b>	<b>7,668</b>	<b>12,287</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment and intangibles		(7,748)	(11,016)	(7,583)	(11,015)
Proceeds on sale of property, plant and equipment		36	22	36	22
Redemption of investments		2,000	6,000	2,000	6,000
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>		<b>(5,712)</b>	<b>(4,994)</b>	<b>(5,547)</b>	<b>(4,993)</b>
Net increase in cash held		2,121	7,294	2,121	7,294
Cash at the beginning of the financial year		51,392	44,098	51,391	44,097
Cash at the end of the financial year	23	53,513	51,392	53,512	51,391

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

FOR THE YEAR ENDED 30 JUNE 2010	CONSOLIDATED AND AUTHORITY			TOTAL \$'000
	NOTE	ACCUMULATED FUNDS \$'000	ASSET REVALUATION RESERVE \$'000	
Balance at 1 July 2009		(31,006)	19,294	(11,712)
(Deficit) for the year		(25,850)		(25,850)
Other comprehensive income				
Net (decrease) in property, plant and equipment			(1,704)	(1,704)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	(1,704)	(1,704)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(25,850)	(1,704)	(27,554)
<b>BALANCE AT 30 JUNE 2010</b>		(56,856)	17,590	(39,266)

## FOR THE YEAR ENDED 30 JUNE 2009

Balance at 1 July 2008		22,096	19,721	41,817
(Deficit) for the year		(53,102)		(53,102)
Other comprehensive income				
Net (decrease) in property, plant and equipment			(427)	(427)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	(427)	(427)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		(53,102)	(427)	(53,529)
<b>BALANCE AT 30 JUNE 2009</b>		(31,006)	19,294	(11,712)

The accompanying notes form part of these financial statements.

**Note 1****Reporting entity**

The WorkCover Authority as a reporting entity comprises all the entities under its control. In these financial statements the WorkCover Authority is referred to as the 'Authority' and 'Consolidated' comprises the WorkCover Authority and its controlled entity the Workers Compensation Commission (WCC) (refer Note 3(h)(i)).

In the process of preparing the consolidated financial statements for the consolidated entity all inter-entity transactions and balances have been eliminated.

WorkCover Authority of NSW is a NSW government statutory authority. WorkCover Authority is a not for profit entity (as profit is not its principal objective) and it has no cash generating units.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive Officer of the WorkCover Authority on 15/11/2010.

**Note 2****Constitution and functions of the WorkCover Authority**

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 26. A reference in these financial statements to the Authority refers to all of those funds.

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

**Note 3****Summary of significant accounting policies****(a) BASIS OF FINANCIAL STATEMENTS**

These financial statements are general purpose financial statements and have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation.

These financial statements have been prepared on the basis of historical cost except for the reporting of property, plant and equipment and investments which are valued at fair value.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

The financial statements have been prepared on a going concern basis as the funding model ensures sufficient cash for each financial year is received from the WorkCover Scheme.

Amounts shown in these financial statements are in Australian dollars and have been rounded to the nearest thousand dollars.

**(b) INSURANCE**

WorkCover's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

**(c) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)**

Income, expenses and assets are recognised net of the amount of GST, except that:

- 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 and receivables and payables are stated with the amount of GST included
- Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

**(d) INCOME RECOGNITION**

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

**(i) Contributions**

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

- for the WorkCover Authority Fund, are brought to account on the basis of a levy on special insurers' premium income and self-insurers' deemed premiums relating to each policy renewal year and a fixed contribution received from the nominal insurer determined after having regard to the estimate of WorkCover's net operating expenses;
- 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.

**(e) ASSETS**

**(i)** The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by WorkCover. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

# WORKCOVER AUTHORITY

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### Note 3

#### Summary of significant accounting policies (continued)

##### (e) ASSETS (continued)

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

##### (ii) Capitalisation thresholds

Property, plant and equipment are those assets with a useful life of more than one year and with a unit or network asset value greater than \$5000 (\$5000 – 2009).

Intangibles are those assets with a useful life of more than one year and with a unit cost in excess of \$100,000 including direct allocation of WorkCover personnel service costs (\$100,000 including direct allocation of WorkCover personnel service costs – 2009).

##### (iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the “Valuation of Physical Non-Current Assets at Fair Value” Policy and Guidelines Paper (TPP 07-1) issued by NSW Treasury. This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the assets fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

WorkCover revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset class does not materially differ from its fair value at reporting date. Details of the latest revaluations are given in Note 16.

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

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the asset), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a

revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

##### (iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, WorkCover is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost.

This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

##### (v) Depreciation of property, plant and equipment

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. Land is not a depreciable asset.

The rates applied are:

	%
Buildings	3.0
Furniture and fittings	10.0
Library	10.0
Scientific equipment	20.0
Technical equipment	14.3
Mechanical equipment	20.0
Office machines and equipment	20.0
Computer hardware	20.0-33.3

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

##### (vi) Maintenance

Day to day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 3**

**Summary of significant accounting policies**  
**(continued)**

**(e) ASSETS (continued)**

**(vii) Leased assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred. WorkCover has entered into a number of operating lease agreements for office accommodation

**(viii) Intangible assets**

WorkCover recognises intangible assets only if it is probable that the future economic benefits will flow to WorkCover and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for WorkCover's intangible assets, the assets are carried at cost less any accumulated amortisation.

Amortisation is provided on a straight line basis for all intangible assets so as to write off the depreciable amount of each asset as it is consumed over this useful life. The rates applied are:

	%
Computer Software	14.3-33.0

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

**(ix) Trade and other receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest

method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/deficit for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(x) Inventory**

WorkCover's publications are held for distribution and are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Cost is calculated using the weighted average cost method.

**(xi) Investments**

Investments are initially recognised at fair value plus, in the case of investments not at fair value through profit or loss, transaction costs. WorkCover determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end. At the end of the current financial reporting period all of WorkCover's assets have been designated as fair value through profit or loss.

Fair value through profit or loss – WorkCover subsequently measures investments classified as “held for trading” or designated upon initial recognition “at fair value through profit or loss” at fair value. Financial assets are classified as “held for trading” if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the surplus/deficit for the year.

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to the agency's key management personnel.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions received as well as unrealised movements in fair value and is reported in the line item ‘investment revenue’.

**(xii) Cash and cash equivalents**

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of Comprehensive Income when earned.

**(xiii) Impairment of financial assets**

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that WorkCover will not be able to collect all amounts due.

Any reversals of impairment losses are reversed through the surplus/deficit for the year, where there is objective evidence.

**Note 3****Summary of significant accounting policies  
(continued)****(e) ASSETS (continued)****(xiv) De-recognition of financial assets and financial liabilities**

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire: or if WorkCover transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where WorkCover has not transferred substantially all the risks and rewards, if WorkCover has not retained control

Where WorkCover has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of WorkCover's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

**(f) LIABILITIES****(i) Trade and other payables**

These amounts represent liabilities for goods and services provided to WorkCover and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

**(ii) Employee benefits and other provisions****(a) Personnel services, annual leave, sick leave and on-costs**

The Authority's staff is supplied by the Compensation Authorities Staff Division (CASD). Liabilities for personnel services (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the period in which the employees render the service are recognised and measured in respect of the employees service up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave 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.

**(b) Long service leave and superannuation**

WorkCover's liabilities for long service leave and defined benefits are actuarially assessed.

Superannuation is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 3.5 per cent pa for all future years and the discount rate applied was 5.25 per cent.

**(g) 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.

**(h) GRANTS**

Grants include:

**(i) Workers Compensation Commission**

The Workers Compensation Commission was established on 1 January 2002 by the *Workers Compensation Legislation Amendment Act 2001*. The WorkCover Authority is responsible for funding the Commission and has to provide to the Commission:

- facilities (including registry facilities)
- any additional staff that may be necessary.

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 3**

**Summary of significant accounting policies**  
**(continued)**

**(h) GRANTS (continued)**

The Commission replaced the Workers Compensation Resolution Service which was the administrative responsibility of the Department of Industrial Relations, and the Compensation Court which was the administrative responsibility of the Attorney General's Department.

**(ii) Compensation Court**

The Compensation Court Repeal Act 2002 abolished the Compensation Court from 1 January 2004 and transferred the Court's jurisdiction to the Workers Compensation Commission. Certain matters such as coal miners' workers compensation disputes and Police "hurt on duty" matters were transferred to the residual jurisdiction of the District Court which was funded by the WorkCover Authority until 30 June 2005.

WorkCover is responsible for funding the pension costs of retired judges of the former Compensation Court.

**(iii) General Grants**

Workcover provides grants to support registered trade unions and employer associations to assist their members to implement occupational health and safety and workers compensation legislation. It also provides research grants to independent organisations to undertake commissioned research into occupational health and safety and injury management issues. As payment of the grant is conditional on the completion of significant future milestones, the cost of these grants are recognised progressively as milestones are met.

**(i) NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED**

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in preparing these financial statements.

	AFFECTED STANDARDS	OPERATIVE DATE
--	--------------------	----------------

AASB AMENDMENT		
AASB 9 (AASB 2009-11)	Financial instruments	1 January 2013
AASB 2009-5	Annual improvements	1 January 2010
AASB 124	Related party disclosures	1 January 2011

The new standards are concerned with disclosures and will have no direct impact on the Authority's financial results. Other accounting standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to WorkCover.

**(j) COMPARATIVE FIGURES FOR 2009**

Certain 2008/09 comparative figures have been reclassified to better reflect the substance of the transactions that have occurred. These reclassifications have resulted in \$1.954m in revenue being transferred to offset expenditure. This treatment will provide the report user with a better indication of the costs incurred by WorkCover in providing services to its stakeholders.

Further adjustments have been made between a limited number of expenditure items. These adjustments will result in that expenditure being reflected in an item that better informs the report user of the nature of the area where this expenditure was incurred. These reclassifications do not impact on WorkCover's reported deficit of \$53.102m in 2008/09.

Details of the reclassification to 2008/09 comparatives follow:

ITEM	ORIGINAL 2008-09 AMOUNT \$,000	RECLASSIFIED 2008-09 AMOUNT \$,000	VARIATION \$,000
Other Revenue	14,182	12,228	(1,954)
<b>TOTAL REVENUE</b>	<b>288,832</b>	<b>286,878</b>	<b>(1,954)</b>
Personnel Services	174,404	174,241	(163)
Office Accommodation	11,800	11,391	(409)
General Grants	7,315	6,020	(1,295)
Other Operating Expense	85,625	85,538	(87)
<b>TOTAL EXPENSES</b>	<b>341,933</b>	<b>339,978</b>	<b>(1,954)</b>

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 4**

**Contributions**

Contributions to the various funds were:

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>WORKCOVER AUTHORITY FUND</b>				
Nominal Insurer, self and specialised insurers	199,545	235,195	199,545	235,195
<b>WORKERS COMPENSATION INSURANCE FUND</b>				
Management and administration expenses	521	521	521	521
	200,066	235,716	200,066	235,716
<b>INSURERS' GUARANTEE FUND</b>				
	(11,536)	14,325	(11,536)	14,325
<b>BUSH FIRE FIGHTERS COMPENSATION FUND</b>				
	2,851	4,954	2,851	4,954
<b>EMERGENCY AND RESCUE WORKERS COMPENSATION FUND</b>				
	8,163	4,749	8,163	4,749
	199,544	259,744	199,544	259,744

The WorkCover Authority Fund receives contributions from specialised and self insurers at the rate of 4.0 per cent of the self-insurers deemed premium income and the specialised insurers' premium income (4.0 per cent – 2009).

Contributions received from the 'Nominal Insurer' are fixed and are determined after having regard to the estimate of WorkCover's net operating expenses;

**Note 5**

**Fees and charges**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
TestSafe Australia testing fees	3,505	3,366	3,505	3,366
Certificates of competency	4,430	7,004	4,430	7,004
Testing and boiler inspection	811	971	811	971
Registration of plant	1,097	1,085	1,097	1,085
Biological monitoring	601	510	601	510
Demolition and pest control licences	455	479	455	479
Construction Induction Training	1,924	2,048	1,924	2,048
Consultancy and training	164	155	164	155
Dangerous goods licensing activities	1,650	1,282	1,650	1,282
Asbestos licences and removal permits	260	264	260	264
Accreditation fees	533	327	533	327
Other	289	358	289	358
	15,719	17,849	15,719	17,849

**Note 6****Investment revenue**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest on call and term deposits	2,507	3,051	2,507	3,051
Movement in market values	11,623	(5,994)	11,623	(5,994)
	<b>14,130</b>	<b>(2,943)</b>	<b>14,130</b>	<b>(2,943)</b>

**Note 7****Other revenue**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Distribution from liquidator – IGF	1,861	795	1,861	795
OHS prosecution fines	3,904	2,547	3,904	2,547
Professional costs recoveries	1,797	2,637	1,797	2,637
Workers compensation s.156 recoveries	1,723	2,862	1,723	2,862
Infringement Notices	477	529	477	529
Other	4,162	2,023	4,987	2,857
	<b>13,924</b>	<b>11,393</b>	<b>14,749</b>	<b>12,228</b>

**Note 8****Salaries and employee payments**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Payment to Board Members	682	668	682	668
	<b>682</b>	<b>668</b>	<b>682</b>	<b>668</b>

Payments to Board members are made in accordance with Premier's Guidelines and cover the WorkCover Board and the Workers Compensation Insurance Fund Investment Board.

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 9**

**Personnel services**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Salaries and allowances	104,539	101,290	96,456	93,348
Annual leave	8,436	8,621	7,710	7,789
Long service leave	8,720	4,037	7,946	3,655
Payroll tax	7,195	6,802	6,657	6,273
Workers compensation insurance	902	665	831	612
Fringe benefits tax	726	286	721	280
Superannuation	23,801	64,616	22,083	62,284
	<b>154,319</b>	<b>186,317</b>	<b>142,404</b>	<b>174,241</b>

Included in the Consolidated Entity superannuation expense item is an actuarial assessed superannuation loss of \$12.27m (\$53.6m – 2009)

**Note 10**

**Other operating expenses**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consultants	519	532	519	530
Contractors	19,225	18,820	3,107	2,834
Travel and vehicle expenses	6,070	6,374	5,864	6,171
Communication expenses	2,055	2,128	1,785	1,821
Advertising	2,674	597	2,672	595
Fees	6,511	9,209	6,399	9,090
External audit – Audit of the financial report – WorkCover Authority	257	210	224	210
Internal Audit	22	89	–	89
Printing	1,882	1,858	1,830	1,838
Repairs and maintenance	5,584	4,972	5,550	4,907
Stores	1,812	1,909	1,682	1,746
Training	1,570	1,986	1,475	1,882
Media expenses	1,297	2,541	1,296	2,494
Legal aid and rehab	413	336	413	336
Interpreter services	428	412	63	41
Voluntary redundancy expenses	65	8	8	8
Inventory	1,103	1,338	1,103	1,338
Allowance for doubtful debts	1,410	2,701	1,410	2,701
Bad debts	71	296	51	296
Property, plant and equipment written off	44	2,701	44	2,674
Other	17,556	44,440	17,011	43,937
	<b>70,568</b>	<b>103,457</b>	<b>52,506</b>	<b>85,538</b>

Other Expenses includes \$10m that the WorkCover Board resolved were surplus funds and have been transferred back to the WCIF during 2009/10 in accordance with *The Workplace Injury Management and Workers Compensation Act 1998* (2009: \$34m).

WORKCOVER AUTHORITY  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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## Note 11

### Grants

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

	NOTE	CONSOLIDATED		AUTHORITY	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Workers Compensation Commission	3 (h) (i)	–	–	33,097	33,120
Compensation Court of NSW	3 (h) (ii)	2,984	2,126	2,984	2,126
		<b>2,984</b>	<b>2,126</b>	<b>36,081</b>	<b>35,246</b>

## Note 12

### Net claims incurred and finance costs

Details of the net claims incurred by the Authority's various funds are:

	CLAIMS PAID	FINANCE COSTS	MOVEMENT IN CLAIMS LIABILITIES	NET CLAIMS INCURRED	
	2010 \$'000	2010 \$'000	2010 \$'000	2010 \$'000	2009 \$'000
Insurers' Guarantee Fund	4,708	6,562	(10,674)	596	7,905
Bush Fire Fighters Compensation Fund	1,886	1,001	(842)	2,045	4,528
Emergency and Rescue Workers Compensation Fund	3,555	647	2,942	7,144	3,981
	<b>10,149</b>	<b>8,210</b>	<b>(8,574)</b>	<b>9,785</b>	<b>16,414</b>

Finance costs relate to the increase in the carrying amount of the outstanding claims liability that reflects the passage of time associated with the use of a discount rate in determining the value of the outstanding claims liability. (Note 21 refers)

## Note 13

### Trade and other receivables

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Receivables	22,524	12,024	22,266	15,235
Prepayments	177	261	177	261
	<b>22,701</b>	<b>12,285</b>	<b>22,443</b>	<b>15,496</b>
Less allowance for impairment	(3,644)	(3,809)	(3,644)	(3,809)
<b>TOTAL CURRENT RECEIVABLES</b>	<b>19,057</b>	<b>8,476</b>	<b>18,799</b>	<b>11,687</b>
<b>NON-CURRENT</b>				
Receivables	23,568	23,993	23,568	20,554
<b>TOTAL RECEIVABLES</b>	<b>42,625</b>	<b>32,469</b>	<b>42,367</b>	<b>32,241</b>

**Note 13**

**Trade and other receivables (continued)**

MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Balance at 1 July	(3,809)	(5,554)	(3,809)	(5,554)
Amounts written off during the year	1,575	4,598	1,575	4,598
Amounts recovered during the year	–	–	–	–
(Increase)/decrease in allowance recognised in profit or loss	(1,410)	(2,853)	(1,410)	(2,853)
<b>BALANCE AT 30 JUNE</b>	<b>(3,644)</b>	<b>(3,809)</b>	<b>(3,644)</b>	<b>(3,809)</b>

**Note 14**

**Financial assets – investments**

Other financial assets comprise deposits with investment funds managers.

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
TCorp Hour Glass investment facilities	127,171	117,548	127,171	117,548
	127,171	117,548	127,171	117,548
Current	–	–	–	–
Non-current	127,171	117,548	127,171	117,548
<b>TOTAL FINANCIAL ASSETS</b>	<b>127,171</b>	<b>117,548</b>	<b>127,171</b>	<b>117,548</b>

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.

**Note 15**

**Financial instruments**

WorkCover's principal financial instruments are outlined below. These financial instruments arise directly from WorkCover's operations and are required to finance these operations. WorkCover does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

WorkCover's main risks arising from financial instruments are outlined below, together with WorkCover's objectives, policies and

processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by WorkCover, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Audit Committee.

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**Note 15**

**Financial instruments (continued)**

**(a) FINANCIAL INSTRUMENT CATEGORIES**

			CONSOLIDATED		AUTHORITY	
FINANCIAL ASSETS	NOTE	CATEGORY	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	23	N/A	53,513	51,392	53,512	51,391
Receivables <sup>(1)</sup>	13	Loans and receivables at amortised cost	9,086	6,478	9,086	6,470
Investments	14	At fair value through profit or loss designated as such upon initial recognition	127,171	117,548	127,171	117,548
<b>FINANCIAL LIABILITIES</b>						
Payables <sup>(2)</sup>	19	Financial liabilities measured at amortised cost	14,212	12,588	12,513	11,512

(1) Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

(2) Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

**(b) CREDIT RISK**

Credit risk arises where there is the possibility of WorkCover's debtors defaulting on their contractual obligations, resulting in a financial loss to WorkCover. The maximum exposure to credit risk at balance date is generally represented by the carrying amount of the financial assets net of any allowance for impairment as indicated in the Balance Sheet.

Credit risk arises from the financial assets of WorkCover, including cash and receivables. No collateral is held by WorkCover. WorkCover has not granted any financial guarantees.

WorkCover is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

Credit risk associated with WorkCover's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

**Cash**

Cash comprises cash on hand and bank balances. Interest is earned on daily bank balances in accordance with an agreement with WorkCover's banker. The TCorp Hour glass cash facility is discussed in paragraph (d) below.

**Receivables – Trade Debtors**

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures have been established to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that WorkCover will not be able to collect the amount due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 14 day terms.

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**Note 15**

**Financial instruments (continued)**

**(b) CREDIT RISK (continued)**

Details of WorkCover's past due trade debtors follows:

2010	CONSOLIDATED			AUTHORITY		
	TOTAL \$'000	PAST DUE BUT NOT IMPAIRED \$'000	CONSIDERED IMPAIRED \$'000	TOTAL \$'000	PAST DUE BUT NOT IMPAIRED \$'000	CONSIDERED IMPAIRED \$'000
< 3 months overdue	167	167	–	167	167	–
3 months – 6 months overdue	30	30	–	30	30	–
> 6 months overdue	123	76	47	123	76	47
<b>2009</b>						
< 3 months overdue	309	309	–	309	309	–
3 months – 6 months overdue	45	45	–	45	45	–
> 6 months overdue	242	170	72	234	162	72

**Note:**

Excludes statutory receivables as they are not within the scope of AASB 7 so will not reconcile to the Balance Sheet. There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

**(c) LIQUIDITY RISK**

Liquidity risk is the risk that WorkCover will be unable to meet its payment obligations when they fall due. WorkCover continuously manages its liquidity risk through monitoring future cash flows to ensure adequate holding of high quality liquid assets.

WorkCover does not have any loans payable and no assets have been pledged as collateral. WorkCover's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment.

WorkCover's payables are all non interest bearing.

**(d) MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. WorkCover's exposures to market risk are primarily through other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. WorkCover has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which WorkCover operates and the time frame for the assessment (i.e. until the end of the next annual reporting period).

The sensitivity analysis is based on risk exposures in existence at the balance sheet date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

WORKCOVER AUTHORITY  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 15**

**Financial instruments (continued)**

**(d) MARKET RISK (continued)**

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

FINANCIAL INSTRUMENTS	CONSOLIDATED		AUTHORITY	
	MARKET VALUE 2010 \$'000	MARKET VALUE 2009 \$'000	MARKET VALUE 2010 \$'000	MARKET VALUE 2009 \$'000
<b>FINANCIAL ASSETS</b>				
TCorp Hour Glass investment facilities	127,171	117,548	127,171	117,548
Cash and cash equivalents	53,513	51,392	53,512	51,391
<b>TOTAL FINANCIAL ASSETS EXPOSED TO MARKET RISK</b>	<b>180,684</b>	<b>168,940</b>	<b>180,683</b>	<b>168,939</b>
Trade and other receivables	9,086	6,478	9,086	6,470
<b>TOTAL FINANCIAL ASSETS NOT EXPOSED TO MARKET RISK</b>	<b>9,086</b>	<b>6,478</b>	<b>9,086</b>	<b>6,470</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>189,770</b>	<b>175,418</b>	<b>189,769</b>	<b>175,409</b>
<b>FINANCIAL LIABILITIES</b>				
Trade and other creditors	14,212	12,588	12,513	11,512
<b>TOTAL FINANCIAL LIABILITIES NOT EXPOSED TO MARKET RISK</b>	<b>14,212</b>	<b>12,588</b>	<b>12,513</b>	<b>11,512</b>

**Interest rate risk**

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

FINANCIAL INSTRUMENTS	CONSOLIDATED				AUTHORITY		
	WEIGHTED AVERAGE EFFECTIVE INTEREST 2010 %	FLOATING INTEREST RATE 2010 \$'000	NON- INTEREST BEARING 2010 \$'000	TOTAL 2010 \$'000	FLOATING INTEREST RATE 2010 \$'000	NON- INTEREST BEARING 2010 \$'000	TOTAL 2010 \$'000
Cash at bank	4.5%	10,698	–	10,698	10,697	–	10,697
Trade and other receivables	N/A	–	9,086	9,086	–	9,086	9,086
Investment in cash facilities	4.5%	42,815	–	42,815	42,815	–	42,815
Financial assets	N/A	–	–	–	–	–	–
<b>TOTAL FINANCIAL ASSETS</b>		<b>53,513</b>	<b>9,086</b>	<b>62,599</b>	<b>53,512</b>	<b>9,086</b>	<b>62,598</b>
<b>FINANCIAL LIABILITIES</b>							
Trade and other creditors	N/A	–	14,212	14,212	–	12,513	12,513
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>–</b>	<b>14,212</b>	<b>14,212</b>	<b>–</b>	<b>12,513</b>	<b>12,513</b>

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 15**

**Financial instruments (continued)**

(d) MARKET RISK (continued)

Interest rate risk exposure – Previous year

FINANCIAL INSTRUMENTS		CONSOLIDATED			AUTHORITY		
FINANCIAL ASSETS	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE 2009 %	FLOATING INTEREST RATE 2009 \$'000	NON-INTEREST BEARING 2009 \$'000	TOTAL 2009 \$'000	FLOATING INTEREST RATE 2009 \$'000	NON-INTEREST BEARING 2009 \$'000	TOTAL 2009 \$'000
Cash at bank	5.4%	12,019	–	12,019	12,018	–	12,018
Trade and other receivables	N/A	–	6,478	6,478	–	6,470	6,470
Investment in cash facilities	5.4%	39,373	–	39,373	39,373	–	39,373
Financial assets	N/A	–	–	–	–	–	–
<b>TOTAL FINANCIAL ASSETS</b>		<b>51,392</b>	<b>6,478</b>	<b>57,870</b>	<b>51,391</b>	<b>6,470</b>	<b>57,861</b>
FINANCIAL LIABILITIES							
Trade and other creditors	N/A	–	12,588	12,588	–	11,512	11,512
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>–</b>	<b>12,588</b>	<b>12,588</b>	<b>–</b>	<b>11,512</b>	<b>11,512</b>

Exposure to interest rate risk is minimal as WorkCover does not have any interest bearing liabilities. The potential impact of WorkCover's exposure to a reasonably possible change in interest rates is set out below.

		IMPACT ON PROFIT/LOSS			
		CONSOLIDATED		AUTHORITY	
	CHANGE IN INTEREST RATE	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank	+/-1%	107	120	107	120

**Other price risk**

Exposure to “other price risk” primarily arises through the investment in the TCorp Hour Glass Investment facilities, which are held for strategic rather than trading purposes.

WorkCover holds units in the following Hour-Glass investment trusts:

			CONSOLIDATED		AUTHORITY	
FACILITY	INVESTMENT SECTORS	INVESTMENT HORIZON	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	42,815	39,373	42,815	39,373
Medium term growth facility	Cash, money market instruments, Australian and international bonds (international bonds 2009 only), listed property, Australian and international shares	3 years to 7 years	64,416	61,154	64,416	61,154
Long term growth facility	Cash, money market instruments, Australian and international bonds (international bonds 2009 only), listed property, Australian and international shares	7 years and over	62,755	56,394	62,755	56,394

**Note 15**

**Financial instruments (continued)**

**(d) MARKET RISK (continued)**

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the total number of units on issue for each facility. Unit prices are calculated and published daily.

NSW TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as a manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour Glass Facility limits WorkCover's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the facilities, using historically based volatility information. The TCorp Hour Glass Investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). However, given the legislative guarantee of funding for the Insurer's Guarantee Fund (IGF) holdings with TCorp in the Hour Glass facility that relate to this fund will not impact on WorkCover's profit and have been excluded from the sensitivity analysis below:

		IMPACT ON PROFIT/LOSS			
		CONSOLIDATED		AUTHORITY	
	CHANGE IN UNIT PRICE	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Hour Glass Investment – Cash facility	+/-1%	426	374	426	374

A reasonable possible change is based on the percentage change in unit price multiplied by the redemption price as at 30th June each year for each facility (as advised by TCorp).

**(e) FAIR VALUE**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass Investments is based on WorkCover's share of the value of the underlying assets of the facility, based on the market value. All of the Hour Glass facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

**(f) FAIR VALUE RECOGNISED IN THE BALANCE SHEET**

WorkCover uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1** – Derived from quoted prices in active markets for identical assets/liabilities.
- Level 2** – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3** – Derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>2010</b>				
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
TCorp Hour-Glass Invt. Facility	–	127,171	–	127,171
<b>2009</b>				
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
TCorp Hour-Glass Invt. Facility	–	117,548	–	117,548

(the table above only includes financial assets, as no financial liabilities were measured at fair value in the balance sheet).

There were no transfers between Levels during the period ended 30 June 2010.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## Note 16

### Property, plant and equipment

	NOTE	CONSOLIDATED		AUTHORITY	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>LAND AND BUILDINGS</b>					
Freehold land					
At fair value	(a)	12,810	15,138	12,810	15,138
<b>TOTAL FREEHOLD LAND AT FAIR VALUE</b>	(b)	<b>12,810</b>	<b>15,138</b>	<b>12,810</b>	<b>15,138</b>
<b>BUILDINGS</b>					
Gross carrying value		5,117	5,166	5,117	5,166
Accumulated depreciation		(4)	(375)	(4)	(375)
<b>TOTAL BUILDINGS AT FAIR VALUE</b>		<b>5,113</b>	<b>4,791</b>	<b>5,113</b>	<b>4,791</b>
<b>TOTAL LAND AND BUILDINGS</b>		<b>17,923</b>	<b>19,929</b>	<b>17,923</b>	<b>19,929</b>
<b>LEASEHOLD IMPROVEMENTS</b>					
Gross carrying value		34,447	33,592	31,233	30,378
Accumulated amortisation		(25,394)	(21,841)	(22,660)	(19,321)
<b>TOTAL LEASEHOLD IMPROVEMENTS AT FAIR VALUE</b>		<b>9,053</b>	<b>11,751</b>	<b>8,573</b>	<b>11,057</b>
<b>OFFICE MACHINES AND EQUIPMENT</b>					
Gross carrying value		625	977	625	977
Accumulated depreciation		(448)	(715)	(448)	(715)
<b>TOTAL OFFICE MACHINES AND EQUIPMENT AT FAIR VALUE</b>		<b>177</b>	<b>262</b>	<b>177</b>	<b>262</b>
<b>FURNITURE AND FITTINGS (INCL LIBRARY)</b>					
Gross carrying value		322	342	54	54
Accumulated depreciation		(301)	(304)	(38)	(35)
<b>TOTAL FURNITURE AND FITTINGS AT FAIR VALUE</b>		<b>21</b>	<b>38</b>	<b>16</b>	<b>19</b>
<b>COMPUTER HARDWARE</b>					
Gross carrying value		9,849	8,005	9,827	7,956
Accumulated depreciation		(5,784)	(4,690)	(5,767)	(4,650)
<b>TOTAL COMPUTER HARDWARE AT FAIR VALUE</b>		<b>4,065</b>	<b>3,315</b>	<b>4,060</b>	<b>3,306</b>
<b>SCIENTIFIC AND TECHNICAL EQUIPMENT</b>					
Gross carrying value	(a)	2,821	2,820	2,821	2,820
Accumulated depreciation		(567)	(106)	(567)	(106)
<b>TOTAL SCIENTIFIC AND TECHNICAL EQUIPMENT AT FAIR VALUE</b>		<b>2,254</b>	<b>2,714</b>	<b>2,254</b>	<b>2,714</b>
<b>MOTOR VEHICLES</b>					
Gross carrying value		344	344	344	344
Accumulated depreciation		(273)	(196)	(273)	(196)
<b>TOTAL MOTOR VEHICLES AT FAIR VALUE</b>		<b>71</b>	<b>148</b>	<b>71</b>	<b>148</b>
<b>CAPITAL WORKS IN PROGRESS</b>					
At fair value		4	–	4	–
<b>TOTAL CAPITAL WORKS IN PROGRESS AT FAIR VALUE</b>		<b>4</b>	<b>–</b>	<b>4</b>	<b>–</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>33,568</b>	<b>38,157</b>	<b>33,078</b>	<b>37,435</b>

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 16**

**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, buildings and freehold land were revalued in 2010 and scientific and technical equipment were revalued in 2009. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2010 were carried out by:

Land & Buildings

Paul Goldsmith

Land & Property Management Authority

The independent valuations performed during 2008/09 were carried out by:

Scientific and technical equipment

Blythe Robinson & Mason Paynter

Hymans Asset Management

(b) Details of land owned by WorkCover:

	LOCATION	FAIR VALUE \$
<b>DESCRIPTION OF USE</b>		
38.529 Hectares	919 Londonderry Road Londonderry NSW	12,810,300
Used as a centre for occupational health and safety research and testing.		

**MOVEMENTS DURING FINANCIAL YEAR FOR THE CONSOLIDATED REPORTING ENTITY:**

CLASS OF ASSET	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVERABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
Freehold land	15,138	-	-	-	(2,328)	-	-	12,810
Buildings	4,791	-	-	-	624	-	(302)	5,113
Leasehold improvements	11,751	896	(42)	42	-	-	(3,594)	9,053
Office machines and equipment	262	(1)	(351)	351	-	-	(84)	177
Furniture and fittings	38	-	(20)	20	-	-	(17)	21
Computer hardware	3,315	2,058	(214)	195	-	-	(1,289)	4,065
Scientific and technical equipment	2,714	42	(42)	33	-	-	(493)	2,254
Motor vehicles	148	-	-	-	-	-	(77)	71
Capital WIP	-	4	-	-	-	-	-	4
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>38,157</b>	<b>2,999</b>	<b>(669)</b>	<b>641</b>	<b>(1,704)</b>	<b>-</b>	<b>(5,856)</b>	<b>33,568</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## Note 16

### Property, plant and equipment (continued)

#### MOVEMENTS DURING FINANCIAL YEAR FOR THE AUTHORITY

	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVERABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
<b>CLASS OF ASSET</b>								
Freehold land	15,138	-	-	-	(2,328)	-	-	12,810
Buildings	4,791	-	-	-	624	-	(302)	5,113
Leasehold improvements	11,057	897	(42)	42	-	-	(3,381)	8,573
Office machines and equipment	262	(1)	(351)	351	-	-	(84)	177
Furniture and fittings	19	-	-	-	-	-	(3)	16
Computer hardware	3,306	2,058	(187)	167	-	-	(1,284)	4,060
Scientific and technical equipment	2,714	42	(42)	33	-	-	(493)	2,254
Motor vehicles	148	-	-	-	-	-	(77)	71
Capital WIP	-	4	-	-	-	-	-	4
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>37,435</b>	<b>3,000</b>	<b>(622)</b>	<b>593</b>	<b>(1,704)</b>	<b>-</b>	<b>(5,624)</b>	<b>33,078</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## Note 16

### Property, plant and equipment (continued)

		CONSOLIDATED		AUTHORITY	
LAND AND BUILDINGS	NOTE	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Freehold land					
At fair value	(a)	15,138	15,138	15,138	15,138
<b>TOTAL FREEHOLD LAND AT FAIR VALUE</b>	(b)	<b>15,138</b>	<b>15,138</b>	<b>15,138</b>	<b>15,138</b>
<b>BUILDINGS</b>					
Gross carrying value		5,166	4,032	5,166	4,032
Accumulated depreciation		(375)	(10)	(375)	(10)
Total buildings at fair value		4,791	4,022	4,791	4,022
<b>TOTAL LAND AND BUILDINGS</b>		<b>19,929</b>	<b>19,160</b>	<b>19,929</b>	<b>19,160</b>
<b>LEASEHOLD IMPROVEMENTS</b>					
Gross carrying value		33,592	30,583	30,378	27,369
Accumulated amortisation		(21,841)	(18,614)	(19,321)	(16,405)
<b>TOTAL LEASEHOLD IMPROVEMENTS AT FAIR VALUE</b>		<b>11,751</b>	<b>11,969</b>	<b>11,057</b>	<b>10,964</b>
<b>OFFICE MACHINES AND EQUIPMENT</b>					
Gross carrying value		977	1,132	977	1,101
Accumulated depreciation		(715)	(859)	(715)	(836)
<b>TOTAL OFFICE MACHINES AND EQUIPMENT AT FAIR VALUE</b>		<b>262</b>	<b>273</b>	<b>262</b>	<b>265</b>
<b>FURNITURE AND FITTINGS (INCL LIBRARY)</b>					
Gross carrying value		342	512	54	209
Accumulated depreciation		(304)	(400)	(35)	(129)
<b>TOTAL FURNITURE AND FITTINGS AT FAIR VALUE</b>		<b>38</b>	<b>112</b>	<b>19</b>	<b>80</b>
<b>COMPUTER HARDWARE</b>					
Gross carrying value		8,005	10,836	7,956	10,608
Accumulated depreciation		(4,690)	(5,491)	(4,650)	(5,334)
<b>TOTAL COMPUTER HARDWARE AT FAIR VALUE</b>		<b>3,315</b>	<b>5,345</b>	<b>3,306</b>	<b>5,274</b>
<b>SCIENTIFIC AND TECHNICAL EQUIPMENT</b>					
Gross carrying value	(a)	2,820	4,125	2,820	4,125
Accumulated depreciation		(106)	(1,657)	(106)	(1,657)
<b>TOTAL SCIENTIFIC AND TECHNICAL EQUIPMENT AT FAIR VALUE</b>		<b>2,714</b>	<b>2,468</b>	<b>2,714</b>	<b>2,468</b>
<b>MOTOR VEHICLES</b>					
Gross carrying value		344	344	344	344
Accumulated depreciation		(196)	(119)	(196)	(119)
<b>TOTAL MOTOR VEHICLES AT FAIR VALUE</b>		<b>148</b>	<b>225</b>	<b>148</b>	<b>225</b>
<b>CAPITAL WORKS IN PROGRESS</b>					
At fair value		–	1,729	–	1,729
<b>TOTAL CAPITAL WORKS IN PROGRESS AT FAIR VALUE</b>		<b>–</b>	<b>1,729</b>	<b>–</b>	<b>1,729</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>		<b>38,157</b>	<b>41,281</b>	<b>37,435</b>	<b>40,165</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 16****Property, plant and equipment (continued)****MOVEMENTS DURING FINANCIAL YEAR FOR THE CONSOLIDATED REPORTING ENTITY**

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Freehold land	15,138	-	-	-	-	-	-	15,138
Buildings	4,022	1,134	-	-	-	-	(365)	4,791
Leasehold improvements	11,969	3,070	(60)	35	-	-	(3,263)	11,751
Office machines and equipment	273	117	(270)	228	-	-	(86)	262
Furniture and fittings	112	(5)	(152)	116	-	-	(33)	38
Computer hardware	5,345	988	(3,819)	2,099	-	-	(1,298)	3,315
Scientific and technical equipment	2,273	1,599	(363)	238	(426)	-	(607)	2,714
Mechanical equipment	195	(195)	-	-	-	-	-	-
Motor vehicles	225	-	-	-	-	-	(77)	148
Capital WIP	1,729	(1,481)	(248)	-	-	-	-	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>41,281</b>	<b>5,227</b>	<b>(4,912)</b>	<b>2,716</b>	<b>(426)</b>	<b>-</b>	<b>(5,729)</b>	<b>38,157</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 16****Property, plant and equipment (continued)****MOVEMENTS DURING FINANCIAL YEAR FOR THE AUTHORITY**

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Freehold land	15,138	-	-	-	-	-	-	15,138
Buildings	4,022	1,134	-	-	-	-	(365)	4,791
Leasehold improvements	10,964	3,069	(60)	35	-	-	(2,951)	11,057
Office machines and equipment	265	116	(238)	205	-	-	(86)	262
Furniture and fittings	80	(5)	(137)	85	-	-	(4)	19
Computer hardware	5,274	989	(3,641)	1,956	-	-	(1,272)	3,306
Scientific and technical equipment	2,273	1,599	(363)	238	(426)	-	(607)	2,714
Mechanical equipment	195	(195)	-	-	-	-	-	-
Motor vehicles	225	-	-	-	-	-	(77)	148
Capital WIP	1,729	(1,481)	(248)	-	-	-	-	-
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>40,165</b>	<b>5,226</b>	<b>(4,687)</b>	<b>2,519</b>	<b>(426)</b>	<b>-</b>	<b>(5,362)</b>	<b>37,435</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## Note 17

### Intangibles

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>INTERNALLY GENERATED COMPUTER SOFTWARE</b>				
Gross carrying value	35,354	35,284	33,005	33,242
Accumulated amortisation	(27,546)	(23,836)	(26,028)	(22,741)
<b>TOTAL COMPUTER SOFTWARE AT FAIR VALUE</b>	<b>7,808</b>	<b>11,448</b>	<b>6,977</b>	<b>10,501</b>
<b>CAPITAL WORKS IN PROGRESS</b>				
Gross carrying value	2,859	3,247	2,859	3,115
<b>TOTAL CAPITAL WORKS IN PROGRESS</b>	<b>2,859</b>	<b>3,247</b>	<b>2,859</b>	<b>3,115</b>
Total internally generated intangibles at fair value	10,667	14,695	9,836	13,616
<b>COMPUTER SOFTWARE PURCHASED</b>				
Gross carrying value	7,976	7,047	7,870	6,935
Accumulated amortisation	(3,993)	(4,149)	(3,889)	(4,047)
<b>TOTAL INTANGIBLE COMPUTER SOFTWARE PURCHASED</b>	<b>3,983</b>	<b>2,898</b>	<b>3,981</b>	<b>2,888</b>
<b>TOTAL INTANGIBLES</b>	<b>14,650</b>	<b>17,593</b>	<b>13,817</b>	<b>16,504</b>

#### MOVEMENTS DURING FINANCIAL YEAR FOR THE CONSOLIDATED REPORTING ENTITY

	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	11,448	1,338	(1,269)	1,263	-	-	(4,972)	7,808
Capital WIP	3,247	(388)	-	-	-	-	-	2,859
Computer software	2,898	2,691	(1,744)	1,735	-	-	(1,597)	3,983
<b>TOTAL INTANGIBLES</b>	<b>17,593</b>	<b>3,641</b>	<b>(3,013)</b>	<b>2,998</b>	<b>-</b>	<b>-</b>	<b>(6,569)</b>	<b>14,650</b>

Expenditure during the research and development phase of software development was \$177,000 in 2010 (\$74,000 – 2009)

#### MOVEMENTS DURING FINANCIAL YEAR FOR THE AUTHORITY

	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	10,501	1,032	(1,269)	1,263	-	-	(4,550)	6,977
Capital WIP	3,115	(256)	-	-	-	-	-	2,859
Computer software	2,888	2,698	(1,744)	1,735	-	-	(1,596)	3,981
<b>TOTAL INTANGIBLES</b>	<b>16,504</b>	<b>3,474</b>	<b>(3,013)</b>	<b>2,998</b>	<b>-</b>	<b>-</b>	<b>(6,146)</b>	<b>13,817</b>

**Note 17**

**Intangibles (continued)**

	CONSOLIDATED		AUTHORITY	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>INTERNALLY GENERATED COMPUTER SOFTWARE</b>				
Gross carrying value	35,284	32,297	33,242	30,262
Accumulated amortisation	(23,836)	(20,023)	(22,741)	(19,265)
<b>TOTAL COMPUTER SOFTWARE AT FAIR VALUE</b>	<b>11,448</b>	<b>12,274</b>	<b>10,501</b>	<b>10,997</b>
<b>CAPITAL WORKS IN PROGRESS</b>				
Gross carrying value	3,247	4,253	3,115	4,119
Total capital works in progress	3,247	4,253	3,115	4,119
<b>TOTAL INTERNALLY GENERATED INTANGIBLES AT FAIR VALUE</b>	<b>14,695</b>	<b>16,527</b>	<b>13,616</b>	<b>15,116</b>
<b>COMPUTER SOFTWARE PURCHASED</b>				
Gross carrying value	7,047	5,170	6,935	5,051
Accumulated amortisation	(4,149)	(3,055)	(4,047)	(2,975)
<b>TOTAL INTANGIBLE COMPUTER SOFTWARE PURCHASED</b>	<b>2,898</b>	<b>2,115</b>	<b>2,888</b>	<b>2,076</b>
<b>TOTAL INTANGIBLES</b>	<b>17,593</b>	<b>18,642</b>	<b>16,504</b>	<b>17,192</b>

**MOVEMENTS DURING FINANCIAL YEAR FOR THE CONSOLIDATED REPORTING ENTITY**

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVERABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	12,274	3,451	(463)	407	–	–	(4,221)	11,448
Capital WIP	4,253	(880)	(126)	–	–	–	–	3,247
Computer software	2,115	2,347	(470)	146	–	–	(1,240)	2,898
<b>TOTAL INTANGIBLES</b>	<b>18,642</b>	<b>4,918</b>	<b>(1,059)</b>	<b>553</b>	<b>–</b>	<b>–</b>	<b>(5,461)</b>	<b>17,593</b>

**MOVEMENTS DURING FINANCIAL YEAR FOR THE AUTHORITY**

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVERABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	10,997	3,443	(463)	407	–	–	(3,883)	10,501
Capital WIP	4,119	(878)	(126)	–	–	–	–	3,115
Computer software	2,076	2,354	(470)	146	–	–	(1,218)	2,888
<b>TOTAL INTANGIBLES</b>	<b>17,192</b>	<b>4,919</b>	<b>(1,059)</b>	<b>553</b>	<b>–</b>	<b>–</b>	<b>(5,101)</b>	<b>16,504</b>

WORKCOVER AUTHORITY  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 18**

**Inventory**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Carrying amount as at 1 July	1,482	2,091	1,482	2,091
Purchases	940	728	940	728
Distributions	(1,103)	(1,332)	(1,103)	(1,332)
Writedowns	–	(5)	–	(5)
Reversal of previous writedowns	–	–	–	–
<b>TOTAL INVENTORY</b>	<b>1,319</b>	<b>1,482</b>	<b>1,319</b>	<b>1,482</b>

There are no inventories held for distribution that are pledged as securities for liabilities.

WorkCover's entire inventory has been assessed as having no loss of service potential as all the publications are current. Refer Note 3(e)(x).

**Note 19**

**Trade and other payables**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Creditors	25,278	13,679	23,579	12,605
<b>TOTAL CURRENT LIABILITIES</b>	<b>25,278</b>	<b>13,679</b>	<b>23,579</b>	<b>12,605</b>
<b>NON-CURRENT</b>				
Creditors	47,361	36,100	53,295	39,529
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>47,361</b>	<b>36,100</b>	<b>53,295</b>	<b>39,529</b>
<b>TOTAL LIABILITIES</b>	<b>72,639</b>	<b>49,779</b>	<b>76,874</b>	<b>52,134</b>

**Note 20**

**Provisions**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Leave entitlements including oncosts	42,896	36,996	39,651	34,292
Compensation Court Judges pension	1,948	1,809	1,948	1,809
Transfer of Surplus Funds to WCIF	–	–	–	–
<b>TOTAL CURRENT LIABILITIES</b>	<b>44,844</b>	<b>38,805</b>	<b>41,599</b>	<b>36,101</b>
<b>NON-CURRENT</b>				
Superannuation payable to CASD	68,952	56,691	66,380	55,000
Compensation Court Judges pensions	15,849	14,886	15,849	14,886
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>84,801</b>	<b>71,577</b>	<b>82,229</b>	<b>69,886</b>
<b>TOTAL LIABILITIES</b>	<b>129,645</b>	<b>110,382</b>	<b>123,828</b>	<b>105,987</b>

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 20**

**Provisions (continued)**

The key economic assumptions used in the valuation of Judges Pensions are:

	2010	2009
Discount Rate	5.25%	5.50%
Future salary growth	4.0%	4.0%

Provisions include amounts due to the Compensation Authorities Staff Division (CASD) for staff entitlements for leave and associated on-costs and superannuation. (Refer Note 3(f)(ii)).

Under AASB 101 *Presentation of Financial Statements* liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to leave is unconditional and all leave and associated on costs have been classified accordingly. The dissection of these costs into current and non current based on what is expected to be settled later than 12 months follows:

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Recreation and extended leave	11,445	18,726	10,329	17,325
On costs on leave	1,682	2,369	1,519	2,197
	<b>13,127</b>	<b>21,095</b>	<b>11,848</b>	<b>19,522</b>
<b>NON-CURRENT</b>				
Extended leave	26,711	14,171	24,947	13,162
On costs on leave	3,058	1,730	2,856	1,609
	<b>29,769</b>	<b>15,901</b>	<b>27,803</b>	<b>14,771</b>
	<b>42,896</b>	<b>36,996</b>	<b>39,651</b>	<b>34,292</b>

	COMPENSATION COURT JUDGES PENSION	TOTAL 2010 \$'000
Carrying amount 1/7/09	16,695	16,695
Payments made	(1,898)	(1,898)
Finance cost	900	900
Change in discount rate	300	300
Amounts provided	1,800	1,800
<b>CARRYING AMOUNT 30/06/10</b>	<b>17,797</b>	<b>17,797</b>

**Note 21**

**Outstanding claims**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Expected future claims payments	139,579	151,424	139,579	151,424
Claims handling expenses	42,675	41,091	42,675	41,091
Discount to present value	(72,426)	(82,323)	(72,426)	(82,323)
Liability for outstanding claims	109,828	110,192	109,828	110,192
Current	12,654	12,613	12,654	12,613
Non-current	97,174	97,579	97,174	97,579
	<b>109,828</b>	<b>110,192</b>	<b>109,828</b>	<b>110,192</b>

	CONSOLIDATED AND AUTHORITY	
	2010 \$'000	2009 \$'000
Carrying amount start of year	110,192	101,614
Claims paid	(10,149)	(7,836)
Finance cost	8,210	7,757
Change in discount rate	885	(47)
Increase in amounts provided	690	8,704
<b>CARRYING AMOUNT END OF YEAR</b>	<b>109,828</b>	<b>110,192</b>

(a) The weighted average expected term to settlement from the reporting date of the outstanding claims is as follows for each fund:

	2010 YEARS	2009 YEARS
Bush Fire Fighters Compensation Fund	7.0	7.1
Emergency & Rescue Workers Compensation Fund	6.2	5.1
Insurers' Guarantee Fund	8.5	8.7

(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:

	2010 %	2009 %
Inflation rate	3.50	3.50
Discount rate	4.50	3.40

**WORKCOVER AUTHORITY**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 21**

**Outstanding claims (continued)**

(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:

	2010 %	2009 %
Inflation rate	3.50-3.75	3.50-3.95
Discount rate	4.50-6.00	4.70-6.20

(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. The dissection of the total liability for both the Consolidated reporting entity and the Authority by fund is:

	2010		2009	
	\$'000	\$'000	\$'000	\$'000
Bush Fire Fighters Compensation Fund		14,882		14,723
Emergency and Rescue Workers Compensation Fund		14,018		10,429
Insurer's Guarantee Fund comprising:				
– Non HIH	67,185		73,130	
– HIH Insurance Co Ltd	13,743		11,910	
		80,928		85,040
<b>TOTAL OUTSTANDING CLAIMS</b>		<b>109,828</b>		<b>110,192</b>

(e) There is inherent uncertainty in any estimate of outstanding claims liabilities that limits its accuracy. The areas of uncertainty associated with the outstanding claims liability in these financial statements arise from the following:

- i. Because the models are a simplification of the claims process, it might be that none of the various models used is an entirely accurate representation of reality.
- ii. Because there are components of randomness in the claims process, it is not possible to estimate the parameters of that process with complete precision even if complete confidence were felt in the nature of the model.

- iii. Any erroneous data will similarly have introduced uncertainties into the estimate of those parameters.
- iv. Even if the parameters could be estimated with precision, it would not be possible to predict outstanding claims with the same precision because of the random component in future experience.
- v. It is possible that systemic (i.e. non-random) changes may occur in claims experience.

The central estimates in these financial statements represent the best estimate of the Outstanding Claims Liabilities and hence contain no deliberate bias towards over or under estimation.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 22****Reconciliation of (deficiency) for the year to net cash provided by operating activities**

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(Deficiency) for the year	(25,850)	(53,102)	(25,850)	(53,102)
Depreciation/asset writeback	12,469	13,890	11,815	13,135
(Loss)/gain on sale of asset	(36)	(22)	(36)	(22)
Unrealised investment income	(11,623)	5,994	(11,623)	5,994
Increase/(Decrease) in provisions				
– Outstanding claims	(364)	8,578	(364)	8,578
– Superannuation	12,261	48,432	11,380	47,314
– Doubtful debts	(165)	(1,745)	(165)	(1,745)
– Leave	5,899	2,757	5,359	2,223
– Provisions	1,102	(35,821)	1,102	(35,821)
Decrease in Inventory	163	609	163	609
Decrease/(increase) in debtors and prepayments	(12,496)	37,548	(9,963)	39,647
Increase/(decrease) in creditors	26,473	(14,830)	25,850	(14,523)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>7,833</b>	<b>12,288</b>	<b>7,668</b>	<b>12,287</b>

**Note 23****Reconciliation of cash**

For the purposes of the statement of cash flows, cash assets include cash (at bank and on hand), call deposits, investments held in TCorp cash facilities and NSW Treasury special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the Balance Sheet.

	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and cash equivalents	53,513	51,392	53,512	51,391
	<b>53,513</b>	<b>51,392</b>	<b>53,512</b>	<b>51,391</b>

WORKCOVER AUTHORITY  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 24**

**Expenditure commitments**

**LEASE COMMITMENTS**

PAYABLE	CONSOLIDATED		AUTHORITY	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Not later than one year	11,346	11,113	9,655	9,525
Later than one year but not later than five years	35,744	24,553	34,053	20,869
Later than five years	14,242	2,019	14,242	2,019
	<b>61,333</b>	<b>37,686</b>	<b>57,949</b>	<b>32,414</b>

Expenditure commitments for the consolidated entity include input tax credits of \$5.572m (\$3.421m – 2009) which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

**Note 25**

**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 2010, WorkCover held deposits and bank guarantees to the value of \$1,574m (\$1,649m – 2009). 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 2010 was \$0.11m (\$0.12m – 2009).

**Note 26**

**Funds**

Funds for which the Authority 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.

Funds are also received from the Workers Compensation Insurance Fund 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.

## Note 26

### Funds (continued)

#### (c) BUSH FIRE FIGHTERS COMPENSATION FUND

This fund is constituted under Section 19 of the *Workers' Compensation (Bush Fire, Emergency and 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 and 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) TERRORISM RE-INSURANCE FUND

Section 239AE of the *Workers' Compensation Act, 1987* provides for the establishment of a Terrorism Re-insurance Fund on the first occasion (if any) that a declaration is made under Section 239AD of the Act.

The purpose of the fund is to meet the cost of workers compensation liabilities of an insurer and/or a self insurer arising from an act of terrorism.

No declaration has been made under Section 239AD and accordingly, the fund has not been established as at the reporting date.

## Note 27

### Contingent liabilities and contingent assets

#### (a) CONTINGENT LIABILITIES

There are no known contingent liabilities

#### (b) CONTINGENT ASSETS

There are no known contingent assets.

### End of audited Financial Statements

# WORKERS COMPENSATION COMMISSION

# FINANCIAL STATEMENTS

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**WORKERS COMPENSATION COMMISSION**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Statement by Commission**

Pursuant to Section 41C of the Public Finance and Audit Act 1983 I declare on behalf of the Commission that in my opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the Workers Compensation Commission as at 30 June 2010 and transactions for the year then ended; and
2. these statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and the Treasurer's Directions.

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

(signed)

Lisa Hunt  
Chief Executive Officer  
WorkCover Authority of New South Wales

15 November 2010



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Workers Compensation Commission of New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Workers Compensation Commission of New South Wales (the Commission), which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Commission as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

#### The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the WorkCover Authority of New South Wales is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Commission,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



C J Glumell  
Director, Financial Audit Services

18 November 2010  
SYDNEY

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2010

		COMMISSION	
REVENUES	NOTE	2010 \$'000	2009 \$'000
Contributions	3	33,098	33,120
Other revenue	4	–	18
<b>TOTAL REVENUES</b>		<b>33,098</b>	<b>33,138</b>
EXPENSES			
Personnel services and employee related costs	5	11,914	12,076
Office accommodation		1,641	1,563
Depreciation and amortisation	8 & 9	654	728
Other operating expenses	6	18,889	18,771
<b>TOTAL EXPENSES</b>		<b>33,098</b>	<b>33,138</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>–</b>	<b>–</b>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>–</b>	<b>–</b>

The accompanying notes form part of these financial statements.

**BALANCE SHEET**

AS AT 30 JUNE 2010

		COMMISSION	
CURRENT ASSETS	NOTE	2010 \$'000	2009 \$'000
Cash and cash equivalents	13	1	1
Trade and other receivables	7	257	219
<b>TOTAL CURRENT ASSETS</b>		<b>258</b>	<b>220</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	5,934	3,439
Intangible assets	9	833	1,090
Property, plant and equipment	8	490	722
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,257</b>	<b>5,251</b>
<b>TOTAL ASSETS</b>		<b>7,515</b>	<b>5,471</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1,699	1,076
Provisions	11	3,244	2,704
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,943</b>	<b>3,780</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	10	–	–
Provisions	11	2,572	1,691
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,572</b>	<b>1,691</b>
<b>TOTAL LIABILITIES</b>		<b>7,515</b>	<b>5,471</b>
<b>NET ASSETS</b>		<b>–</b>	<b>–</b>
<b>EQUITY</b>			
Retained earnings		–	–
<b>TOTAL EQUITY</b>		<b>–</b>	<b>–</b>

The accompanying notes form part of these financial statements.

WORKERS COMPENSATION COMMISSION  
**STATEMENT OF CASH FLOW**  
 FOR THE YEAR ENDED 30 JUNE 2010

		COMMISSION	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTE	2010 \$'000	2009 \$'000
Contributions		30,594	30,626
Other receipts		8	16
Refunds from ATO		1,622	1,685
Personnel services		(10,427)	(9,990)
Office accommodation		(1,774)	(1,691)
Other payments		(19,858)	(20,645)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>12</b>	<b>165</b>	<b>1</b>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangibles		(165)	(1)
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>		<b>(165)</b>	<b>(1)</b>
Net increase/(decrease) in cash held		–	–
Cash at the beginning of the financial year		1	1
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>13</b>	<b>1</b>	<b>1</b>

The accompanying notes form part of these financial statements.

WORKERS COMPENSATION COMMISSION  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	RETAINED EARNINGS	
		2010 \$'000	2009 \$'000
Balance at 1 July		–	–
(Deficit)/surplus for the year		–	–
Other comprehensive income			
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		–	–
<b>BALANCE AT 30 JUNE</b>		–	–

The accompanying notes form part of these financial statements.

# WORKERS COMPENSATION COMMISSION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### Note 1

##### Constitution and functions

The Workers Compensation Commission (the Commission) is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. The Commission is an independent statutory tribunal that resolves workers compensation disputes between injured workers and employers.

The Commission is funded by contributions payable by the WorkCover Authority of New South Wales in accordance with Section 35(2)(e1) of the *Workplace Injury Management and Workers Compensation Act 1998*.

The Commission is a not for profit entity (as profit is not its principal objective) and it has no cash generating units.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive Officer of the WorkCover Authority on 15/11/2010.

The Commission 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

These financial statements are general purpose financial statements and have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation.

These financial statements have been prepared on the basis of historical cost except for the reporting of property, plant and equipment and investments which are valued at fair value.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

Amounts shown in these financial statements are in Australian dollars and have been rounded to the nearest thousand dollars.

###### (b) INSURANCE

The Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

###### (c) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by the Commission 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 and receivables and payables are stated with the amount of GST included

- Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components Statement of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows

###### (d) INCOME RECOGNITION

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

###### (i) Contributions

The Commission is fully funded from contributions received from the WorkCover Authority of NSW. Under Section 35(2)(e1) of the *Workplace Injury Management and Workers Compensation Act 1998* the costs of operation of the Commission including the remuneration (and allowances) of the members and of the staff of the Commission, and the remuneration of approved medical specialists and mediators are met from the WorkCover Authority Fund.

###### (e) ASSETS

- (i) The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Commission. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction.

###### (ii) Capitalisation thresholds

Property, plant and equipment are those assets with a useful life of more than one year and with a unit or network asset value greater than \$5000 (\$5000 – 2009).

Intangibles are those assets with a useful life of more than one year and with a unit cost in excess of \$100,000 including direct allocation of personnel service costs (\$100,000 including direct allocation of personnel service costs – 2009).

###### (iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 07-1) issued by NSW Treasury. This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

**WORKERS COMPENSATION COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 2**

**Summary of significant accounting policies**  
**(continued)**

**(e) ASSETS (continued)**

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the assets fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Commission revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset class does not materially differ from its fair value at reporting date.

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

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the asset), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

**(iv) Impairment of property, plant and equipment**

As a not-for-profit entity with no cash generating units, the Commission is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost.

This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

**(v) Depreciation of property, plant and equipment**

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 the Commission. Land is not a depreciable asset.

The rates applied are:

	%
Furniture and fittings	10.0
Office machines and equipment	20.0
Computer hardware	20.0-33.3

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

**(vi) Maintenance**

Day to day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

**(vii) Leased assets**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased asset, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the commencement of the lease term. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

WorkCover on behalf of the Commission has entered into an operating lease agreement for office accommodation

**(viii) Intangible assets**

The Commission recognises intangible assets only if it is probable that the future economic benefits will flow to the Commission and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Commission's intangible assets, the assets are carried at cost less any accumulated amortisation.

# WORKERS COMPENSATION COMMISSION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

## Note 2

### Summary of significant accounting policies (continued)

#### (e) ASSETS (continued)

Amortisation is provided on a straight line basis for all intangible assets so as to write off the depreciable amount of each asset as it is consumed over this useful life. The rates applied are:

	%
Computer software	14.3-33.0

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

#### (ix) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/deficit for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

#### (x) Cash and cash equivalents

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of comprehensive income when earned.

#### (xi) Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the Commission will not be able to collect all amounts due.

Any reversals of impairment losses are reversed through the surplus/deficit for the year, where there is objective evidence.

#### (xii) De-recognition of financial assets and financial liabilities

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire: or if the Commission transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where the Commission has not transferred substantially all the risks and rewards, if the Commission has not retained control

Where the Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Commission's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

#### (f) LIABILITIES

##### (i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Commission and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

##### (ii) Employee benefits and other provisions

###### (a) Personnel services, annual leave, sick leave and on-costs

The Commission's staff is mainly supplied by the Compensation Authorities Staff Division (CASD). Liabilities for personnel services (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the period in which the employees render the service are recognised and measured in respect of the employees service up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave 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.

###### (b) Long service leave and superannuation

The Commission's liabilities for long service leave and defined benefits are actuarially assessed.

Superannuation is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations.

# WORKERS COMPENSATION COMMISSION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### Note 2

#### Summary of significant accounting policies (continued)

##### (f) LIABILITIES (continued)

Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 3.5 per cent pa for all future years and the discount rate applied was 5.25 per cent.

##### (g) PERSONNEL SERVICES AND EMPLOYEE RELATED COSTS

The Commission's staff is mainly supplied by the Compensation Authorities Staff Division. The President, Deputy President and Registrar are appointed by the Minister and are considered to be employees of the Commission. Salaries and wages and associated on-costs and annual leave are recognised and measured in respect of employee services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled. Long Service leave is recognised in accordance with the methodology referred to in Note 2(f)(ii)(b).

##### (h) NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in preparing these financial statements.

AASB AMENDMENT	AFFECTED STANDARDS	OPERATIVE DATE
AASB 9 (AASB 2009-11)	Financial instruments	1 January 2013
AASB 2009-5	Annual improvements	1 January 2010
AASB 124	Related party disclosures	1 January 2011

The new Standards are concerned with disclosures and will have no direct impact on the Commission's financial results. Other accounting Standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to the Commission.

#### Note 3

#### Contributions

Contributions received by the Commission from WorkCover were:

	2010 \$'000	2009 \$'000
WorkCover Authority Fund	33,098	33,120
	<b>33,098</b>	<b>33,120</b>

#### Note 4

#### Other revenue

	2010 \$'000	2009 \$'000
Other	–	18
	–	<b>18</b>

#### Note 5

#### Personnel services and employee related costs

##### (a) PERSONNEL SERVICES RECEIVED FROM CASD

	2010 \$'000	2009 \$'000
Salaries and allowances	6,849	6,773
Annual leave	576	635
Long service leave	757	290
Payroll tax	459	426
Workers compensation insurance	71	53
Fringe benefits tax	5	5
Superannuation	1,607	2,229
	<b>10,324</b>	<b>10,411</b>

**Note 5****Personnel services and employee related costs  
(continued)****(b) EMPLOYEE RELATED COSTS FOR MINISTERIAL APPOINTEES**

	2010 \$'000	2009 \$'000
Salaries and allowances	1,233	1,171
Annual leave	150	197
Long service leave	17	92
Payroll tax	79	102
Workers compensation insurance	–	–
Fringe benefits tax	–	–
Superannuation	111	103
	<b>1,590</b>	<b>1,665</b>

Ministerial appointees include the President, Deputy Presidents and the Registrar.

**TOTAL PERSONNEL SERVICES AND EMPLOYEE RELATED COSTS**

	2010 \$'000	2009 \$'000
Salaries and allowances	8,082	7,944
Annual leave	726	832
Long service leave	774	382
Payroll tax	538	528
Workers compensation insurance	71	53
Fringe benefits tax	5	5
Superannuation	1,718	2,332
	<b>11,914</b>	<b>12,076</b>

**Note 6****Other operating expenses**

	2010 \$'000	2009 \$'000
Consultancy fees	–	2
External Audit fees	33	–
Internal Audit Fees	22	–
Provision for doubtful debts	–	–
Bad debts	20	–
Property, plant and equipment written off	–	27
Travel	206	203
Advertising	3	2
Payments to Arbitrators	7,565	7,223
Payments to Approved Medical Specialists	5,270	5,527
Payments for Medical Appeals panels	1,507	1,627
Payments for mediators	511	475
ARB and AMS superannuation payments	1,243	1,131
General contractors	23	3
Fees for services provided by Workcover	825	8 52
Postage	181	166
Stores	130	163
Interpreters fee	365	372
Other	985	998
	<b>18,889</b>	<b>18,771</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 7****Trade and other receivables**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Receivable from ATO for GST	257	219
	<b>257</b>	<b>219</b>
<b>NON-CURRENT</b>		
Receivable from Compensation Authorities Staff Division – Prepaid super	–	9
Receivable from WorkCover	5,934	3,430
	<b>5,934</b>	<b>3,439</b>
	<b>6,191</b>	<b>3,658</b>

Receivables from WorkCover are required to fund long term liabilities.

Details regarding liquidity risk and credit risk, including financial assets that are either past due or impaired, are disclosed in Note 16.

**Note 8****Property, plant and equipment**

	2010 \$'000	2009 \$'000
<b>LEASEHOLD IMPROVEMENTS</b>		
At Gross carrying value	3,213	3,214
Accumulated depreciation	(2,733 )	(2,521 )
<b>TOTAL LEASEHOLD IMPROVEMENTS AT FAIR VALUE</b>	<b>480</b>	<b>693</b>
<b>FURNITURE AND FITTINGS (INCL LIBRARY)</b>		
At Gross carrying value	268	288
Accumulated depreciation	(263 )	(269 )
<b>TOTAL FURNITURE AND FITTINGS AT FAIR VALUE</b>	<b>5</b>	<b>19</b>
<b>COMPUTER HARDWARE</b>		
At Gross carrying value	22	50
Accumulated depreciation	(17)	(40 )
<b>TOTAL COMPUTER HARDWARE AT FAIR VALUE</b>	<b>5</b>	<b>10</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>490</b>	<b>722</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 8****Property, plant and equipment (continued)****MOVEMENTS DURING FINANCIAL YEAR**

	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
<b>CLASS OF ASSET</b>								
Leasehold improvements	693	-	-	-	-	-	(213)	480
Furniture and fittings	19	-	(20)	20	-	-	(14)	5
Computer hardware	10	(1)	(28)	28	-	-	(4)	5
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>722</b>	<b>(1)</b>	<b>(48)</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>(231)</b>	<b>490</b>

	2009 \$'000	2008 \$'000
<b>LEASEHOLD IMPROVEMENTS</b>		
At Gross carrying value	3,214	3,214
Accumulated depreciation	(2,521)	(2,208)
<b>TOTAL LEASEHOLD IMPROVEMENTS AT FAIR VALUE</b>	<b>693</b>	<b>1,006</b>
<b>OFFICE MACHINES AND EQUIPMENT</b>		
At Gross carrying value	-	31
Accumulated depreciation	-	(23)
<b>TOTAL OFFICE MACHINES AND EQUIPMENT AT FAIR VALUE</b>	<b>-</b>	<b>8</b>
<b>FURNITURE AND FITTINGS (INCL LIBRARY)</b>		
At Gross carrying value	288	301
Accumulated depreciation	(269)	(271)
<b>TOTAL FURNITURE AND FITTINGS AT FAIR VALUE</b>	<b>19</b>	<b>30</b>
<b>COMPUTER HARDWARE</b>		
At Gross carrying value	50	229
Accumulated depreciation	(40)	(157)
<b>TOTAL COMPUTER HARDWARE AT FAIR VALUE</b>	<b>10</b>	<b>72</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>722</b>	<b>1,116</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 8****Property, plant and equipment (continued)****MOVEMENTS DURING FINANCIAL YEAR**

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	DEPN. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	DEPRN. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Leasehold improvements	1,006	-	-	-	-	-	(313)	693
Office machines and equipment	8	-	(32)	24	-	-	-	-
Furniture and fittings	30	-	(13)	31	-	-	(29)	19
Computer hardware	72	-	(178)	142	-	-	(26)	10
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>1,116</b>	<b>-</b>	<b>(223)</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>(368)</b>	<b>722</b>

**Note 9****Intangibles**

	2010 \$'000	2009 \$'000
<b>INTERNALLY GENERATED COMPUTER SOFTWARE</b>		
At Gross carrying value	2,349	2,042
Accumulated amortisation	(1,517)	(1,096)
<b>TOTAL COMPUTER SOFTWARE AT FAIR VALUE</b>	<b>832</b>	<b>946</b>
<b>CAPITAL WORKS IN PROGRESS</b>		
At Gross carrying value	-	134
Total capital works in progress	-	134
<b>TOTAL INTERNALLY GENERATED INTANGIBLES</b>	<b>832</b>	<b>1,080</b>
<b>COMPUTER SOFTWARE PURCHASED</b>		
At Gross carrying value	104	112
Accumulated amortisation	(103)	(102)
<b>TOTAL INTANGIBLE COMPUTER SOFTWARE PURCHASED AT FAIR VALUE</b>	<b>1</b>	<b>10</b>
<b>TOTAL INTANGIBLES</b>	<b>833</b>	<b>1,090</b>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2010

**Note 9****Intangibles (continued)****MOVEMENTS IN INTANGIBLES**

	FAIR VALUE AS AT 1/7/09 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVER- ABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/10 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	946	308	-	-	-	-	(422)	832
Capital WIP	134	(134)	-	-	-	-	-	-
Computer software	10	(8)	-	-	-	-	(1)	1
<b>TOTAL INTANGIBLES</b>	<b>1,090</b>	<b>166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(423)</b>	<b>833</b>

Expenditure during the research and development phase of software development was Nil in 2010 (\$Nil – 2009).

	2009 \$'000	2008 \$'000
<b>INTERNALLY GENERATED COMPUTER SOFTWARE</b>		
At Gross carrying value	2,042	2,034
Accumulated amortisation	(1,096)	(758)
<b>TOTAL COMPUTER SOFTWARE AT FAIR VALUE</b>	<b>946</b>	<b>1,276</b>
<b>CAPITAL WORKS IN PROGRESS</b>		
At Gross carrying value	134	135
<b>TOTAL CAPITAL WORKS IN PROGRESS</b>	<b>134</b>	<b>135</b>
<b>TOTAL INTERNALLY GENERATED INTANGIBLES</b>	<b>1,080</b>	<b>1,411</b>
<b>COMPUTER SOFTWARE PURCHASED</b>		
At Gross carrying value	112	119
Accumulated amortisation	(102)	(80)
<b>TOTAL INTANGIBLE COMPUTER SOFTWARE PURCHASED AT FAIR VALUE</b>	<b>10</b>	<b>39</b>
<b>TOTAL INTANGIBLES</b>	<b>1,090</b>	<b>1,450</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## Note 9

### Intangibles (continued)

#### MOVEMENTS IN INTANGIBLES

	FAIR VALUE AS AT 1/7/08 \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AMORT. W/BACK ON DISPOSAL \$'000	NET REVALN. MOVEMENTS \$'000	RECOVERABLE AMOUNT W/DOWNS \$'000	AMORT. EXPENSE \$'000	FAIR VALUE AS AT 30/6/09 \$'000
<b>CLASS OF ASSET</b>								
Internally generated	1,276	8	-	-	-	-	(338)	946
Capital WIP	135	(1)	-	-	-	-	-	134
Computer software	39	(7)	-	-	-	-	(22)	10
<b>TOTAL INTANGIBLES</b>	<b>1,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>1,090</b>

## Note 10

### Trade and other payables

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Creditors	1,699	1,076
	<b>1,699</b>	<b>1,076</b>
<b>NON-CURRENT</b>		
	-	-
	-	-
	<b>1,699</b>	<b>1,076</b>

Details regarding liquidity risk and credit risk are disclosed in Note 16.

## Note 11

### Provisions

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Recreation and extended Leave provided by CASD employees	2,952	2,536
Recreation and extended Leave provided by Ministerial Appointees	292	168
	<b>3,244</b>	<b>2,704</b>
<b>NON-CURRENT</b>		
Superannuation	2,572	1,691
	<b>2,572</b>	<b>1,691</b>
	<b>5,816</b>	<b>4,395</b>

# WORKERS COMPENSATION COMMISSION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### Note 11

##### Provisions (continued)

Under AASB 101 *Presentation of Financial Statements* liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to leave is unconditional and all leave and associated oncosts have been classified accordingly. The dissection of these costs into current and non current based on what is expected to be settled later than 12 months follows:

	2010 \$'000	2009 \$'000
<b>EXPECTED TO BE SETTLED WITHIN TWELVE MONTHS</b>		
Recreation & Extended Leave	1,115	1,401
Oncosts on leave	163	173
	<b>1,278</b>	<b>1,574</b>
<b>EXPECTED TO BE SETTLED AFTER TWELVE MONTHS</b>		
Extended Leave	1,764	1,009
Oncosts on leave	202	121
	<b>1,966</b>	<b>1,130</b>
	<b>3,244</b>	<b>2,704</b>

#### Note 12

##### Reconciliation of surplus/(deficit) to net cash provided by operating activities

	2010 \$'000	2009 \$'000
Surplus/(Deficit)	–	–
Depreciation and amortisation	654	755
Decrease/(increase) in receivables	(2,533)	(2,099)
Increase/(decrease) in payables	623	(307)
Increase/(decrease) in provisions	1,421	1,652
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>165</b>	<b>1</b>

#### Note 13

##### 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 special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the balance sheet.

	2010 \$'000	2009 \$'000
--	----------------	----------------

Cash and cash equivalents	1	1
	<b>1</b>	<b>1</b>

The Commission does not have its own bank account and all cash flows occur through a WorkCover Authority bank account.

Details regarding liquidity risk and credit risk are disclosed in Note 16.

#### Note 14

##### Expenditure commitments

###### LEASE COMMITMENTS

	2010 \$'000	2009 \$'000
<b>PAYABLE</b>		
not later than one year	1,691	1,588
later than one year but not later than five years	1,691	3,684
later than five years	–	–
	<b>3,383</b>	<b>5,272</b>

Expenditure commitments are for office rentals on the Commission's premises and include input tax credits of \$307,000 (\$479,000 – 2009), which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

#### Note 15

##### Related party transactions

The Commission receives administration support from the WorkCover Authority of New South Wales. This includes human resources, finance, information technology maintenance and support, legal advice, purchasing and procurement of goods and services and vehicle fleet administration. The Commission pays WorkCover an administration fee for these services. For the current year the Commission paid an amount of \$825,000 (2009 – \$852,000).

#### Note 16

##### Financial instruments

The Commission's principal financial instruments are outlined below. These financial instruments arise directly from the Commission's operations or are required to finance the Commission's operations. The Commission does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The main risks arising from financial instruments are outlined below, together with the Commission's objectives, policies and processes for measuring and managing risk. Further qualitative and quantitative disclosures are included throughout these financial statements.

**WORKERS COMPENSATION COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**Note 16**

**Financial instruments (continued)**

**(a) FINANCIAL INSTRUMENT CATEGORIES**

			2010 \$'000	2009 \$'000
FINANCIAL ASSETS	NOTE	CATEGORY	CARRYING AMOUNT	CARRYING AMOUNT
<b>Class:</b>				
Cash and cash equivalents	13	N/A	1	1
Trade and other receivables <sup>1</sup>	7	Loans and receivables (at amortised cost)	0	8
<b>FINANCIAL LIABILITIES</b>				
<b>Class:</b>				
Trade and other payables <sup>2</sup>	10	Financial liabilities measured at amortised cost	1,699	1,076

**Notes**

1. Excludes statutory receivables and prepayments (i.e. not within scope of ASSB 7).

2. Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB7).

**(b) LIQUIDITY RISK**

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There were no interest payments made for the late payment of accounts in 2010 (2009 – Nil).

As discussed in Note 2(d)(i) the Commission is fully funded by the WorkCover Authority and given this statutory obligation the Commission's exposure to liquidity risk is deemed to be insignificant.

**(c) CREDIT RISK**

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 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 Balance Sheet.

Credit risk arises from the financial assets of the Commission, including cash and receivables. No collateral is held by the Commission. The Commission has not granted any financial guarantees.

The Commission is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

**Receivables – trade debtors**

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Commission will not be able to collect the debt. The Commission does not have any financial assets that are past due or impaired.

**End of audited Financial Statements**

# COMPENSATION AUTHORITIES STAFF DIVISION FINANCIAL STATEMENTS

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COMPENSATION AUTHORITIES STAFF DIVISION  
**STATEMENT BY DEPARTMENT HEAD**

COMPENSATION AUTHORITIES STAFF DIVISION  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

**Statement by Department Head**

Pursuant to Section 45F of the Public Finance and Audit Act 1983 I declare that in my opinion:

1. the accompanying financial statements exhibits a true and fair view of the financial position of the Compensation Authorities Staff Division as at 30 June 2010 and transactions for the year then ended; and
2. these financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010 and the Treasurer's Directions.

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

(signed)

Lisa Hunt  
Chief Executive  
Compensation Authorities Staff Division

15 November 2010



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Compensation Authorities Staff Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Compensation Authorities Staff Division (the Division), which comprise the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Division as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

#### The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the Division is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Division's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



C J Giunelli  
Director, Financial Audit Services

19 November 2010  
SYDNEY

COMPENSATION AUTHORITIES STAFF DIVISION  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000
<b>REVENUES</b>	1(e)	
Personnel Services Income		177,313
Investment Revenue		80
<b>TOTAL REVENUES</b>		<b>177,393</b>
<b>EXPENSES</b>	1(e)	
Employee related	2	162,645
Other expenses		14
<b>TOTAL EXPENSES</b>		<b>162,659</b>
<b>SURPLUS FOR THE YEAR</b>		<b>14,734</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Superation actuarial loss		(14,734)
<b>TOTAL OTHER COMPEHENSIVE INCOME FOR THE YEAR</b>		<b>(14,734)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(0)</b>

The accompanying notes form part of these financial statements.

# BALANCE SHEET

AS AT 30 JUNE 2010

	NOTE	2010 \$'000
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	7	6,282
Trade and other receivables	3	53,926
<b>TOTAL CURRENT ASSETS</b>		<b>60,208</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	3	74,042
<b>TOTAL NON-CURRENT ASSETS</b>		<b>74,042</b>
<b>TOTAL ASSETS</b>		<b>134,250</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4	9,352
Provisions	5	50,856
<b>TOTAL CURRENT LIABILITIES</b>		<b>60,208</b>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	5	74,042
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>74,042</b>
<b>TOTAL LIABILITIES</b>		<b>134,250</b>
<b>NET ASSETS</b>		<b>–</b>
<b>EQUITY</b>		
Retained earnings		–
<b>TOTAL EQUITY</b>		<b>–</b>

The accompanying notes form part of these financial statements.

COMPENSATION AUTHORITIES STAFF DIVISION  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 INFLOWS (OUTFLOWS) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Personnel services		155,687
Investment receipts		80
Employee related payments		(155,747)
Other payments		(2)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	6	<b>18</b>
Net increase in cash held		18
Cash at the beginning of the financial year		–
Cash transferred in as a result of administrative restructuring		6,264
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	7	<b>6,282</b>

The accompanying notes form part of these financial statements.

COMPENSATION AUTHORITIES STAFF DIVISION  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	RETAINED EARNINGS \$'000	TOTAL \$'000
<b>BALANCE AT 1 JULY 2009</b>		–	–
Surplus for the year		14,734	14,734
Other comprehensive income			
Superation actuarial loss		(14,734)	(14,734)
<b>TOTAL OTHER COMPEHENSIVE INCOME FOR THE YEAR</b>		<b>(14,734)</b>	<b>(14,734)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>–</b>	<b>–</b>
<b>BALANCE AT 30 JUNE 2010</b>		<b>–</b>	<b>–</b>

The accompanying notes form part of these financial statements.

# COMPENSATION AUTHORITIES STAFF DIVISION

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

### Note 1

#### Summary of significant accounting policies

##### (a) REPORTING ENTITY

The Compensation Authorities Staff Division (CASD) is a Division of the Government Service, established pursuant to Part 1 of Schedule 1 to the *Public Sector Employment and Management Act 2002*.

Effective from 1 July 2009 and in accordance with Division 10 of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009 (No. 352)* the Compensation Authorities Staff Division was established. The Compensation Authorities Staff Division amalgamated the former Office of the WorkCover Authority (OWCA) and Office of the Motor Accidents Authority (OMAA) which were abolished under the same order.

CASD's objective is to provide personnel services to the following entities:

- Building and Construction Industry Long Service Payments Corporation
- Lifetime Care Support Authority of New South Wales
- Motor Accidents Authority of New South Wales
- Sporting Injuries Committee
- WorkCover Authority of New South Wales
- Workers Compensation Commission
- Workers Compensation Dust Diseases Board of New South Wales.

CASD is a NSW government department. CASD is a not for profit entity (as profit is not its principal objective) and it has no cash generating units.

These financial statements for the year ended 30 June 2010 have been authorised for issue by the Chief Executive of the Compensation Authorities Staff Division on 15/11/10.

##### (b) BASIS OF FINANCIAL STATEMENTS

These financial statements are a general purpose financial statement and have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation.

These financial statements have been prepared on the basis of historical cost except for certain provisions that are measured at fair value.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

Amounts shown in these financial statements are in Australian dollars and have been rounded to the nearest thousand dollars.

##### (c) INSURANCE

CASD's Workers Compensation insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claim experience.

##### (d) ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by CASD 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 and receivables and payables are stated with the amount of GST included
- Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

##### (e) INCOME RECOGNITION

Income is measured at the fair value of consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

##### (f) TRADE AND OTHER RECEIVABLES

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/deficit for the year when impaired, derecognised or through the amortisation process. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

##### (g) CASH AND CASH EQUIVALENTS

Short-term deposits are stated at net fair value. Interest is recognised in the Statement of comprehensive income when earned.

##### (h) IMPAIRMENT OF FINANCIAL ASSETS

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that CASD will not be able to collect all amounts due.

Any reversals of impairment losses are reversed through the surplus/deficit for the year, where there is objective evidence.

##### (i) DE-RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset is de-recognised when the contractual rights to the cash flows from the financial assets expire: or if CASD transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where CASD has not transferred substantially all the risks and rewards, if CASD has not retained control

# COMPENSATION AUTHORITIES STAFF DIVISION NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## Note 1

### Summary of significant accounting policies (continued)

#### (i) DE-RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Where CASD has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of CASD's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

#### (j) LIABILITIES

##### (i) Trade and other payables

These amounts represent liabilities for goods and services provided to CASD and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

##### (ii) Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.

Long service leave has been measured as the present value of accrued liabilities at balance date. The present value of the liabilities has been determined by estimating for each future year the amounts of entitlements expected to be paid in service and on termination of employment for each employee based on their current salary, long service leave balance, assumed rates of taking long service leave in service, rates of death, disablement, retirement and resignation and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting from the expected date of payment to the valuation date at the long term government bond yield rate. The assumed rate of salary escalations applied for this valuation was 3.5 per cent pa for all future years and the discount rate applied was 5.25 per cent.

Superannuation relating to defined benefit schemes is actuarially assessed prior to each reporting date and is measured at the present value of the estimated future payments. The amount recognised is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligation is to be settled directly.

Superannuation in relation to accumulation schemes being the First State Superannuation (FSS) is recognised as the obligation arises, which is usually through the rendering of services.

The amount recognised in the Statement of comprehensive income for superannuation is the net total of current service cost, interest cost, the expected return on any plan assets for defined benefit schemes and the level of expense paid for accumulation schemes. Actuarial gains or losses and adjustments for limits on net assets are recognised separately in the Statement of comprehensive income in the year they occur.

The actuarial assessment of superannuation uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market experience for the period over which the obligations are to be settled.

#### (k) NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED

In this reporting period, the following recent Australian Accounting Standards that are not yet effective were not used in these financial statements .

	AFFECTED STANDARDS	OPERATIVE DATE
AASB AMENDMENT		
AASB 9 (AASB 2009-11)	Financial instruments	1 January 2013
AASB 2009-5	Annual improvements	1 January 2010
AASB 124	Related party disclosures	1 January 2011

The new Standards are concerned with disclosures and will have no direct impact on the CASD's financial results. Other accounting Standards exist that have not been applied and are not yet effective, they have been excluded from the above table as they are not considered relevant to the CASD.

#### (l) ADMINISTRATIVE RESTRUCTURE

On 1 July 2009 the Compensation Authorities Staff Division (CASD) was created as a result of the *Public Sector Employment and Management (Departmental Amalgamations) order 2009* from the former Departments Office of the WorkCover Authority (OWCA) and Office of the Motor Accidents Authority (OMAA).

Note A includes comparative statements of comprehensive income for the former departments and discloses the assets and liabilities transferred.

Comparative information is not provided, other than as specified above, given that this is the first financial year of CASD.

This is an administrative restructure, which is treated as a contribution by owners and recognised as an adjustment to Retained Earnings. The transfers are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure, which approximates fair value.

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 1**

**Summary of significant accounting policies (continued)**

**NOTE A: STATEMENT OF COMPREHENSIVE INCOME FOR FORMER DEPARTMENTS FOR THE YEAR ENDED 30 JUNE 2009**

	OWCA 2009 \$'000	OMAA 2009 \$'000	TOTAL 2009 \$'000
<b>REVENUES</b>			
Personnel Services Income	193,428	16,880	210,308
Investment Revenue	111	–	111
<b>TOTAL REVENUES</b>	<b>193,539</b>	<b>16,880</b>	<b>210,419</b>
<b>EXPENSES</b>			
Employee related	132,071	14,716	146,787
Other expenses	8	–	8
<b>TOTAL EXPENSES</b>	<b>132,079</b>	<b>14,716</b>	<b>146,795</b>
<b>SURPLUS FOR THE YEAR</b>	<b>61,460</b>	<b>2,164</b>	<b>63,624</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Superation actuarial (loss)	(61,460)	(2,164)	(63,624)
<b>TOTAL OTHER COMPEHENSIVE INCOME FOR THE YEAR</b>	<b>(61,460)</b>	<b>(2,164)</b>	<b>(63,624)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>–</b>	<b>–</b>	<b>–</b>

**ASSETS AND LIABILITIES TRANSFERRED FROM FORMER DEPARTMENTS AS AT 1 JULY 2009**

	OWCA 2009 \$'000	OMAA 2009 \$'000	TOTAL 2009 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5,167	1,097	6,264
Trade and other receivables	41,952	5,081	47,033
<b>TOTAL CURRENT ASSETS</b>	<b>47,119</b>	<b>6,178</b>	<b>53,297</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	59,508	–	59,508
<b>TOTAL NON-CURRENT ASSETS</b>	<b>59,508</b>	<b>–</b>	<b>59,508</b>
<b>TOTAL ASSETS</b>	<b>106,627</b>	<b>6,178</b>	<b>112,805</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7,285	242	7,527
Provisions	39,834	5,467	45,301
<b>TOTAL CURRENT LIABILITIES</b>	<b>47,119</b>	<b>5,709</b>	<b>52,828</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	59,508	469	59,977
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>59,508</b>	<b>469</b>	<b>59,977</b>
<b>TOTAL LIABILITIES</b>	<b>106,627</b>	<b>6,178</b>	<b>112,805</b>
<b>NET ASSETS</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>EQUITY</b>			
Retained earnings	–	–	–
<b>TOTAL EQUITY</b>	<b>–</b>	<b>–</b>	<b>–</b>

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 2**

**Employee related expenses**

	2010 \$'000
Salaries and allowances	120,538
Annual leave	10,204
Long service leave	10,593
Superannuation*	11,030
Payroll tax	8,410
Workers compensation insurance	1,076
Fringe benefits tax	795
	<b>162,646</b>

\* Total superannuation expense recognised in the Statement of Comprehensive income of \$25.7m includes expenses related to defined benefits superannuation schemes (Refer Note 5(e)), actuarial losses related to defined benefits superannuation scheme (Refer Note 5(f)) and expenses related to defined contribution schemes (Refer Note 5(r)).

**Note 3**

**Trade and other receivables**

	2010 \$'000
<b>CURRENT</b>	
Receivable from agencies using employee services for employee provisions	51,237
Receivable from agencies using employee services for accrued salaries and oncosts	2,689
	<b>53,926</b>
<b>NON-CURRENT</b>	
Receivable from agencies using employee services for employee provisions	74,042
	<b>74,042</b>
<b>TOTAL RECEIVABLE</b>	<b>127,968</b>

**Note 4**

**Trade and other payables**

	2010 \$'000
<b>CURRENT</b>	
Audit fee	13
Accrued salaries and oncosts	2,689
CASD – Payable to WorkCover	6,650
<b>TOTAL PAYABLE</b>	<b>9,352</b>

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 5**

**Provisions**

	2010 \$'000
<b>CURRENT</b>	
Leave provisions and oncosts	50,856
	<b>50,856</b>
<b>NON-CURRENT</b>	
Payable to other CASD agencies for superannuation liabilities	251
Superannuation	73,791
	<b>74,042</b>
	<b>124,898</b>

AASB 101 Presentation of Financial Statements stipulates that liabilities must be classified as current where the agency does not have an unconditional right to defer the settlement of a liability for at least 12 months after the reporting date. The entitlement to leave is unconditional and all leave and associated oncosts have been classified accordingly. The dissection of these costs into current and non current based on what is expected to be settled later than 12 months follows

	2010 \$'000
<b>EXPECTED TO BE SETTLED WITHIN TWELVE MONTHS</b>	
Recreation and extended leave	18,278
Oncosts on leave	2,545
	<b>20,823</b>
<b>EXPECTED TO BE SETTLED AFTER TWELVE MONTHS</b>	
Extended Leave	26,949
Oncosts on leave	3,084
	<b>30,033</b>
	<b>50,856</b>

**SUPERANNUATION**

**(a) GENERAL DESCRIPTION OF THE TYPE OF PLAN**

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Superannuation Scheme (SSS)

State Authorities Superannuation Scheme (SASS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes as at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 5**

**Provisions (continued)**

**(b) RECONCILIATION OF THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Present value of partly funded defined benefit obligations at the beginning of the year	45,691	11,145	177,240	234,076
Current Service cost	1,946	530	1,151	3,627
Interest cost	2,473	597	9,722	12,792
Contributions by fund participants	1,009	–	1,093	2,102
Actuarial (gains)/losses	3,494	797	12,885	17,176
Benefits paid	(2,230)	(644)	(5,995)	(8,869)
Past service cost	–	–	–	–
Curtailments	–	–	–	–
Settlements	–	–	–	–
Business combinations	–	–	–	–
Exchange rate changes	–	–	–	–
<b>PRESENT VALUE OF PARTLY FUNDED DEFINED BENEFIT OBLIGATIONS AT THE END OF THE YEAR</b>	<b>52,383</b>	<b>12,425</b>	<b>196,096</b>	<b>260,904</b>

**(c) RECONCILIATION OF THE FAIR VALUE OF FUND ASSETS**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Fair value of fund assets at the beginning of the year	34,428	7,258	130,781	172,467
Expected return on fund assets	2,917	609	11,034	14,560
Actuarial gains/(losses)	1,155	40	1,247	2,442
Employer contributions	1,996	597	1,818	4,411
Contributions by Fund participants	1,009	–	1,093	2,102
Benefits paid	(2,230)	(644)	(5,995)	(8,869)
Settlements	–	–	–	–
Business combinations	–	–	–	–
Exchange rate changes	–	–	–	–
<b>FAIR VALUE OF FUND ASSETS AT THE END OF THE YEAR</b>	<b>39,275</b>	<b>7,860</b>	<b>139,978</b>	<b>187,113</b>

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 5**

**Provisions (continued)**

**(d) RECONCILIATION OF THE ASSETS AND LIABILITIES RECOGNISED IN BALANCE SHEET**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Present value of partly funded defined benefit obligation at end of year	52,383	12,425	196,096	260,904
Fair value of Fund assets at end of year	(39,275)	(7,860)	(139,978)	(187,113)
	<b>13,108</b>	<b>4,565</b>	<b>56,118</b>	<b>73,791</b>
Adjustment for limitation on net assets	–	–	–	–
Unrecognised past service cost	–	–	–	–
<b>NET LIABILITY TO BE RECOGNISED IN BALANCE SHEET</b>	<b>13,108</b>	<b>4,565</b>	<b>56,118</b>	<b>73,791</b>

**(e) EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Current service cost	1,946	530	1,151	3,627
Interest on obligation	2,473	597	9,722	12,792
Expected return on plan assets	(2,917)	(609)	(11,034)	(14,560)
Past service cost	–	–	–	–
Losses/(gains) on curtailments and settlements	–	–	–	–
<b>TOTAL INCLUDED IN EMPLOYEE RELATED PAYMENTS</b>	<b>1,502</b>	<b>518</b>	<b>(161)</b>	<b>1,859</b>

The superannuation expense recognised in the Statement of Comprehensive income is included in the line item "Employee Related". Superannuation actuarial losses of \$14.7m are separately identified under "Other Comprehensive Income" in the Statement of comprehensive income.

**(f) AMOUNTS RECOGNISED UNDER OTHER COMPREHENSIVE INCOME IN THE STATEMENT OF COMPREHENSIVE INCOME**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Actuarial losses	2,339	757	11,638	14,734
Adjustment for limit on net assets	–	–	–	–
<b>(EXPENSE) RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2,339</b>	<b>757</b>	<b>11,638</b>	<b>14,734</b>

**(g) ACTUAL RETURN ON FUND ASSETS**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
<b>ACTUAL RETURN ON FUND ASSETS</b>	<b>3,240</b>	<b>650</b>	<b>11,801</b>	<b>15,691</b>

# COMPENSATION AUTHORITIES STAFF DIVISION NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

## Note 5

### Provisions (continued)

#### (h) PERCENTAGE OF SUPER FUND ASSETS IN EACH CLASS

The percentage invested in each asset class at the balance sheet date was:

	30 JUNE 2010 %
Australian equities	31.0
Overseas equities	26.8
Australian fixed interest securities	6.1
Overseas fixed interest securities	4.3
Property	9.5
Cash	9.6
Other	12.7

#### (i) FAIR VALUE OF FUND ASSETS

All Fund assets are invested by STC at arm's length through independent fund managers.

#### (j) EXPECTED RATE OF RETURN ON ASSETS

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

#### (k) VALUATION METHOD AND PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE REPORTING DATE

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

#### (l) ECONOMIC ASSUMPTIONS

	2010 %
Salary increase rate (excluding promotional increases)	3.5
Rate of CPI increase	2.5
Expected rate of return on Fund assets backing current pension liabilities	8.60
Discount rate	5.17

#### (m) DEMOGRAPHIC ASSUMPTION

The demographic assumption at 30 June 2010 as those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

#### (n) HISTORICAL INFORMATION

	SASS FINANCIAL YEAR TO 2010
Present value of defined benefit obligation	52,383
Fair value of Fund assets	(39,275)
(Surplus)/Deficit in Fund	13,108
Experience adjustments – Fund liabilities	3,494
Experience adjustments – Fund assets	(1,155)

	SANCS FINANCIAL YEAR TO 2010
Present value of defined benefit obligation	12,425
Fair value of Fund assets	(7,860)
(Surplus)/Deficit in Fund	4,565
Experience adjustments – Fund liabilities	797
Experience adjustments – Fund assets	(40)

	SSS FINANCIAL YEAR TO 2010
Present value of defined benefit obligation	196,096
Fair value of Fund assets	(139,978)
(Surplus)/Deficit in Fund	56,118
Experience adjustments – Fund liabilities	12,885
Experience adjustments – Fund assets	(1,247)

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 5**

**Provisions (continued)**

**(o) EXPECTED CONTRIBUTIONS**

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000
EXPECTED EMPLOYER CONTRIBUTIONS TO BE PAID IN THE NEXT REPORTING PERIOD	1,926	600	1,758

**(p) FUNDING ARRANGEMENTS FOR EMPLOYER CONTRIBUTIONS**

The following is a summary of the 30 June 2010 financial position of the Fund calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans":

	SASS FINANCIAL YEAR TO 2010 \$'000	SANCS FINANCIAL YEAR TO 2010 \$'000	SSS FINANCIAL YEAR TO 2010 \$'000	TOTAL 2010 \$'000
Accrued benefits	48,714	11,279	137,773	197,766
Net market value of fund assets	(39,275)	(7,860)	(139,978)	(187,113)
Net (surplus)/deficit	9,439	3,419	(2,205)	10,653

Recommended contribution rates for the entity are:

SASS	multiple of member contributions	1.90
SANCS	% of member salary	2.50
SSS	multiple of member contributions	1.60

Contribution rates are set after discussions between employer, STC and NSW Treasury. The economic assumptions adopted for the 2009 actuarial review of the Fund are:

WEIGHTED AVERAGE ASSUMPTIONS	2009 %
Expected rate of return on Fund assets backing current pension liabilities	8.3
Expected rate of return on Fund assets backing other liabilities	7.3
Expected salary increase rate	4.0
Expected rate of CPI increase	2.5

**(q) NATURE OF ASSET/LIABILITY**

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

**(r) FIRST STATE SUPERANNUATION**

The First State Superannuation Scheme has established superannuation cover for employees who are not contributing to any other schemes and employer contributions were 9.0 per cent of such employees' salaries for the year. For this scheme CASD has no outstanding employer liability as the contributions are fully funded and vested to individual officers.

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 30 JUNE 2010

**Note 6**

**Reconciliation of Surplus for the year to net cash provided by operating activities**

	2010 \$'000
Surplus for the year	14,734
(Increase) in Trade and other receivables	(21,427)
Increase in Trade and other payables	1,824
Superannuation actuarial (loss)	(14,734)
Increase in Provisions	19,621
Net cash provided by operating activities	18

**Note 7**

**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 special deposits. Cash at the end of the period as shown in the statement of cash flows is also shown as cash assets in the balance sheet.

	2010 \$'000
Cash and cash equivalents	6,282
	<b>6,282</b>

**Note 8**

**Financial instruments**

CASD's principal financial instruments are outlined below. These financial instruments arise directly from CASD's operations or are required to finance CASD's operations. CASD does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The main risks arising from financial instruments are outlined below, together with CASD's objectives, policies and processes for measuring and managing risk. Further qualitative and quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by CASD, to set risk limits and controls and to monitor risk. Compliance with policies is reviewed by the Audit Committee.

**(a) FINANCIAL INSTRUMENT CATEGORIES**

	NOTE	CATEGORY	CARRYING AMOUNT 2010 \$'000
<b>FINANCIAL ASSETS</b>			
<b>Class:</b>			
Cash and cash equivalents	7	N/A	6,282
Trade and other receivables <sup>*(1)</sup>	3	Loans and receivables (at amortised cost)	127,968
<b>FINANCIAL LIABILITIES</b>			
<b>Class:</b>			
Trade and other payables <sup>*(2)</sup>	4	Financial liabilities measured at amortised cost	9,352

**Notes**

1. Excludes statutory receivables and prepayments (i.e. not within scope of ASSB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).
3. Excludes employers' rights and obligations arising from employee benefit plans, to which AASB 119 Employee Benefits applies.

COMPENSATION AUTHORITIES STAFF DIVISION  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2010

**Note 8**

**Financial instruments (continued)**

**(b) LIQUIDITY RISK**

Liquidity risk is the risk that CASD will be unable to meet its payment obligations when they fall due. During the current there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. CASD is fully funded by the entities to which it provides personnel services. Given this CASD's exposure to liquidity risk is deemed to be insignificant.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There were no interest payments made for the late payment of accounts in 2010.

**(c) CREDIT RISK**

Credit risk arises where there is the possibility of CASD's debtors defaulting on their contractual obligations, resulting in a financial loss to CASD. The maximum exposure to credit risk at balance date is generally represented by the carrying amount of the financial assets net of any allowance for impairment as indicated in the Balance Sheet.

Credit risk arises from the financial assets of CASD, including cash and receivables. No collateral is held by CASD. CASD has not granted any financial guarantees.

Credit risk is minimal as CASD's receivables are from other government entities.

**(d) MARKET RISK**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CASD has no exposure to foreign currency risk and does not enter into commodity contracts.

CASD is not materially exposed to market risk.

**(e) FAIR VALUE**

Financial instruments are generally recognised at cost

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short-term nature of many of the financial instruments.

**Note 9**

**Expenditure commitments**

There were no expenditure commitments.

**End of audited Financial Statements**

# NSW WORKCOVER SCHEME

# FINANCIAL STATEMENTS

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# OVERVIEW OF THE NSW WORKCOVER SCHEME FINANCIAL PERFORMANCE

The Workers Compensation Nominal Insurer is a not for profit entity that operates as a licensed workers compensation insurer which trades as 'The NSW Workcover Scheme'. These accounts include Workers Compensation Insurance Fund (Insurance Fund) into which the Nominal Insurer deposits all premiums and from which it meets Scheme costs.

The WorkCover Authority acts for the Nominal Insurer. The Nominal Insurer is not and does not represent the State of New South Wales or any authority of the State. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the Insurance Fund and are not liabilities of the State, WorkCover Authority or any other authority of the State.

The results of the Scheme's underwriting operations and the Scheme's financial position are shown in the following table.

	2009/10 \$M	2008/09 \$M
<b>OPERATING RESULT</b>		
Net earned premiums	2,395	2,571
Expected investment credit	508	638
Other income	26	102
Claims incurred (excluding external factors)	(2,520)	(2,982)
Operating expenses	(649)	(699)
Premium Deficiency Reserve	26	(26)
<b>SURPLUS/(DEFICIT) FROM UNDERWRITING OPERATIONS</b>	<b>(214)</b>	<b>(396)</b>
<b>IMPACT ON RESULT FROM EXTERNAL FACTORS</b>		
Difference between actual and expected long term investment returns	571	(1,458)
Change in inflation assumptions and discount rates	(495)	(436)
Change in claims handling expense	37	80
Risk Margin		103
<b>SURPLUS FROM ORDINARY ACTIVITIES</b>	<b>(101)</b>	<b>(2,107)</b>
<b>FINANCIAL POSITION</b>		
Total Assets	12,464	11,595
Total Liabilities	(14,047)	(13,077)
<b>ACCUMULATED DEFICIT</b>	<b>(1,583)</b>	<b>(1,482)</b>

The above table has not been audited

The table is based on PricewaterhouseCoopers Actuarial Pty Ltd's calculations of the surplus from underwriting operations as set out in their actuarial report on the Scheme dated 1st October 2010.

## DEFICIT FROM ORDINARY ACTIVITIES

The deficit from ordinary activities of the NSW WorkCover Scheme for the year ended 30 June 2010 was \$101 million. The result can be attributed to a loss on underwriting operations and a fall in investment returns causing actuarially assessed claim liabilities to increase, with these items being partially offset by investment returns in the current year being above the amount assumed in actuarial valuations.

The WorkCover Board in its capacity as acting for the Nominal Insurer, decided to adopt a risk margin for the Scheme as at 30 June 2010 based on a probability of adequacy of 75 per cent equating to a risk margin for claim liabilities of 12 per cent.

## ACCUMULATED DEFICIT

The Scheme has an accumulated deficit of \$1,583 million or a funding ratio of 89 percent, an identical level to 2009. As investment markets continue to improve over 2010/11, funding levels will increase, with the Scheme projected by the actuaries to return to full funding in 2018.

### Directors Declaration

In the opinion of and in accordance with a resolution of the Directors of the WorkCover Authority of NSW in its capacity as acting for the Nominal Insurer, whose registered business name is 'The NSW WorkCover Scheme':

- (a) the attached financial statements and notes thereto comply with accounting standards;
- (b) give a true and fair view of the financial position as at 30 June 2010 and the performance of the NSW WorkCover Scheme for the year ended on that date.

Signed in accordance with a resolution of the Directors.



**Greg McCarthy**  
Chairperson  
WorkCover Authority of NSW  
Acting for the Nominal Insurer

(signed)

**Lisa Hunt**  
Chief Executive Officer  
WorkCover Authority of NSW  
Acting for the Nominal Insurer

22 November 2010



**NSW WORKERS COMPENSATION  
NOMINAL INSURER**

**Actuarial Certificate  
Outstanding claims liabilities at 30 June 2010**

**PricewaterhouseCoopers  
Actuarial Pty Ltd**  
ACN. 003 562 696

201 Sussex St  
GPO Box 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

PricewaterhouseCoopers (PwC) has been contracted by the WorkCover Authority of NSW (WorkCover Authority), acting for the NSW Workers Compensation Nominal Insurer (Nominal Insurer), to make estimates of the outstanding claims liabilities as at 30 June 2010 of the NSW WorkCover Scheme.

**Data**

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority acting for the Nominal Insurer, 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 allowances for:

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

The Board of the WorkCover Authority in its capacity as acting for the Nominal Insurer has made a decision to adopt a risk margin for the NSW WorkCover Scheme based on a probability of adequacy of 75%. This equates to a risk margin of 12% of the net liability for outstanding claims being included in the NSW WorkCover Scheme claims liability.

The gross outstanding claims liability for the NSW WorkCover Scheme also includes an allowance for expenses of \$932 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2010.

The allowance for claim handling expenses included in the WorkCover NSW Scheme liability equates to 8.6% of the gross outstanding claims liability.

Liability limited by a scheme approved under Professional Standards Legislation

### Valuation Results

The PwC estimated liability for the NSW WorkCover Scheme as at 30 June 2010, net of recoveries, is \$12,662 million. This amount is made up as follows:

<b>Table 1 - NSW WorkCover Scheme</b>	
<b>Outstanding Claims Liability at 30 June 2010</b>	<b>\$m</b>
Gross Outstanding Claims	13,152
Less Anticipated Recoveries	-490
<b>Net Outstanding Claims</b>	<b>12,662</b>

It is a decision for the WorkCover Authority acting for the Nominal Insurer as to the amount adopted in the accounts.

### 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 and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred. 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.

### Reports

Full details of data, method, assumptions and results for the NSW WorkCover Scheme are set out in our report dated 1 October 2010.

**Relevant Standards**

Our estimates and reports for the NSW WorkCover Scheme are prepared in accordance with the Australian Accounting Standard AASB1023, the Institute of Actuaries of Australia's Professional Standard 300, which relates to estimation of outstanding claims liabilities, and Accounting Guidance Release AAG13.



Michael Playford  
Fellow of the Institute of Actuaries of Australia  
1 October 2010



David Wright  
Fellow of the Institute of Actuaries of Australia  
1 October 2010



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Workers Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Workers Compensation Nominal Insurer, trading as the NSW WorkCover Scheme (the Scheme), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Scheme as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).

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

#### The Director's Responsibility for the Financial Statements

The directors of the Board of the WorkCover Authority of New South Wales, acting for the Scheme, are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Scheme's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

25 November 2010  
SYDNEY

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
<b>REVENUES</b>			
Earned premiums	4	2,394,704	2,571,998
Recoveries	4	94,142	95,965
Investment income	5	1,080,331	(798,183)
Other income		25,918	80,446
		<b>3,595,095</b>	<b>1,950,226</b>
<b>EXPENSES</b>			
Actuarial fees		5,799	6,969
Auditor remuneration	7	2,205	1,973
Bad debts written-off		55,483	55,743
Claims incurred	4	3,072,534	3,332,537
Debt collection fees		11,739	15,516
Fund manager remuneration		21,342	25,466
Impairment of trade and other receivables	10	(5,692)	13,058
Scheme Agent remuneration		306,767	283,357
Statutory levies	4	227,948	266,743
Increase (decrease) in unexpired risk provision		(25,975)	25,975
Wage audit fees		3,197	12,229
Other operating expenses		20,714	18,077
		<b>3,696,061</b>	<b>4,057,643</b>
<b>SURPLUS/(DEFICIT)</b>		<b>(100,966)</b>	<b>(2,107,417)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(100,966)</b>	<b>(2,107,417)</b>
Surplus/(Deficit) attributable to:			
Owners of the parent		(100,966)	(2,107,417)
Non-controlling interests		-	-
		<b>(100,966)</b>	<b>(2,107,417)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(100,966)</b>	<b>(2,107,417)</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	504,887	841,474
Recoveries receivable	9	118,685	119,699
Trade and other receivables	10	670,053	728,454
Prepayments and other assets		78,971	49,659
Financial assets	11	10,718,970	9,480,469
<b>TOTAL CURRENT ASSETS</b>		<b>12,091,566</b>	<b>11,219,755</b>
<b>NON-CURRENT ASSETS</b>			
Recoveries receivable	9	371,496	374,034
Trade and other receivables	10	785	1,380
Property, plant and equipment	13	–	385
<b>TOTAL NON-CURRENT ASSETS</b>		<b>372,281</b>	<b>375,799</b>
<b>TOTAL ASSETS</b>		<b>12,463,847</b>	<b>11,595,554</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	210,609	559,043
Borrowings	15	11,461	11,236
Unearned premiums	16	361,994	353,858
Outstanding claims	17	1,992,892	1,879,320
Unexpired risk premium	19	–	25,975
Security deposits		24,936	21,862
Financial liabilities	11	285,920	103,548
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,887,812</b>	<b>2,954,842</b>
<b>NON-CURRENT LIABILITIES</b>			
Outstanding claims	17	11,159,180	10,122,891
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,159,180</b>	<b>10,122,891</b>
<b>TOTAL LIABILITIES</b>		<b>14,046,992</b>	<b>13,077,733</b>
<b>NET ASSETS</b>		<b>(1,583,145)</b>	<b>(1,482,179)</b>
<b>EQUITY</b>			
<b>ACCUMULATED (DEFICIENCY)/SURPLUS</b>		<b>(1,583,145)</b>	<b>(1,482,179)</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
Accumulated (deficiency)/surplus at the beginning of financial year		(1,482,179)	625,238
Surplus/(Deficit) for the year		(100,966)	(2,107,417)
Other comprehensive income		–	–
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(100,966)</b>	<b>(2,107,417)</b>
Transactions with owners in their capacity as owners		–	–
<b>ACCUMULATED (DEFICIENCY)/SURPLUS AT THE END OF THE FINANCIAL YEAR</b>		<b>(1,583,145)</b>	<b>(1,482,179)</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASHFLOWS**

FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>INFLOWS (OUTFLOWS)</b>	<b>INFLOWS (OUTFLOWS)</b>
Premiums received		2,594,589	2,642,030
Claims paid		(1,962,914)	(1,836,039)
		<b>631,675</b>	<b>805,991</b>
Scheme Agent management fees paid		(476,996)	(376,229)
Dividends received		73,735	64,258
Fund manager fees paid		(29,569)	(24,474)
GST paid		(160,929)	(193,462)
Interest received		107,800	255,289
Payments for financial assets		(21,006,971)	(21,142,336)
Proceeds from sale of financial assets		20,657,990	21,309,438
Recoveries received		94,166	93,589
Security deposits received		5,250	21,860
Statutory levies paid		(240,202)	(291,617)
Transfer of surplus cash from WorkCover		10,000	70,275
Other payments		(40,967)	(68,934)
Other receipts		38,206	14,954
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	18	<b>(336,812)</b>	<b>538,602</b>
Cash and cash equivalents at the beginning of the financial year		830,238	291,636
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>493,426</b>	<b>830,238</b>

The accompanying notes form part of these financial statements.

**Note 1****Constitution and functions**

The Nominal Insurer is established under the *Workers Compensation Act 1987* and was created on 18 February 2005 by the *Workers Compensation Amendment (Insurance Reform) Act 2003*. It commenced operation on 1 July 2005. The Nominal Insurer is a not for profit entity that operates as a licensed workers compensation insurer and trades under the Registered Business Name of "The NSW WorkCover Scheme". The Scheme's financial statements include the Workers Compensation Insurance Fund (Insurance Fund) that holds premiums and all other funds received and is used to meet the Scheme's liabilities.

The WorkCover Authority acts for the Nominal Insurer.

The Act states that the Nominal Insurer is not and does not represent the State or any authority of the State. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the Insurance Fund and are not liabilities of the State, WorkCover Authority or any other authority of the State. The Scheme is not consolidated as part of the NSW Total State Sector Accounts or the WorkCover Authority.

The legislation also established the Workers Compensation Insurance Fund Investment Board to determine investment policies for assets within custody of the Insurance Fund. The Investment Board reports to the Minister on the investment performance of the Insurance Fund.

The financial statements for the year ended 30 June 2010 were authorised for issue by the Chief Executive Officer of the WorkCover Authority acting for the Nominal Insurer on 22 November 2010.

**Note 2****Summary of significant accounting policies****(a) BASIS OF PREPARATION**

These general purpose financial statements have been prepared in accordance with authoritative pronouncements of the Australian Accounting Standards Board including Australian Accounting Standards and interpretations.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The Financial Statements have been prepared on a going concern basis as the Scheme's consulting actuaries have estimated that the Scheme will return to full funding by 30 June 2018, without any changes to benefits or levy rates. The Scheme has sufficient financial assets to meet net claim and other operating costs until full funding is achieved in 2018.

**(b) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the reporting period ending 30 June 2010. These are outlined in the table below.

AASB AMENDMENT	AFFECTED STANDARDS	OPERATIVE DATE
AASB 7	Financial Instrument Disclosures	1 July 2010
AASB 8	Operating Segments	1 January 2011
AASB 9	Financial Instruments	1 January 2013
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2011
AASB 110	Events after the Reporting Period	1 January 2011
AASB 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2011
AASB 139	Financial Instruments: Recognition and Measurement	1 January 2011
AASB 1023	General Insurance Contracts	1 January 2011
AASB 1031	Materiality	1 January 2011
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2009-12	Amendments to Australian Accounting Standards	1 January 2011
AASB 2009-13	Further Amendments to Australian Accounting Standards arising from Interpretation 19	1 July 2010
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	1 July 2010

These Standards are concerned with disclosures and will have no direct impact on the Scheme's financial results.

**(c) FUNCTIONAL AND PRESENTATION CURRENCY**

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the functional currency of the reporting entity.

**(d) USE OF ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**Note 2****Summary of significant accounting policies  
(continued)****(d) USE OF ESTIMATES AND JUDGMENTS (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Financial Instruments
- Note 17 – Outstanding claims.

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Where receivables are outstanding beyond the normal trading terms, management assesses the likelihood of the recovery of these receivables. An appropriate allowance for impairment is made. (Refer Note 10).

**(e) REVENUE/EXPENSE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- The earned portion of premiums received and receivable, excluding unclosed business, 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.
- The outstanding claims (Note 17) and recoveries receivable (Note 9) are based on estimates provided by WorkCover's consulting actuary, PricewaterhouseCoopers Actuarial Pty Ltd. Ernst & Young, consulting actuaries, have peer reviewed these estimates and support the conclusions of PricewaterhouseCoopers.

The outstanding claims are the amount, which the consulting actuary has estimated as at 30 June 2010 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. 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 handling allowances), which is affected by factors arising during the period to settlement. The provision includes an allowance for claims handling expenses and a risk margin.

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 end of the reporting period using rates of interest, which reflect the market-determined risk-adjusted rates of return on the underlying funds, consistent with Australian Accounting Standard AASB 1023 General Insurance Contracts. Details of inflation and discount rates applied are included in Note 17.

- 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.
- 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 end of the reporting period and their net market values at the end of the previous reporting period (or cost of acquisition, if acquired during the reporting period) are recognised as revenue in the Statement of Comprehensive Income.

**(f) PROVISIONS**

Provisions for claims are recognised when the Scheme has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

**(g) TAXATION**

The Australian Taxation Office has issued Private Rulings that the income of the Workers Compensation Nominal Insurer is not assessable income and that the Workers Compensation Insurance Fund is exempt from income tax from when these entities were established in 2005 to June 2014.

**(h) CASH AND CASH EQUIVALENTS**

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts that are repayable on demand.

**Note 2****Summary of significant accounting policies  
(continued)****(i) INVESTMENTS AND OTHER FINANCIAL ASSETS**

Investments are initially recognised at cost plus transaction costs. Investments are subsequently measured “at fair value through profit or loss” as they are acquired principally for the purpose of selling. Gains or losses on these assets are recognised in the Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade date – the date on which the Scheme commits to purchase or sell the asset.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Scheme establishes fair value by using various valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models: making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments and other financial assets are held primarily for the purpose of being traded and are classified as current assets. Accordingly all of the Scheme’s financial assets and financial liabilities are at fair value through profit or loss – classified as held for trading.

**(j) DERIVATIVES**

Derivatives are initially recognised at cost plus transaction cost on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Scheme designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Scheme documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Scheme also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of any derivative financial instruments used for hedging purposes, if any are disclosed in Note 12.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Comprehensive Income within other income or other expense

together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk.

If the hedge does not meet the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

**(k) FAIR VALUE ESTIMATION**

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Scheme is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price without any deduction for transaction costs.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

**(i) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

**(ii) Derivatives recorded at fair value through profit or loss**

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign currency contracts, and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value.

**Note 2****Summary of significant accounting policies  
(continued)****(k) FAIR VALUE ESTIMATION (continued)****(iii) Financial assets or financial liabilities designated at fair value through profit and loss**

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or,
- The asset and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or,
- The financial instrument contains an embedded derivative that would otherwise need to be separately recorded.

**(iv) Investments in unlisted property trusts**

The fair value of units in unlisted property trusts is the price at which the unit could be exchanged between knowledgeable, willing parties in an arms length transaction. A “willing seller” is not a forced seller prepared to sell at any price.

The fair values of investments in unlisted property trusts are based on valuations of the underlying properties in each Trust. The properties are valued in accordance with the valuation policies of the relevant managers.

These financial statements set out the fair value as at the end of the reporting period.

**(l) PROPERTY**

Land and buildings are shown at fair value, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Scheme and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, over their estimated useful lives, as follows:

- Buildings      40 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

**(m) TRADE AND OTHER PAYABLES**

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) GOODS AND SERVICES TAX (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

**(o) TRADE AND OTHER RECEIVABLES**

Trade receivables are recognised initially at fair value and subsequently measured making an allowance for impairment.

Where a legally enforceable debt exists, claims costs recoverable from uninsured employers are classified as Trade and Other Receivables.

Collectability of trade receivables is reviewed on an ongoing basis.

Individual debts that are known to be uncollectible are written off directly to the Statement of Comprehensive Income when identified.

An impairment provision is recognised when there is objective evidence that the Scheme will not be able to collect the receivable. In particular evidence of it becoming probable that the employer will be placed into receivership, administration, liquidation or bankruptcy and potential recovery receivable from these proceedings are the major factors used.

Where credit terms have been renegotiated, the date that the premium debt was incurred remains unchanged. Consequently, ageing of premium debts applies from the date that the debt was incurred and not from the date of renegotiation.

**(p) RECOVERIES**

Recoveries relate principally to amounts that the Scheme Actuaries estimate can be recovered from other insurers for workers compensation injuries. These recoveries relate to amounts already incurred on a claim or amounts estimated to be recovered from the estimated claim liabilities.

Accordingly they are not regarded as a financial instrument under Australian Accounting Standards and are not included in financial assets.

**Note 3****Financial risk management objectives and policies**

The principal financial instruments are detailed in Note 11.

The main purpose of these financial instruments is to meet the liabilities of the Nominal Insurer. Investment policies are put in place with the intention for the net financial assets to outperform the growth in these liabilities.

The Scheme also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

**Note 4****Underwriting result**

	2010 \$'000	2009 \$'000
Earned premiums	2,394,704	2,571,998
Less:		
Claims incurred	(3,072,534)	(3,332,537)
Recoveries revenue	94,142	95,965
<b>NET CLAIMS INCURRED (NOTE 6)</b>	<b>(2,978,392)</b>	<b>(3,236,572)</b>
<b>UNDERWRITING RESULT</b>	<b>(583,688)</b>	<b>(664,574)</b>
Statutory levies		
WorkCover Authority Levy	(157,843)	(194,854)
Dust Diseases Levy	(64,388)	(66,787)
Mine Safety Levy	(5,717)	(5,102)
	<b>(227,948)</b>	<b>(266,743)</b>
<b>UNDERWRITING RESULT AFTER STATUTORY LEVIES</b>	<b>(811,636)</b>	<b>(931,317)</b>

**Note 5****Investment income**

	2010 \$'000	2009 \$'000
Dividends	107,713	132,826
Interest	125,690	336,351
Other income/(expense)	4,914	5,074
Realised gain/(loss) on sale of investments	107,941	(823,807)
Unrealised gain/(loss)	734,073	(448,627)
<b>INVESTMENT INCOME</b>	<b>1,080,331</b>	<b>(798,183)</b>

**Note 6****Net claims incurred**

	CURRENT YEAR \$M	PRIOR YEAR \$M	2010 TOTAL \$M	2009 TOTAL \$M
<b>DIRECT BUSINESS</b>				
Gross claims incurred and related expenses – undiscounted	3,883	(1,234)	2,649	4,237
Reinsurance and other recoveries – undiscounted	(135)	42	(93)	(69)
<b>NET CLAIMS INCURRED – UNDISCOUNTED</b>	<b>3,749</b>	<b>(1,192)</b>	<b>2,556</b>	<b>4,168</b>
Discount and discount movement – gross claims incurred	(1,462)	1,886	423	(904)
Discount and discount movement – reinsurance and other recoveries	23	(24)	(1)	(28)
<b>NET DISCOUNT MOVEMENT</b>	<b>(1,439)</b>	<b>1,861</b>	<b>422</b>	<b>(932)</b>
<b>NET CLAIMS INCURRED (NOTE 4)</b>	<b>2,310</b>	<b>669</b>	<b>2,979</b>	<b>3,236</b>

**Explanation of material variances – prior years**

Undiscounted gross claims incurred has reduced due to economic assumptions which allow for a constant gap between long term discount rates and future inflation rates of 2.25%. This decrease is also the result of a reduction in estimated weekly benefits that has been partially offset by increases in medical, workplace injury damages and commutations.

Undiscounted recoveries are expected to be lower than previously expected due to lower than expected actual recovery payments.

The net increase in discount and discount movement is due to a decrease in the yield curve, resulting in lower discount applied to the gross outstanding claims.

**Note 7****Remuneration of auditors**

	2010 \$'000	2009 \$'000
<b>THE AUDITOR GENERAL OF NSW</b>		
Audit of the financial report	132	132
<b>EXTERNAL AUDIT OF SCHEME AGENTS AND MASTER CUSTODIAN</b>		
Audit or review of reports	1,909	1,690
Other non-audit services	164	151
<b>TOTAL</b>	<b>2,073</b>	<b>1,841</b>
<b>TOTAL AUDIT REMUNERATION</b>	<b>2,205</b>	<b>1,973</b>

The auditor for the NSW WorkCover Scheme is the Auditor General of NSW.

**Note 8****Cash and cash equivalents**

	2010 \$'000	2009 \$'000
Cash at bank	504,887	841,474

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2010 \$'000	2009 \$'000
Cash	133,081	501,900
Money Market Deposits	371,806	339,574
<b>TOTAL CASH AT BANK</b>	<b>504,887</b>	<b>841,474</b>
Bank overdraft	(11,461)	(11,236)
<b>BALANCES AS PER STATEMENT OF CASH FLOWS</b>	<b>493,426</b>	<b>830,238</b>

**Note 9****Recoveries receivable**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Actuarially assessed recoveries	118,685	119,699
<b>NON-CURRENT</b>		
Actuarially assessed recoveries	371,496	374,034
<b>TOTAL RECOVERIES RECEIVABLE</b>	<b>490,181</b>	<b>493,733</b>

Recoveries arise principally where a worker is injured in a motor vehicle accident and is not at fault. The majority of the costs of these claims are recovered from the third party motor vehicle insurers. The credit quality of these recoveries is considered high as these insurers are licensed by the Australian Prudential Regulation Authority, which imposes strict limits on capital adequacy of these insurers. The Scheme's consulting actuaries assess the amount of recovery potential for the Scheme.

**Note 10****Trade and other receivables**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Premiums receivable	461,821	475,399
Interest, dividends and other investment income receivable	107,996	139,673
Deposits held with brokers/counter parties:		
– Margin calls	146,602	158,937
– Over the counter securities	6,640	–
Amounts legally recoverable from uninsured employers	523	695
Other receivables	6,381	17,187
	<b>729,963</b>	<b>791,891</b>
Less: Allowance for impairment loss	(59,910)	(63,437)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>670,053</b>	<b>728,454</b>
<b>NON CURRENT</b>		
Amounts legally recoverable from uninsured employers	3,778	6,539
Less : Allowance for impairment loss	(2,993)	(5,159)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>785</b>	<b>1,380</b>

## Note 10

## Trade and other receivables (continued)

## (a) STATUS OF TRADE RECEIVABLES

	2010 \$'000	2009 \$'000
<b>CLASS OF FINANCIAL ASSET</b>		
Maximum exposure within normal terms	573,974	579,822
Past due	96,864	150,012
Impaired	62,903	68,596
Renegotiated terms	–	–
	<b>733,741</b>	<b>798,430</b>

Employers are able to pay premiums on a lump sum, quarterly instalment basis or a monthly instalment basis, dependant on the size of the employer's premium. No security is held by the Scheme over any premium debts.

Apart from a limited number of industries covered by specialised insurance arrangements all employers in New South Wales are able to take out a workers compensation insurance policy with the Scheme. Accordingly the credit quality of these debts is viewed as the average of the credit quality of employers in the State.

## (b) ALLOWANCE FOR IMPAIRMENT STATUS OF RECEIVABLES

An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired (refer Note 2 (o) to the Financial Statements). As outlined in that Note the Scheme writes off bad debts direct to expenses. Where a bad debt is subsequently recovered the amount is included in other income. The impairment account is adjusted based on an assessment of the individual debts due and is increased or decreased accordingly.

## RECONCILIATION OF IMPAIRMENT ACCOUNT – RECEIVABLES

	2010 \$'000	2009 \$'000
<b>CLASS OF FINANCIAL ASSET</b>		
Opening impairment account balance	68,596	55,536
Current period impairment charge (income)	(5,693)	13,058
<b>CLOSING IMPAIRMENT ACCOUNT BALANCE</b>	<b>62,903</b>	<b>68,596</b>

## AGEING OF RECEIVABLES

	TOTAL \$'000	PAST DUE BUT NOT IMPAIRED \$'000	CONSIDERED IMPAIRED \$'000
<b>2010</b>			
Within normal terms	573,974	–	–
Less than 3 months overdue	50,292	38,315	11,977
3 months to 6 months overdue	32,106	26,349	5,757
Greater than 6 months overdue	77,368	32,200	45,168
	<b>733,741</b>	<b>96,864</b>	<b>62,903</b>
<b>2009</b>			
Within normal terms	579,822	–	–
Less than 3 months overdue	93,276	85,400	7,876
3 months to 6 months overdue	30,634	25,770	4,864
Greater than 6 months overdue	94,698	38,842	55,856
	<b>798,430</b>	<b>150,012</b>	<b>68,596</b>

## Note 11

## Financial assets and liabilities

	2010 \$'000	2009 \$'000
<b>FINANCIAL ASSETS – CURRENT</b>		
Indexed and interest bearing securities	7,037,218	5,833,616
Australian equities	487,044	398,459
International equities	1,465,023	1,144,906
Unit trusts	1,478,848	2,007,264
Derivatives	250,837	96,224
	<b>10,718,970</b>	<b>9,480,469</b>
<b>FINANCIAL LIABILITIES – CURRENT</b>		
Derivatives	285,920	103,548
<b>NET FINANCIAL ASSETS</b>	<b>10,433,050</b>	<b>9,376,921</b>

## Note 12

### Financial instruments

The Workers Compensation Nominal Insurer, trading as the “NSW WorkCover Scheme” (the Scheme) is ultimately responsible for identifying and controlling financial risks including the establishment of an overall financial risk management strategy and policy. The Workers Compensation Insurance Fund Investment Board (the Investment Board) is responsible for determining the investment policies of the Insurance Fund and reporting to the Minister on the investment performance of the Insurance Fund. The Investment Board’s functions are separate from those of the Board of Directors of the WorkCover Authority.

#### MARKET PRICE RISK

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Market price risk arises as a result of the Scheme holding and trading investments as part of its strategic asset allocation.

The Scheme seeks to manage exposure to market price risk so that it can generate sufficient returns to meet the Scheme’s current and future liabilities and mitigate the risk that the Scheme’s investments will be insufficient to meet such liabilities. The strategic asset allocation aims to achieve a return in excess of the liability discount rate used in valuing the Scheme’s liabilities over a rolling five year period.

Due to cash flow and market fluctuations, actual asset allocations deviate from the strategic asset allocation at any point in time. The deviations in actual versus strategic asset allocation at the end of the reporting period were within the agreed tolerance limits for all asset classes.

A risk budgeting framework is used to help determine the optimal strategic asset allocation for the Scheme. This framework takes into consideration not only the risk and return characteristics of the different classes of investments in the portfolio, but also some of the economic factors (e.g. inflation and interest rates) that affect the value of the liabilities. Within this framework, a dollar Value-at-Risk (VaR) methodology is the Scheme’s preferred measure of the sensitivity of the entire Insurance Fund to market price risks.

The VaR risk measure seeks to estimate the potential loss in earnings over a given holding period for a specified confidence level. The VaR methodology is a statistically-defined, probability-based approach to risk assessment that takes into account market volatilities as well as risk diversification by identifying offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

The 95<sup>th</sup> percentile dollar VaR is the measure used; this is the minimum expected reduction in the Insurance Fund’s surplus (or the increase in the Insurance Fund’s deficit), which has a 5 per cent chance of occurring in any one year, expressed in dollar terms over a one-year period.

In addition to a VaR measure, the risk budgeting framework can also be used to produce the following risk and return measures:

- expected return on the investment portfolio relative to the growth in the Scheme’s liabilities
- investment contribution to the Scheme’s surplus
- tracking error relative to the liabilities.

The Scheme’s asset consultant conducts the risk budgeting analysis, using:

- assumptions for the expected level of return, risk and correlations between price and wage inflation, bond yields and returns from different asset classes (e.g. equities, bonds, property, alternative assets)
- assumptions regarding the duration of inflation-linked and other liabilities consistent with those used by the Scheme Actuary.

The analysis uses a Monte-Carlo simulation based on these assumptions to determine the risk and return of different investment strategies relative to the change in the liabilities over a period. The analysis is primarily used to compare different investment strategies, and then to determine the investment strategy that has the appropriate level of risk, given the risk and return objectives set by the Investment Board. Whilst VaR is used as the primary measure of risk, other measures are also considered. Risk budgeting analysis is also used in the ongoing monitoring of the strategic asset allocation, including analysis of medium term asset allocation adjustments based on investment market outlook.

The risk budgeting analysis is based on certain simplifying assumptions. (For example it assumes certain statistical characteristics of investment returns, volatilities and correlations that may not represent actual outcomes). It is also important to note that the analysis only allows for economic factors (such as inflation and bond yields), which affect the value of the liabilities. It does not allow for other factors (such as the claims loss ratio, claims incidence and recovery rates), which also affect the value of the liabilities. As such, the analysis may understate liabilities.

Based on the strategic asset allocation, the Investment Board with advice from its asset consultants determines the investment managers to be appointed in each asset class. Management of the Insurance Fund’s assets is allocated to the appointed investment managers. Each investment manager is subject to restrictions in relation to the types of assets in which it may invest, and in relation to the composition of investments within certain asset types. These restrictions are expressed in formalised mandates contained in individually negotiated Investment Management Agreements, or, as described in Information Memoranda issued by the relevant investment manager where the investment is via a wholesale pooled fund. The investment mandates are monitored on a regular basis to ensure that investment managers are compliant with their mandates and relevant agreements.

Each investment manager is responsible for managing security specific risk using its particular management style. Essentially each portfolio is diversified through trading various assets within mandate guidelines.

**Note 12****Financial instruments (continued)****MARKET PRICE RISK (continued)**

The most recent VaR analysis performed by asset consultants Mercer Consulting was conducted in October 2010 based on the June 2010 Scheme valuation and showed expected VaR of \$962 million based on a confidence interval of 95 per cent. The VaR analysis performed by the same consultants in October 2009 based on the June 2009 Scheme valuation showed an expected VaR of \$1,219 million based on a confidence interval of 95 per cent.

**INTEREST RATE RISK**

Interest rate risk is the risk that the (fair) value of a financial instrument will fluctuate because of changes in market interest rates. The value of the Scheme's liabilities is also affected by interest rate fluctuations.

**(i) Exposure**

Interest rate risk arises as a result of the Scheme holding interest earning investments, all of which are subject directly or indirectly to changes in value as a result of interest rate fluctuations.

	FLOATING INTEREST RATE \$000	FIXED INTEREST RATE MATURING IN				TOTAL \$000
		3 MONTHS OR LESS \$000	4 TO 12 MONTHS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000	
<b>2010</b>						
<b>CLASS</b>						
Cash	133,081	–	–	–	–	133,081
Money market deposits	371,806	–	–	–	–	371,806
Indexed and interest bearing securities	–	695,762	62,629	1,509,669	4,769,158	7,037,218
<b>ASSETS</b>	<b>504,887</b>	<b>695,762</b>	<b>62,629</b>	<b>1,509,669</b>	<b>4,769,158</b>	<b>7,542,105</b>

**2009**

<b>CLASS</b>						
Cash	501,900	–	–	–	–	501,900
Money market deposits	339,574	–	–	–	–	339,574
Indexed and interest bearing securities	–	869,109	98,641	839,109	4,026,757	5,833,616
<b>ASSETS</b>	<b>841,474</b>	<b>869,109</b>	<b>98,641</b>	<b>839,109</b>	<b>4,026,757</b>	<b>6,675,090</b>

The Scheme's exposure to interest rate price risk is considered a component of market price risk and is quantified as part of the VaR analysis discussed under Market Price Risk.

The Scheme is exposed to interest rate cash flow risk on its floating rate interest bearing securities as interest income earned varies according to prevailing market interest rates.

**FOREIGN EXCHANGE RISK**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

**(ii) Risk management objective, policies and processes**

The Investment Board manages the interest rate risk of the Insurance Fund by means of the strategic asset allocation, which at 30 June 2010 had a 63 per cent allocation to government and investment grade debt. Where possible, the average duration of the Insurance Fund's indexed and interest bearing securities are managed to be approximately in-line with the duration of the liabilities, as calculated by the Scheme actuary.

**(iii) Quantitative analysis of exposure**

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's indexed and interest-bearing financial assets and liabilities at fair values, categorised by the earlier of their contractual re pricing or maturity dates.

The table does not show all assets and liabilities of the Scheme. Assets and liabilities NOT shown in the table below are NOT indexed and interest bearing and are therefore not directly exposed to interest rate risk.

**(i) Exposure**

The Scheme is exposed to foreign exchange risk as a result of the foreign currency denominated investments held as part of its strategic asset allocation.

**(ii) Risk management objective, policies and processes:**

Independent investment managers authorised by the Investment Board manage foreign exchange risk. The investment grade credit and property managers fully hedge their exposures. An independent investment manager has been appointed

**Note 12****Financial instruments (continued)****FOREIGN EXCHANGE RISK (continued)**

to implement a currency hedge strategy for the developed markets' equity exposure. No hedging is undertaken on the value of assets invested in emerging equity markets.

The primary instruments used to achieve the foreign currency overlay are forward foreign exchange contracts.

The positions are reported on an ongoing basis by the Scheme's custodian, State Street Bank and Trust Company, under a Service Level Agreement and reporting is provided both daily and monthly by the custodian to management for monitoring. The Investment Board provides oversight through reporting provided by management to the Investment Board.

**(iii) Quantitative analysis of exposure:**

A summary of the Scheme's exposure to foreign exchange risk, including of foreign currency derivatives is shown in the table below:

	US DOLLARS AUD \$'000	EURO AUD \$'000	BRITISH POUNDS AUD \$'000	OTHER CURRENCIES AUD \$'000	TOTAL AUD \$'000
<b>2010</b>					
International equities	637,947	151,611	160,694	514,771	1,465,023
International listed property equities	–	–	–	–	–
International trusts	11,333	–	–	2,722	14,055
International listed property trusts	1,795	459	–	7,436	9,690
International discounted securities	1,755	–	–	–	1,755
International floating rate securities	–	11,761	–	–	11,761
International bonds	90,538	20,346	3,892	2,246	117,022
<b>GROSS FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>743,368</b>	<b>184,177</b>	<b>164,586</b>	<b>527,175</b>	<b>1,619,306</b>
Notional value of foreign currency derivatives	(478,888)	(127,556)	(78,896)	(132,073)	(817,413)
<b>NET FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>264,480</b>	<b>56,621</b>	<b>85,690</b>	<b>395,102</b>	<b>801,893</b>

**2009**

International equities	507,464	210,543	117,769	286,156	1,121,932
International listed property equities	–	1,477	173	21,323	22,973
International trusts	65,016	–	–	–	65,016
International listed property trusts	4,458	–	23	1,037	5,518
International discounted securities	–	–	–	–	–
International floating rate securities	–	–	–	–	–
International bonds	180,694	98,828	107,308	46,890	433,720
<b>GROSS FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>757,632</b>	<b>310,848</b>	<b>225,273</b>	<b>355,406</b>	<b>1,649,159</b>
Notional value of foreign currency derivatives	(669,981)	(253,758)	(203,429)	(222,336)	(1,349,504)
<b>NET FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>87,651</b>	<b>57,090</b>	<b>21,844</b>	<b>133,070</b>	<b>299,655</b>

**LIQUIDITY RISK**

The Scheme is exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities.

**(i) Exposure**

The financial assets of the Scheme that may not be readily convertible to cash are largely receivables (refer Note 10) and investments in over-the-counter or thinly traded investments.

**(ii) Risk management objective, policies and processes**

The Scheme's overall objective is to maintain adequate liquidity to meet the daily cash requirements for claims payments and other operating costs while investing remaining funds to earn a return at least equal the growth in existing claims liabilities from benefit rate growth and emerging claims.

To assist in meeting its liquidity risk management objectives, the Scheme maintains a cash balance and invests most of its assets

# NSW WORKCOVER SCHEME

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

## Note 12

### Financial instruments (continued)

#### LIQUIDITY RISK (continued)

in investments that are traded in active markets that can be readily disposed of. The Scheme also has the ability to borrow in the short term to ensure settlement of amounts due if required.

The Scheme invests only a small proportion of its assets in less liquid listed investments or investments that are not traded on active markets and this is strictly controlled in accordance with the strategic asset allocation.

Each investment manager is responsible for cashflow management of the assets that have been mandated to them. That is, each investment manager is responsible for managing settlement liquidity risk. The custodian supplies daily reporting to each investment manager to assist them in this process. The Investment Board also monitors liquidity through regular reporting by management to the Investment Board.

#### (iii) Quantitative analysis of exposure

The financial liabilities of the Scheme comprise cash due to brokers, derivative positions, interest and other payables. The types of financial liabilities of the Scheme were similar at 30 June 2009.

Cash due to brokers is payable on demand. Interest and other payables are typically settled within 30 days. If the derivative positions are closed out prior to maturity by entering into offsetting transactions, the Scheme settles its derivative obligations in cash rather than physical delivery.

#### CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

#### (i) Exposure

Credit risk arises from the Scheme's investments as a result of the investment managers trading with various counterparties; this could result in the Scheme not being able to receive obligations as a result of a failing counterparty. The Scheme's main credit risk concentration is spread between cash, indexed and interest bearing investments and over-the-counter, in-the-money derivatives.

Credit risk also arises from the Scheme's receivables. Disclosures relating to the Scheme's receivables are included in Note 10.

#### (ii) Risk management objective, policies and processes:

Credit Guidelines have been determined by the Investment Board to ensure the Scheme has controlled levels of credit concentration. These guidelines are at a total Insurance Fund level, with further asset class specific restrictions in investment manager's mandates where applicable. In addition, collateral arrangements may be implemented to reduce the Scheme's exposure.

The exposure is reported against set guidelines on a daily basis both from an individual managers' compliance and at a total Insurance Fund level with reporting provided by the Scheme by the Scheme's custodian and delivered to management for monitoring. The Investment Board provides oversight through reporting provided by management to the Investment Board.

#### (iii) Quantitative analysis of exposure

The Scheme's maximum credit risk exposure at balance date in relation to each class of recognised financial asset, other than derivative financial instruments, is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to over the counter derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

#### INDEXED AND INTEREST BEARING INVESTMENTS

All indexed and interest bearing investments held by the Scheme are held with investment grade counterparties rated by Standard and Poors. The ratings assigned to the Scheme's indexed and interest bearing investments at the end of the reporting period were as follows

	2010 %	2009 %
<b>RATING</b>		
AAA/aaa	74	64
AA/Aa	8	13
A/A	15	20
BBB	3	3
<b>TOTAL</b>	<b>100</b>	<b>100</b>

#### FAIR VALUE ESTIMATION

The carrying amounts of the Scheme's financial assets and liabilities at the end of the reporting period approximated their fair values as all financial assets and liabilities held were either at fair value at the end of the reporting period ('marked to market') or were short term in nature.

Effective 1 July 2009 the Scheme has adopted the amendment to AASB 7 "Financial Instruments: disclosures" that requires disclosure of fair value in accordance with the following fair value measurement hierarchy:

**Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2** – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and

**Level 3** – inputs for the assets or liabilities that are not based on observable market data.

## Note 12

## Financial instruments (continued)

## FAIR VALUE ESTIMATION (continued)

2010	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>FINANCIAL ASSETS</b>				
Derivative financial instruments	7,039	243,798	–	250,837
Indexed and interest bearing securities	163,000	6,824,272	49,946	7,037,218
Australian equities	487,044	–	–	487,044
International equities	1,465,013	10	–	1,465,023
Unit Trusts	337,722	498,374	642,752	1,478,848
	<b>2,459,818</b>	<b>7,566,454</b>	<b>692,698</b>	<b>10,718,970</b>
<b>FINANCIAL LIABILITIES</b>				
Derivative financial instruments	54,007	231,913	–	285,920

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets of the Scheme is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. A variety of methods are used which include assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for debt securities for disclosure purposes. Evaluations of such securities are based on market data. Vendors utilise evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and when available loan performance data. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt instruments and derivative financial instruments.

In the circumstances where a valuation technique for financial instruments is based on significantly unobservable inputs, such instruments are included in level 3.

The following tables present the changes in level 3 instruments for the year ended 30 June 2010.

	\$'000
Opening balance	548,531
Transfers into level 3	–
Purchases of securities	163,502
Other increases	–
Sale of securities	(7,482)
Transfers out of level 3	–
Gain/(loss) recognised in Profit and Loss (investment Income)	(11,853)
<b>CLOSING BALANCE</b>	<b>692,698</b>
<b>TOTAL GAINS/(LOSSES) FOR THE PERIOD INCLUDED IN PROFIT OR LOSS THAT RELATE TO ASSETS HELD AT THE END OF THE REPORTING PERIOD (SHOWN IN INVESTMENT INCOME)</b>	<b>(11,853)</b>

An analysis of the fair value measurements for level 3 securities has indicated that amending the assumptions used in the valuation to reasonably possible alternate assumptions would have an immaterial impact on the values of these securities or the Scheme's position.

The transitional provisions in the amendment to AASB 7 Financial Instruments: Disclosures, does not require comparative information to be provided for the prior financial year by level of fair value measurement hierarchy. However it is considered that users of these financial statements would be better informed if information is provided in accordance with that used in the prior years accounts namely an analysis of financial instruments recorded at fair value, distinguishing between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

## Note 12

## Financial instruments (continued)

## FAIR VALUE ESTIMATION (continued)

	QUOTED MARKET PRICE	VALUATION TECHNIQUES – MARKET OBSERVABLE INPUTS	VALUATION TECHNIQUES – NON MARKET OBSERVABLE INPUTS	TOTAL
2009	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>				
Derivative financial instruments	–	48,646	47,578	96,224
Financial assets designated at fair value through profit & loss	2,380,136	5,835,269	1,168,840	9,384,245
	<b>2,380,136</b>	<b>5,883,915</b>	<b>1,216,418</b>	<b>9,480,469</b>
<b>FINANCIAL LIABILITIES</b>				
Derivative financial instruments	–	47,759	55,789	103,548

## DERIVATIVES

The use of derivative financial instruments is governed by the Scheme's policies approved by the Investment Board. The Scheme enters into derivative contracts for the purpose of gaining market and/or duration exposure or hedging.

The table below shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivative is

measured. The notional amounts are indicative of the exposure of the Scheme to movements in the instrument underlying the derivatives. The notional amounts do not represent the credit risk of the derivative positions that is equal to the fair value.

The fair value amounts reported in the Statement of Financial Position, and the amounts reported in the following tables are the nett value of individual swap positions where there is the ability to settle the swaps on a nett basis and the Nominal Insurer intends to settle on this basis.

2010	ASSETS \$'000	LIABILITIES \$'000	NOTIONAL AMOUNT \$'000
<b>FUTURES</b>			
Share price index futures	–	33,196	580,095
Commodity futures	4,387	13,242	338,662
Interest rate futures	2,653	7,569	1,748,070
<b>OPTIONS</b>			
Options on equity futures	–	–	–
<b>FORWARDS</b>			
Forward foreign exchange contracts	20,149	7,959	954,884
<b>SWAPS</b>			
Interest rate swaps	75,369	73,786	220,000
Inflation swaps	35,922	36,549	1,213,000
Cross currency swaps	112,357	113,513	173,797
Credit default swaps	–	106	2,368
	<b>250,837</b>	<b>285,920</b>	

## Note 12

## Financial instruments (continued)

## DERIVATIVES (continued)

	ASSETS \$'000	LIABILITIES \$'000	NOTIONAL AMOUNT \$'000
<b>2009</b>			
<b>FUTURES</b>			
Share price index futures	–	10,609	737,959
Commodity futures	5,767	12,898	287,239
Interest rate futures	1,247	2,528	426,906
<b>OPTIONS</b>			
Options on equity futures	–	7,667	–
<b>FORWARDS</b>			
Forward foreign exchange contracts	41,632	14,057	3,527,626
<b>SWAPS</b>			
Interest rate swaps	4,206	2,051	77,750
Inflation swaps	43,372	53,738	1,476,790
	<b>96,224</b>	<b>103,548</b>	

## LIABILITY MATURITY

All of the Scheme's financial liabilities relate to derivatives whose maturity is listed below.

	LESS THAN 1 MONTH \$000	2 TO 12 MONTHS \$000	GREATER THAN 12 MONTHS \$000	TOTAL \$000
<b>2010</b>				
Derivatives	98,455	48,432	139,033	285,920
<b>2009</b>				
Derivatives	10,876	29,017	63,655	103,548

At 30 June 2010 the Scheme had no hedges (2009 nil).

## FINANCIAL ASSETS PLEDGED AS COLLATERAL

Scheme's financial assets pledged as collateral are \$nil (2009: nil), apart from cash held in margin accounts with the brokers/counter parties across various markets for exchange traded derivatives (refer Note 10) and for Over the Counter securities.

Margin accounts for exchange traded derivatives are held by the relevant exchange to keep the derivative position open and are

adjusted daily based on the underlying derivatives marked to market. For over the counter securities the scheme pays cash to the counter party where the trade documents stipulated that collateral is required to be paid. This collateral is adjusted as stipulated by the terms of the trade document based on underlying derivatives marked to market.

Where the Scheme holds collateral, this is held only in cash.

As outlined previously the Scheme closes out its positions prior to maturity or settles positions in cash rather than physical delivery.

**Note 13****Property, plant and equipment**

	2010 \$'000	2009 \$'000
<b>FREEHOLD BUILDINGS GROSS CARRYING AMOUNT</b>		
Balance as at 1 July	405	405
Additions	–	–
Disposals	(405)	–
<b>BALANCE AS AT 30 JUNE</b>	<b>–</b>	<b>405</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>		
Balance as at 1 July	20	15
Disposals	(25)	–
Depreciation expense	5	5
<b>BALANCE AS AT 30 JUNE</b>	<b>–</b>	<b>20</b>
<b>NET CARRYING AMOUNT</b>		
As at 1 July	385	390
<b>AS AT 30 JUNE</b>	<b>–</b>	<b>385</b>

Aggregate depreciation allocated during the financial year is recognised as an expense.

**Note 14****Trade and other payables**

	2010 \$'000	2009 \$'000
Agent remuneration	94,752	171,032
Investment purchases	53,740	299,085
Goods and Services Tax	28,786	21,095
Other	33,331	67,831
<b>TOTAL PAYABLES</b>	<b>210,609</b>	<b>559,043</b>

**Note 15****Interest – bearing loans and borrowings**

	2010 \$'000	2009 \$'000
<b>CURRENT</b>		
Bank overdrafts (unsecured)	11,461	11,236

**(a) INTEREST RATE RISK EXPOSURE**

Details of the Scheme's exposure to interest rate changes on borrowings are set out in Note 12.

**(b) FAIR VALUE DISCLOSURES**

The carrying amount of the Scheme's borrowings approximates their fair value.

**(c) BANK OVERDRAFTS**

The bank overdraft may be drawn at any time and is non interest bearing.

**Note 16****Unearned premiums**

	2010 \$'000	2009 \$'000
Unearned premiums	361,994	353,858

Unearned premium represents the amount of premium that has been received relating to periods of coverage in the next financial year. Unearned premium is determined using the pro-rata method.

**Note 17****Outstanding claims**

The Nominal Insurer only provides Workers Compensation Insurance to those NSW employers who are not covered by self or specialised insurance arrangements. The wide geographic area, number of employers provided with insurance and variety of industries provided with insurance, reduces the Scheme's risk volatility. Managing the remaining insurance risk is part of the Scheme's governance and management philosophy with risk being reduced through:

- Detailed review of consulting actuaries bi-annual actuarial valuation projections and cost drivers to enable early detection of emerging issues and cost pressures.
- Actively monitoring claims and expense patterns to detect increasing expenditure and ensure it is facilitating return to work strategies
- Designing premium formulas that reflect the cost of injuries in particular industries and for larger employers related to their actual claims costs to encourage employers to reduce injuries and facilitate injured workers to return to work
- Design of benefits that provide incentives to injured workers to work with the Scheme and employers to encourage a return to work
- Partnering with regulators including WorkCover to reduce injury rates and detect any fraudulent activities
- Designing remuneration for Scheme Agents that encourages them to achieve Scheme objectives
- Investment allocation strategies that manage investment risks (refer Note 12)
- Actively monitoring and projecting the Scheme's cashflow to ensure premiums are paid and injured worker entitlements are provided in a timely manner.

**Note 17****Outstanding claims (continued)**

The nature of the Scheme's insurance operations including the requirement of all employers in NSW to have a policy, the wide geographic/industry spread of risks, the level of Scheme Assets and the ability to amend future premiums, has resulted in the Scheme concluding that reinsurance of Scheme liabilities is not appropriate.

**(a) EXPECTED FUTURE GROSS CLAIMS PAYMENTS**

	2010 \$'000	2009 \$'000
Expected future gross claims payments (undiscounted)	23,508,202	22,781,817
Discount to present value	(10,356,130)	(10,779,606)
<b>LIABILITY FOR OUTSTANDING CLAIMS</b>	<b>13,152,072</b>	<b>12,002,212</b>
Current	1,992,892	1,879,320
Non-Current	11,159,179	10,122,891
	<b>13,152,072</b>	<b>12,002,212</b>

**(b) EXPECTED FUTURE ACTUARIAL ASSESSMENT OF RECOVERIES**

	2010 \$'000	2009 \$'000
Expected future actuarial assessment of recoveries (undiscounted)	592,501	597,207
Discount to present value	(102,320)	(103,474)
<b>DISCOUNTED ACTUARIAL ASSESSMENT OF RECOVERIES</b>	<b>490,181</b>	<b>493,733</b>

**(c) NET OUTSTANDING CLAIMS PER ACTUARIAL REPORT**

	2010 \$'000	2009 \$'000
Net outstanding claims per actuarial report	12,661,891	11,508,479

The overall outstanding claims liability of the Nominal Insurer is calculated by the consulting actuaries using a range of recognised, aggregate actuarial methods, appropriate for the characteristics of the various types of claim liability under scrutiny. 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 handling expenses) which is affected by factors arising during the period to settlement.

The provision for claims handling expenses is calculated as a percentage of the gross outstanding claims central estimate to recognise the ultimate expense of managing outstanding claims until they are finalised and closed. The percentage for claims handling expenses is 8.6 per cent (2009 9 per cent).

The WorkCover Board in its capacity as acting for the Nominal Insurer decided to adopt a risk margin for the Scheme as at 30 June 2010 based on a probability of adequacy of 75 per cent. The risk margin for the Scheme as at 30 June 2010 was 12 per cent or \$1.4 billion. In arriving at this decision, the Board took into account the special circumstances of the Scheme such as the legislative provisions to set and retrospectively adjust premiums, employers being required to fund any deficit as part of future premiums and the level of uncertainty in actuarial assessment of outstanding claims liability.

The consulting actuaries state in their certificate that there is inherent uncertainty in any estimate of outstanding claims liabilities. 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 examples of this uncertainty 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 and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred.

Based on the consulting actuaries assessment of the Scheme's exposure to asbestos claims, an explicit provision of \$118 million (2009: \$105 million) for such claims has been included in the overall outstanding claims liability.

**Movement in claim liabilities and recoveries**

	2010 \$'000	2009 \$'000
<b>CLAIMS LIABILITIES</b>		
Opening balance	12,002,212	10,485,940
Adjustment arising from changes in:		
– Actuarial assumptions	401,212	703,454
– Discount/inflation rates	659,585	714,600
– Risk margins	123,199	79,604
Claims incurred in current year	1,756,377	1,660,339
Claims payments	(1,790,514)	(1,641,725)
<b>CLAIMS LIABILITIES 30 JUNE 2010</b>	<b>13,152,072</b>	<b>12,002,212</b>

## Note 17

## Outstanding claims (continued)

## Recoveries

	2010 \$'000	2009 \$'000
Opening balance	493,733	492,075
Adjustment arising from changes in:		
– Actuarial assumptions	(19,304)	(20,879)
– Discount/inflation rates	21,023	35,140
– Risk margin	(381)	(3,711)
Recoveries incurred in current year	91,870	91,897
Recoveries received	(96,760)	(100,791)
<b>RECOVERIES RECEIVABLE 30 JUNE 2010</b>	<b>490,181</b>	<b>493,733</b>

## Claims development

The Scheme provides ongoing weekly benefits to injured workers who are unable to return to pre-injury levels of work until they reach 12 months after retirement age (or if injured after retirement age one year after the date of injury). This results in a significant portion of scheme liabilities relating to injuries many years in the past that may not be settled for many years.

	2010 \$'000	2009 \$'000
<b>OUTSTANDING CLAIMS LIABILITIES NET OF RECOVERIES</b>		
Prior to 10 years ago	3,018,522	2,370,230
9 years ago	753,279	703,640
8 years ago	723,015	758,845
7 years ago	694,255	725,115
6 years ago	788,750	714,571
5 years ago	875,341	817,138
4 years ago	1,001,728	970,074
3 years ago	1,277,721	1,124,711
2 years ago	1,522,006	1,438,705
up to 1 year ago	2,007,273	1,885,450
	<b>12,661,891</b>	<b>11,508,479</b>

## Claims liability maturity

The maturity profile of the Scheme's claim liabilities are estimated by the consulting actuaries to mature in the following periods.

	2010 \$'000	2009 \$'000
<b>OUTSTANDING CLAIMS NET OF RECOVERIES MATURING</b>		
Within 1 year	1,874,207	1,759,621
2 to 5 years	4,344,014	3,957,109
More than 5 years	6,443,669	5,791,749
	<b>12,661,891</b>	<b>11,508,479</b>

## Core claims liability variables

Actuarial analysis performed by the Scheme's consulting actuaries have determined that as the Scheme's benefit structure provides ongoing weekly benefits support to injured workers for 12 months after they reach retirement age, the core variables that drive the Schemes liabilities are inflation rate for benefits and the discount rate of these liabilities to reflect the earnings on Scheme investments. Income support benefits to injured workers are indexed half yearly while other payments such as medical costs are considered to increase at least in line with inflation.

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

	2010 %PA	2009 %PA
For the first succeeding year		
Inflation rate	3.50	3.50
Discount rate	4.48	3.44
For subsequent years		
Inflation rate	3.50 – 3.54	3.50 – 3.88
Discount rate	4.45 – 5.79	4.82 – 6.13

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 8.2 years (2009: 8.2 years).

**Note 17****Outstanding claims (continued)****Sensitivity analysis**

The impact of changes in key variables is summarised in the table below. Sensitivity analysis is conducted by the consulting actuaries on each variable whilst holding all other variables constant.

MOVEMENT IN VARIABLE	2010 IMPACT ON		2009 IMPACT ON		
	PROFIT/(LOSS) \$'000	LIABILITIES \$'000	PROFIT/(LOSS) \$'000	LIABILITIES \$'000	
<b>VARIABLE</b>					
Inflation rate	+1%	(406,742)	406,742	(370,980)	370,980
	-1%	386,334	(386,334)	352,246	(352,246)
Discount rate	+1%	393,450	(393,450)	357,839	(357,839)
	-1%	(421,690)	421,690	(383,405)	383,405

**Note 18****Reconciliation of surplus/(deficit) for the year to net cash provided by operating activities**

	2010 \$'000	2009 \$'000
Surplus/ (Deficit) from operating activities	(100,966)	(2,107,417)
<b>EXPENSES/REVENUES NOT INVOLVING CASH INFLOWS/OUTFLOWS</b>		
Bad debts written off	55,483	55,743
Depreciation expense	5	5
Impairment of trade receivables	(5,692)	13,058
Increase in actuarially assessed claim liabilities	1,149,861	1,516,270
Decrease/(increase) in actuarially assessed recoveries receivable	3,552	(1,658)
Increase/(reduction) in unearned premiums	8,623	(94,390)
Increase/(decrease) in Unexpired risk provision	(25,975)	25,975
Unrealised loss/(gain) on investments	(734,073)	448,627
<b>DECREASE/(INCREASE) IN OPERATING ASSETS</b>		
Financial assets	(517,269)	852,828
Interest and dividends receivable	(12,760)	(9,932)
Premiums receivable	(38,973)	(57,292)
Trade debtors and prepayments	(18,506)	(3,341)
Property, plant and equipment	380	-
<b>(DECREASE)/INCREASE IN OPERATING LIABILITIES</b>		
Statutory levies payable	-	(36,040)
Trade and other payables	(126,766)	(85,696)
Security deposits received	3,074	21,862
Collateral from brokers	23,190	-
<b>NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>	<b>(336,812)</b>	<b>538,602</b>

**Note 19**

**Liability adequacy test**

At 30 June 2010 the Scheme has an unearned premium provision of \$362 million (2009: \$354 million). This unearned premium was based on policies on risk during 2009/10 but where the period of coverage extends into 2010/11.

The present value of expected future cash flows for future claims relating to the unearned premium estimated to be \$378 million (2009: \$400 million), with this increasing to \$430 million (2009: \$456 million) once a risk margin of 14 per cent to give a 75 per cent probability of adequacy is added. This is the same probability of adequacy that is used for the Scheme valuation.

Accordingly the Scheme's consulting actuaries after allowing for unearned premium related to expected future premium adjustments of \$71 million (2009: \$76 million) have advised that the unearned premium provision is adequate to meet the anticipated claims. Accordingly they have advised that an additional unexpired risk provision is not required.

In 2009 the Scheme's actuaries required a provision of \$26 million to be made by the Scheme.

**Note 20**

**Commitments**

As at the date of this report the NSW Workcover Scheme does not have any capital or lease commitments.

**End of audited Financial Statements**

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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* (also administered by the Department of Primary Industries in relation to mines)

*Explosives Act 2003*

*Rural Workers Accommodation Act 1969*

*Road and Rail Transport (Dangerous Goods) Act 1997* (jointly with Department of Environment and Climate Change). Repealed and replaced by the *Dangerous Goods (Road and Rail Transport) Act 2008*, which commenced on 1 May 2009. The Independent Transport Safety and Reliability Regulator was also going to administer this Act however we are unaware of whether this has occurred yet.

##### 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*

##### OTHER

*Sporting Injuries Insurance Act 1978*

#### Regulations

##### OCCUPATIONAL HEALTH AND SAFETY ACT 2000

*Occupational Health and Safety Regulation 2001*

##### EXPLOSIVES ACT 2003

*Explosives Regulation 2005*

##### WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998 AND WORKERS COMPENSATION ACT 1987

*Workers Compensation Regulation 2003*

*Workers Compensation Commission Rules 2006*

##### WORKERS COMPENSATION (BUSH FIRE, EMERGENCY AND RESCUE SERVICES) ACT 1987

*Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2007*

##### WORKERS' COMPENSATION (DUST DISEASES) ACT 1942

*Workers' Compensation (Dust Diseases) Regulation 2008*

##### SPORTING INJURIES INSURANCE ACT 1978

*Sporting Injuries Insurance Regulation 2009*

*Sporting Injuries Insurance Rule 1997*

#### Changes to Acts

##### OCCUPATIONAL HEALTH AND SAFETY AMENDMENT (AUTHORISED REPRESENTATIVE) ACT 2009

This Act amended the *Occupational Health and Safety Act 2000* in order to clarify that an authorised industrial officer under the *Industrial Relations Act* is an 'authorised representative' under the *Occupational Health and Safety Act 2000*.

The Act commenced on 1 October 2009.

##### WORKERS COMPENSATION AMENDMENT (COMMISSION MEMBERS) ACT 2010

This Act amended the *Workplace Injury Management and Workers Compensation Act 1989* with respect to the members of the Workers Compensation Commission; and to make a consequential amendment to the *Statutory and Other Offices Remuneration Act 1975*

The Act commenced on 18 May 2010.

#### Changes to regulations

##### REGULATION AMENDMENTS MADE UNDER THE OCCUPATIONAL HEALTH AND SAFETY ACT 2000

*Occupational Health and Safety Amendment (National Code of Practice and National Standard for Licensing) Regulation 2009* amended the *Occupational Health and Safety Regulation 2001* to implement the national scheme for occupational health and safety training and assessments of competency in relation to construction work generally and high risk work activities.

It commenced on 1 September 2009.

*Occupational Health and Safety Amendment (Certificates of Competency) Regulation 2010* amended the *Occupational Health and Safety Regulation 2001* to remove the requirement for certificates of competency for concrete formwork and the operation and use of explosive-powered tools (by omitting Part 9.2 of the *Occupational Health and Safety Regulation 2001*). The Regulation also makes provision with respect to the refund of fees, on a pro rata basis, to persons who are no longer required to hold a certificate of competency as a result of the repeal of Part 9.2.

It commenced on 1 February 2010.

##### REGULATION AMENDMENTS MADE UNDER THE WORKERS COMPENSATION ACT 1987, WORKPLACE INJURY MANAGEMENT AND WORKERS COMPENSATION ACT 1998 AND WORKERS COMPENSATION (DUST DISEASES) ACT 1942

*Workers Compensation Amendment (Index Number) (No 2) Regulation 2009*

This Regulation updates an index number that is used for the indexation of benefits under the *Workers Compensation Act 1987*.

It commenced on 1 October 2009.

*Workers Compensation Amendment (Latest Index Number)  
Regulation 2010*

This Regulation updates index number used for the indexation of benefits under the *Workers Compensation Act 1987*.

It commenced on 1 April 2010.

**New and amending subordinate legislation under the *Workers Compensation Act 1987* and the *Workplace Injury Management and Workers Compensation Act 1998***

Nil

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## **APPENDIX 2 CHIEF AND SENIOR EXECUTIVE PERFORMANCE STATEMENTS – SES5 AND ABOVE**

### **JON BLACKWELL**

**Chief Executive Officer, SES Level 7**

**Total remuneration package: \$321,109**

**Performance pay: Nil**

**Period in position 18 August 2003 to 14 August 2009**

#### **Highlights**

- Oversaw WorkCover activities including the management of occupational health and safety and injury prevention, advice and education and the management and regulation of the WorkCover Scheme.
- Continued WorkCover's involvement in the harmonisation of workers compensation arrangements across jurisdiction.
- WorkCover continued to provide advice to more than 360,000 employers in NSW during 2009/10.
- Expansion of WorkCover's Aboriginal and Torres Strait Islander Employees Network to increase education and promote OHS and Workers Compensation to Aboriginal businesses and communities.
- Jon's tenure as CEO finished on 14 August 2009.

(signed)

**Hon Michael Daley MP**

Minister for Finance and Minister for Police

### **LISA HUNT**

**Chief Executive Officer, SES Level 7**

**Total remuneration package: \$377,250**

**Performance pay: Nil**

**Period in position: 4 January 2010 to 30 June 2010**

#### **Highlights**

In 2009/10 Ms Hunt's achievements included:

- Leadership of WorkCover management of work, health and safety regulation, advice and education and the management and regulation of the WorkCover Compensation Scheme.
- Planning for the consolidation of the Finance, Information Technology and Human Resources functions across the agencies comprising the Compensation Authorities Staff Division.
- Reviewing WorkCover's business performance, including business process, corporate plan and reporting frameworks, and improvement of business efficiencies.
- Elevated the importance of clear Values for all staff.
- Management of the WorkCover Scheme in a difficult economic environment, maintaining the focus on improved service delivery for employers and injured workers while delivering a 2.5 per cent premium reduction for employers.
- Initiated a strong focus on active contract management of the seven insurance agents contracted to manage workers compensation scheme claims.
- Implementation of the WorkCover National Workplace Legislation project to ensure WorkCover and its stakeholders are ready to operate under the new National legislative framework.
- WorkCover's contribution to the Legislative reform program in relation to explosives, major hazard facilities and mining.
- Management of the WorkCover Compensation Scheme investments. Estimates show that investment performance contributed around \$220 million to the reduction in the Scheme deficit.
- Appointment of a new asset consultant for the Fund.
- Implementation of priority recommendations with the Master Custodian post the extensive operational review conducted in 2008/09. The implementation of these recommendations has enhanced the service delivery to the Scheme.
- Established a business framework focused on safety at WorkCover, our people, relationship with our stakeholders, financial discipline, insurance operations, strong financial management and innovation.
- Developed a stakeholder engagement corporate framework.

- 
- Leadership as CEO of the Motor Accidents Authority, Lifetime Care and Support Authority, WorkCover Dust Diseases Board and Long Service Payments Corporation.

(signed)

**Hon Michael Daley MP**

Minister for Finance and Minister for Police

**ROBERT GRAY**

**General Manager, Corporate Services Division  
SES Level 5**

**Total remuneration package: \$258,725**

**Performance pay: Nil**

**Period in position: 3 July 2006 to 30 June 2010**

**Highlights**

- Project managed the planning of the consolidation of the Finance, Information Technology and Human Resources functions across the agencies comprising the Compensation Authorities Staff Division.
- Led Licence systems development for online notifications system, asbestos demolitions licences and commencement of new Construction Induction Certificates and High Risk Work licence development.
- Led the review of the results of the Respectful Behaviours Survey and the development of an Action Plan.
- Finalised the four per cent award negotiations with the Public Service Association and Department of Premiers and Cabinet.
- Led the promotion of WorkCover as a bullying free workplace with zero tolerance to bullying through chairing the anti Bullying Joint Working Party, and developing further training modules for managers.
- Improved customer service in Licensing, Information Centre and enhanced search capabilities on the Internet.
- Improved financial reporting across WorkCover through the implementation of Cognos TM1.

(signed)

**Lisa Hunt**

Chief Executive Officer

**ROB THOMSON**

**General Manager Workers Compensation Division  
SES Level 5**

**Total remuneration package: \$267,650**

**Performance pay: Nil**

**Period in position: 9 June 2005 to 8 June 2010**

**Highlights**

- Led the WorkCover Scheme in a difficult economic environment, maintaining the focus on improved service delivery for employers and injured workers while delivering a 2.5 per cent premium reduction for employers.
- Oversaw the 2010–2014 Scheme agent contract tender process and the implementation of the new contracts, including the transfer of 10 per cent of claims and policies between agents to more closely align market distribution with agent's capabilities.
- Implemented the Retro Paid Loss method for calculating workers compensation premiums for large employers which has been accessed by more 130 employing entities with combined wages of \$4,652 million and a combined basic tariff premium of \$82.24 million.
- Oversaw the implementation of the hearing, psychologists and counsellors regulatory frameworks, under which only WorkCover approved hearing service providers, psychologists and counsellors are able to provide services to injured worker in the NSW workers compensation system.
- Implemented a strategy to stabilise workers compensation medical costs by working with Scheme agents, insurers, medical providers and medical industry bodies to ensure appropriate services are provided and billed and that these services meet the test of being reasonably necessary as a result of the worker's injury.
- Focused on increasing the professionalism of workers compensation case managers through his role as a Board member of the Personal Injury Education Foundation.
- Led state-wide development and implementation of a Certificate IV course in workers compensation case management.
- Rob Thomson resigned from WorkCover NSW on 8 June 2010. Mary Hawkins, Director, Provider and Injury Management Services, WorkCover NSW acted in the role for the remainder of the year, pending recruitment action.

(signed)

**Lisa Hunt**

Chief Executive Officer

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**JOHN WATSON PSM**

**General Manager, Work Health and Safety Division**  
**SES Level 5**

**Total remuneration package: \$267,650**

**Performance pay: Nil**

**Period in position: 1 April 2004 to 30 June 2010**

**Highlights**

- Managed the delivery of WorkCover's Occupational Health and Safety services to maintain a reduction in incident and fatality rates in NSW Workplaces.
- Contributed to the development of National Model Workplace Health and Safety Legislation as the NSW representative on Safe Work Australia and Strategic Issues Group-OHS.
- Actively involved in development of a harmonised approach to regulating Occupational Health and Safety as Chair of the Heads of Workplace Safety Authorities.
- Implemented the WorkCover National Workplace Legislation Implementation project to ensure WorkCover and its stakeholders are ready to operate under the new National legislative framework.
- Contributed to the Legislative reform program in relation to explosives, major hazard facilities and mining.
- Led the implementation of Prevention Programs to provide information and assistance to NSW Workplaces. These included: drought assistance recovery, fatigue in long-haul trucking, small business mentor, business assistance workshops, rebate, safety ambassador, industry partnerships and alliances Programs.
- Expanded the role of WorkCover's Aboriginal and Torres Strait Islander Employees Network to increase education and promote OHS and Workers Compensation to Aboriginal businesses and communities.
- Conducted a management and financial review of the operations of TestSafe Australia.
- Managed the implementation of a structured approach to evaluation in support of measuring Divisional performance against set plans and safety programs through the OHSD Evaluation Framework.

(signed)

**Lisa Hunt**

Chief Executive Officer

**JEROME LANDER**

**General Manager, Investment Division**  
**SES Level 5**

**Total remuneration package: \$267,650**

**Performance pay: Nil**

**Period in position: 29 June 2009 to 30 June 2010**

**Highlights**

Jerome Lander led the following achievements:

- Investments were a positive contributor to Scheme performance versus liabilities. The Investment Division estimates that investment performance contributed around \$220 million to the reduction in the Scheme deficit.
- Reduced risk assets to better align the investment strategy of the Fund with the liabilities of the Scheme. This reduces the downside risk to the Fund during adverse market conditions.
- Appointment of a new asset consultant for the Fund. The asset consultant plays a key and active role together with the Investment Division and the Investment Board, in developing and reviewing investment strategy and investment policy.
- Supported an increased allocation to internal funds management, reducing the cost to the Scheme from external funds management. The Investment Division together with the Board look to improve the cost benefit outcome for the Fund, where appropriate.
- Nine operational reviews of new and existing WCIF fund manager back and middle office operations to assess capabilities of providers to ensure Scheme Funds are managed by professional and capable organisations.

(signed)

**Lisa Hunt**

Chief Executive Officer

## APPENDIX 3 FREEDOM OF INFORMATION

### Privacy management

WorkCover NSW 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 web site at [workcover.nsw.gov.au](http://workcover.nsw.gov.au).

During 2009/10, no reviews were conducted by, or on behalf of WorkCover NSW under the *Privacy and Personal Information Protection Act 1998*.

### NUMBER OF NEW REQUESTS

FOI REQUESTS	PERSONAL			OTHER			TOTAL		
	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
New (including transferred in)	888	904	801	47	9	69	935	913	870
Brought forward	66	168	54	3	3	0	69	171	54
Total to be processed	954	1072	855	50	12	69	1004	1084	924
Completed	758	1004	784	46	12	65	804	1016	849
Transferred out	0	0	0	0	0	0	0	0	0
Withdrawn	3	12	3	0	0	1	3	12	4
Total processed	761	1016	787	46	12	66	807	1028	853
Unfinished	193	54	68	4	0	3	197	54	71

### WHAT HAPPENED TO COMPLETED REQUESTS

RESULT OF FOI REQUEST	PERSONAL	OTHER
	Granted in full	47
Granted in part	444	41
Refused	292	14
Deferred	1	0
Completed	784	65

### MINISTERIAL CERTIFICATES – NUMBER ISSUED DURING THE PERIOD

No Ministerial Certificates were issued during 2009/10.

### FORMAL CONSULTATIONS

	ISSUED	TOTAL
	Number of requests requiring formal consultations	6

### AMENDMENT OF PERSONAL RECORDS

No requests for amendment of personal records were received.

### Freedom of information statistics (2009/10)

A total of 924 applications for access to documents were processed under the terms of the *Freedom of Information Act 1989*.

Of the 924 applications received, a total of 69 were non-personal, 1 request was deferred, a total of 57 requests were granted in full, 485 were granted in part and 306 were refused. The latter included instances where no documents were located, fees were not provided or applications were re-directed to other agencies. No Ministerial Certificates were issued, 7 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.

### NOTATION OF PERSONAL RECORDS

No requests for notation of personal records were received.

### FOI REQUESTS GRANTED IN PART OR REFUSED

BASIS OF DISALLOWING OR RESTRICTING ACCESS	PERSONAL	OTHER
	Application incomplete/wrongly directed	8
Deposit not paid	5	0
Diversion of resources	0	0
Exempt	319	32
Otherwise available	129	9
Documents not held	112	6
Deemed refused – over 21 days	169	8
Released to medical practitioner	0	0
<b>TOTALS</b>	<b>742</b>	<b>55</b>

#### COSTS AND FEES OF REQUESTS PROCESSED DURING PERIOD

	ASSESSED COSTS	FOI FEES RECEIVED
All completed requests	\$23,593	\$23,589

#### DISCOUNTS ALLOWED

	PERSONAL	OTHER
<b>TYPE OF DISCOUNT ALLOWED</b>		
Public interest	2	0
Financial hardship – pensioner/child	3	0
Financial hardship – non profit organisation	0	0
<b>TOTALS</b>	<b>5</b>	<b>0</b>
Significant correction of personal records	0	0

#### DAYS TO PROCESS

	PERSONAL	OTHER
<b>ELAPSED TIME</b>		
0-21 days	533	48
22-35 days	198	14
Over 35 days	53	3
<b>TOTALS</b>	<b>784</b>	<b>65</b>

#### PROCESSING TIME

	PERSONAL	OTHER
<b>PROCESSING HOURS</b>		
0-10 hours	724	62
11-20 hours	41	3
21-40 hours	16	0
Over 40 hours	3	0
<b>TOTALS</b>	<b>784</b>	<b>65</b>

#### REVIEWS AND APPEALS

Number of internal reviews finalised	1
Number of Ombudsman reviews finalised	1
Number of District Court (Administrative Decisions Tribunal) appeals finalised	0

	PERSONAL		OTHER	
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BASIS OF INTERNAL REVIEW	UPHELD	VARIED	UPHELD	VARIED
Access refused	1	0	0	0
Access deferred	0	0	0	0
Exempt matter	0	0	0	0
Unreasonable charges	0	0	0	0
Charge unreasonably incurred	0	0	0	0
Withdrawn	0	0	0	0
<b>TOTALS</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

During 2009/10 Freedom of Information procedures had no significant impact on WorkCover NSW administration and no major Freedom of Information compliance issues or problems arose.

## APPENDIX 4 CODE OF CONDUCT

WorkCover is part of the NSW Public Service, and public employment carries with it an obligation to the community to conduct business professionally, efficiently, impartially and with integrity. Accordingly, WorkCover has a code of conduct that ensures that WorkCover's policies on standards of behaviour, values and principles are clearly depicted and understood by all employees, including contractors, agency and temporary staff. To support this initiative, copies of the code of conduct are issued with letters of offer to all prospective employees. The code of conduct forms part of the WorkCover induction process, and all new employees sign to acknowledge their understanding and acceptance of the code's principles. Copies of the code are available from the WorkCover website.

The code of conduct is regularly reviewed to ensure it remains relevant and appropriate. As at 30 June 2010, the review had not been finalised, but was drafted to include the new Lobbyist Code of Conduct and the new WorkCover Corporate Values. In 2010/11, the review will be extended to include other Compensation Authorities Staff Division agencies.

## APPENDIX 5 RESPONSE TO SIGNIFICANT MATTERS RAISED IN THE OUTGOING AUDIT REPORT

There were no significant matters raised by audit.

## APPENDIX 6

### ACCOUNT PAYMENT PERFORMANCE

Amounts outstanding to suppliers at the end of each quarter of the year were:

	SEPTEMBER QTR \$	DECEMBER QTR \$	MARCH QTR \$	JUNE QTR \$
<b>2009/10</b>				
<b>CURRENT</b>	683,034	47,841	223,658	1,938,751
<30 days overdue	35,528	173,736	918	12,944
>30 days and <60 days overdue	445	143,987	0	0
>60 days and <90 days overdue	71	234,087	0	0
90 days and over	10,927	41,253	(13)	(458)
<b>TOTAL VALUE OF ACCOUNTS PAID ON TIME</b>	<b>18,650,716</b>	<b>13,147,633</b>	<b>18,360,647</b>	<b>14,254,119</b>
Percentage paid on time	96.09%	94.05%	97.30%	97.64%
<b>TOTAL VALUE OF ACCOUNTS PAID</b>	<b>19,408,747</b>	<b>13,979,141</b>	<b>18,869,941</b>	<b>14,598,677</b>

During 2009/10, WorkCover paid \$66.8 million in accounts of which \$64.4 million or 96.4 per cent of the invoices were paid within the vendor's terms. The performance compared favourably to a target of 90 per cent.

## APPENDIX 7

### INVESTMENT MANAGEMENT PERFORMANCE

WorkCover's investment portfolio is held with the New South Wales Treasury Corporation. It is invested in medium term growth, long term growth and cash facilities. At 30 June 2010, the allocation between the facilities was as follows:

	\$ MILLION	PERCENTAGE OF TOTAL
<b>INVESTMENT TYPE</b>		
Long term growth	62.8	37%
Medium term growth	64.4	38%
Cash	42.8	25%
<b>TOTAL</b>	<b>170.0</b>	<b>100%</b>

The total investment portfolio value at 30 June 2010 was \$170 million, with \$62.8 million allocated to the Long Term Growth Facility, \$64.4 million in the Medium Term Growth Facility and \$42.8 million held as cash. The return for the financial year for each of the facilities was 11.28 per cent for long term, 8.69 per cent for medium term and 4.46 per cent for cash.

## APPENDIX 8

### LIABILITY MANAGEMENT PERFORMANCE

REPORTING PERIOD	2009/10	2008/09	2007/08
<b>WORKERS COMPENSATION</b>			
No. of employees	1316	1340	1272
No. of claims	45	53*	49*
No. of claims per employee	0.03	0.04	0.04
<b>TOTAL COST OF CLAIMS</b>	<b>\$618,531</b>	<b>\$768,891*</b>	<b>\$443,099*</b>
Average claim cost	\$13,745	\$14,507*	\$9043*
Average cost per employee	\$470	\$574*	\$348*
<b>MOTOR VEHICLES</b>			
Vehicles	341	341	328
Number of claims	142	111	138
No. of claims per vehicle	0.42	0.33	0.42
<b>TOTAL COST OF CLAIMS</b>	<b>\$357,980</b>	<b>\$237,245</b>	<b>\$329,086</b>
Average cost per claim	\$2520	\$2137	\$2385
Average cost per vehicle	\$1,049	\$696	\$1,003
<b>PROPERTY</b>			
Number of claims	5	4	5
No. of claims per employee	0.004	0.003	0.004
<b>TOTAL COST OF CLAIMS</b>	<b>\$19,637</b>	<b>\$125,350</b>	<b>\$15,304</b>
Average cost per claim	\$3927	\$31,338	\$3061
Average cost per employee	\$15	\$94	\$12
<b>LIABILITY</b>			
Number of claims	Nil	Nil	2
<b>TOTAL COST OF CLAIMS</b>	Nil	Nil	\$28,207
Average claim	Nil	Nil	\$14,104
<b>MISCELLANEOUS</b>			
Number of claims	Nil	Nil	Nil
<b>TOTAL COST OF CLAIMS</b>	Nil	Nil	Nil
Average claim	Nil	Nil	Nil

\* The number and value of workers compensation claims for previous years has been adjusted to reflect development of claims.

## Other compensation funds under management

WorkCover also manages 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 five years were:

YEAR	UNINSURED LIABILITY AND INDEMNITY SCHEME <sup>1</sup> \$M	INSURERS' GUARANTEE FUND \$M	BUSH FIRE FIGHTERS COMPENSATION FUND <sup>2</sup> \$M	EMERGENCY AND RESCUE WORKERS COMPENSATION FUND <sup>2</sup> \$M
2005/06	93.9	108.4	11.9	9.2
2006/07	67.5	88.9	9.9	6.8
2007/08	0.0	80.0	12.5	9.0
2008/09	0.0	85.0	14.7	10.4
2009/10	0.0	80.9	14.9	14.0

1. From 1 July 2007 the Uninsured Liability and Indemnity Scheme ceased and management of claims against uninsured employers was transferred to the Workers Compensation Nominal Insurer within the WorkCover Scheme.

2. Funded by NSW Treasury on behalf of the NSW Government.

Funding of the largest liabilities is by insurers' contributions through the Insurers' Guarantee Fund and details of all liabilities are reported in the financial statements each year.

WorkCover NSW does not have any borrowings.

## APPENDIX 9

### MAJOR ASSETS/LAND – DISPOSALS AND ACQUISITIONS

DISPOSALS		2009/10 \$'000	2008/09 \$'000	2007/08 \$'000	2006/07 \$'000
LOCATION	ITEM	NIL	NIL	NIL	NIL

ACQUISITIONS		2009/10 \$'000	2008/09 \$'000	2007/08 \$'000
LOCATION	ITEM			
Gosford Head Office	Upgrade Business System Technology	1,662		
Gosford Head Office	Information Technology Hardware Upgrade	1,091		
Oxford Street Office	Fit out of office	702		
Gosford Head Office	CDR Metadata Workbench	425		
West Gosford	Air-conditioning	201		
Gosford Head Office	Relocation of reception facilities		1,412	
Gosford Head Office	WorkCover Licensing		1,325	
Gosford Head Office	Internet Redevelopment		970	
Wollongong Office	Fitout of new office		773	
Oxford Street Office	Dynamometer		673	
Gosford Head Office	Pivotal Program of Works		606	
Gosford Head Office	IBM System Server Rack Mounted Hardware Management Console			276
Elizabeth Street Office	Reception area fitout			270
<b>TOTAL</b>		<b>4,081</b>	<b>5,759</b>	<b>546</b>

## APPENDIX 10

### MAJOR ASSETS OTHER THAN LAND HOLDINGS

	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000	2006/07 \$'000
<b>ASSETS</b>				
Buildings	5,113	4,791	4,022	3,904
Leasehold improvements	9,053	11,751	11,969	14,847
Office machines and equipment	177	262	273	347
Furniture and fittings	21	38	112	157
Computer hardware and software	15,856	17,661	19,734	25,588
Scientific, technical and mechanical equipment	2,254	2,714	2,468	2,481
Motor vehicles	71	148	225	256
<b>TOTAL</b>	<b>32,545</b>	<b>37,365</b>	<b>38,803</b>	<b>47,580</b>

## APPENDIX 11

### WORKS IN PROGRESS

	TOTAL COST 30/6/2010 \$M	COST OVERRUN \$M	ESTIMATED DATE OF COMPLETION	REASON FOR SIGNIFICANT DELAY	ASSET/ WORK IN PROGRESS
<b>MAJOR COMPUTER HARDWARE AND SOFTWARE PROJECTS</b>					
Licensing System Development	2,436		December 2011		WIP
<b>TOTAL</b>	<b>2,436</b>				

## APPENDIX 12

### PRICE DETERMINATION METHOD

As at the reporting date:

WorkCover NSW is primarily funded from statutory contributions by the Nominal Insurer and self-insurers. The contribution from the Nominal Insurer is fixed and the contributions from the self

and specialised insurers are 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.

## APPENDIX 13 CONSULTANTS

### CONSULTANTS EQUAL TO OR MORE THAN \$30,000

	COST \$	PURPOSE
CONSULTANT		
KPMG	275,764	Organisational Capability Review
Senario Seven	77,079	Internet redesign usability and accessibility testing
SMS Consulting Group Ltd T/A M & T Resources	77,000	Completion of the Business Process Review for Legal Group
<b>TOTAL GREATER THAN \$30,000</b>	<b>429,843</b>	

### CONSULTANTS LESS THAN \$30,000

During 2009/10, other consultancies were engaged in the following areas:

CONSULTANCY AREA	COST \$
Legal	18,934
Accounting Services	8000
Management Services	62,295
<b>TOTAL CONSULTANCIES LESS THAN \$30,000</b>	<b>89,229</b>

## APPENDIX 14 OVERSEAS TRAVEL JULY 2009 TO JUNE 2010

	DATE	PURPOSE	COST \$	RECOVERY \$	NET COST \$
PERSON					
Adrian Rietdijk	Aug-09	New Zealand for Quality Audit for the following companies CMG Pty Ltd & Tait	1576	1576	–
John Watt	Aug-09	Taiwan for Quality Audit of Elmako (airfare and accommodation paid for by Elmako)	399	399	–
John Watt	Sep-09	South Africa for Quality Audit and Assessment of Joy Mining	3585	3585	–
Ajay Maira	Sep/ Oct-09	Germany and Sweden Quality Audit and Assessment of Physikalisch-Technische, SP Technical Research Institute of Sweden and DEKRA EXAM GmbH	6754	6754	–
Henry Huynh & James Zhao	Oct-09	China for Quality Audit and Assessment of Kinyun Science & Shanghai Renming	5434	5434	–
Gordana Manojlovic	Nov-09	Singapore for Quality Audit and Assessment of CMG Pty Ltd	1502	1502	–
Adrian Rietdijk	Nov/ Dec-09	New Zealand for Quality Audit and Assessment for the following companies Tait Electronics, Polyphen Aust. (IPD), Polyphen Aust (Metalcraft) & Polyphen Aust. (Hi Tech Poly)	1860	1860	–
Gordana Manojlovic	Jan-10	Korea for Quality Audit and Assessment for Kosha	3489	3489	–
Michael Chan-Sew	Jan-10	Deliver a workshop on safe design to the Hong Kong Occupational Health and Safety Council	2541	–	2541
Adrian Rietdijk	Feb-10	New Zealand for Quality Audit and Assessment for the following companies Tait and Compac	1616	1616	–
Jerome Lander	Apr-10	Attendance at the Centre for Investor Education's International Investing Conference, New York	8705	–	8705
Russell Ashley	May-10	New Zealand for Quality Audit and Assessment of the following companies Tait, Bondor Christchurch & Bondor Auckland	1186	1186	–
Adjustments		Relating to minor expenditure	367	221	146
<b>TOTAL OVERSEAS TRAVEL</b>			<b>39,014</b>	<b>27,622</b>	<b>11,392</b>

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## **APPENDIX 15**

### **CONTRACTING AND MARKET TESTING**

WorkCover's Procurement Framework standardises the tender and contract management process, this includes ensuring:

- compliance with the NSW Government's procurement policies and guidelines
- appropriate terms and conditions are written into all WorkCover contracts
- all major procurement actions are given the widest possible publicity, including the use of the Government's E-Tender Portal
- competition to supply goods and services is maximised, probity maintained and selected offers achieve value for money
- procurement activities above \$250,000 are managed through the Department of Services, Technology and Administration on behalf of WorkCover
- monitoring contractor/supplier performance against contract conditions in support of future procurement selection.

The effectiveness of the Procurement Framework is demonstrated by the steady increase in the number of contracts being entered into. During the 2009/10 financial year, WorkCover entered into 102 contracts for the procurement of goods and/or services with a value of approximately \$19 million. State Government contracts were utilised for over 40 per cent of the goods and/or services supplied. WorkCover obtained proposals directly from industry for the remaining goods and services. Following are the three major procurement arrangements by value that were undertaken and had contracts executed during the period:

1. Provision of nursing and personal care staff to clients of the Workers Compensation Dust Disease Board - \$1.4 million
2. Upgrade existing Cognos BI licences and support to enterprise FTE model Cognos TM1 Enterprise - \$1.1 million
3. Provision of workers compensation claims services for the Insurers' Guarantee Fund - \$650,000.

## **APPENDIX 16**

### **EVENTS THAT HAVE A SIGNIFICANT EFFECT ON THE SUCCEEDING YEAR AFTER THE BALANCE DATE**

There are no significant events after balance day.

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## **APPENDIX 17**

### **PUBLICATIONS**

WorkCover publishes a variety of printed material to assist employers and employees to meet their responsibilities for workplace safety, injury management and workers compensation. Publications include guides, fact sheets, codes of practice, forms, posters and general information.

Many publications are distributed free of charge and an increasing number are available for download from the WorkCover website. In meeting client demand, and taking advantage of new publishing technology, WorkCover has made most information and publications available on its website and in formats such as CD ROM. These have proven to be extremely popular.

WorkCover produces a number of new publications each year, many of which are developed in conjunction with stakeholders and industry and through the industry reference groups.

## APPENDIX 18

### GRANTS TO NON GOVERNMENT ORGANISATIONS

#### Non Government Grants

	DESCRIPTION	FUNDING AMOUNT \$
<b>GRANTEE</b>		
Building Trades Group of Unions	Building Trades Group Drug and Alcohol Committee Apprentice Training Program May 2010 – May 2011. Improve safety, reduce drug and alcohol consumption on building sites and raise awareness of the availability of drug and alcohol referral/assessment and treatment services through the provision of education to apprentices in TAFE colleges.	148,459

#### WorkCover Assist 2009 Education and Training Grants

	DESCRIPTION	FUNDING AMOUNT \$
<b>GRANTEE</b>		
1300 Apprentice STE	To develop an online induction training program based on an existing induction course for apprentices and trainees. The objectives are to increase the safety awareness of apprentices and trainees and develop a culture of safety to reduce injury in the workplace.	63,749
Advertising Federation of Australia	Develop a mentor based advertising agency OHS management system resource and training to be available both on line and face to face under the AFA accreditation system.	98,900
AMIEU Newcastle and Northern	Provide support, information and assistance to members and to workplace OHS Consultative Committee Members and OHS Representatives. Identify and address the needs of non-English speaking background employees and literacy needs of workers across the meat industry.	172,000
AMIEU NSW Branch	Develop resources and hold workshops in regional NSW to assist injured workers to return to the workplace within an acceptable timeframe.	51,000
Australian Association of Convenience Stores	Develop a customised online training program for the handling of dangerous goods in the petrol and convenience store industry.	83,640
Australian Industry Group	Develop an educational program to provide supervisory and other relevant staff with the competencies and tools to effectively undertake the work health and safety and workers compensation induction for young and new employees.	77,845
Australian Manufacturing Workers Union	Provide a comprehensive response to the work health and safety needs of manufacturing workers through a strategic program of education and training, skills development, practical resources and individual support.	210,478
Australian Retailers Association	Workshops and on line training program for the retail industry focusing on risk management, consultation, manual handling and bullying and harassment.	77,850
Australian Services Union with Hunter TAFE	Deliver a full day workshop, on the 'Prevention of Violence in Disability Services Training Program', on a state-wide basis.	222,580
Australian Steel Institute of Australia	Provide high quality, clear and easy to understand hard copy 'Logistics Safety Pack' to the industry sector. Developed resources will also be available on the ASI website.	87,425
Australian Training Company	Development and delivery of work health and safety training specifically contextualised for Aboriginal learners for organisations in the local Aboriginal Lands Councils.	103,800

	DESCRIPTION	FUNDING AMOUNT \$
Baking Industry Association	Develop comprehensive guidance material detailing the hazards identified with machinery used in bakers workplaces; visit 300 bakeries across NSW where the guidance material will be practically applied in the workplace. A preventative action plan that details the risk control measures for plant in the workplace will also be developed.	154,909
CFMEU Construction & General	Provide expert information and advice to injured workers (in particular for NESB workers and those with literacy issues), on their rights and responsibilities relating to workers compensation issues. Assistance will also be made available to employers on request.	66,000
Civil Contractors Federation	Work with industry stakeholders to develop a training course to support operators in complying with their current obligations of locating underground services prior to digging. The incorporation of risk control and work practices for working near underground assets will also be facilitated.	114,665
Demolition Contractors Association	Develop and deliver an e-learning program that trains members on demolition safety issues and requirements and provides practical safe work procedure tools.	83,180
Group Training Association of NSW with Youthsafe	Deliver a multi-strategic OHS program targeting young apprentices and trainees employed by Group Training Organisations using a systems approach to understanding and improving safety.	158,738
Health Services Union	Develop and deliver an education and training program to address bullying and harassment issues within health services.	138,320
Housing Industry Association	Deliver a complimentary assessment and consultation service to small business owners to improve their work health and safety systems.	95,512
Hunter Valley Training Company	Online induction course to equip apprentices and trainees with the knowledge and confidence to know when they are confronted with a workplace hazard and what course of action to take to ensure their own and other's safety.	15,000
Liquor, Hospitality and Miscellaneous Union with Hunter TAFE	Raise awareness of work health and safety and identify safe work practices for people with an intellectual disability in the workplace.	151,160
Master Builders Association of NSW	Develop and deliver a training program about the ongoing pressure of business balanced against the need to manage risk.	109,000
Master Plumbers Apprentices	Deliver training to apprentices and plumbers to reduce and potentially eliminate the risk of injury and death through the risk of electric shock and electrocution in the performance of their day to day duties.	104,000
Motor Inn & Motel Association	Development and delivery of online OHS management tools and resources that can be easily customised to individual workplaces.	149,983
Motor Traders Association	Deliver workshops across NSW explaining the key elements in conducting a risk assessment audit in automotive workplaces and develop fact sheets on the key elements of an OHS management system.	99,941
National Disability Service	Develop an interactive training module entitled 'Leading OHS in the Disability Services Sector' that covers manual handling and working remotely, with exercises and case studies tailored to the sector.	140,744
NSW/ACT Independent Education Union	Development and delivery of workshops for teachers and aides employed in special schools or in special education classes of mainstream schools. The delivery of a separate workshop for maintenance and ground personnel to enhance a safety culture is also planned.	59,283
Nursery and Garden Industry Association	Deliver training courses on OHS induction and manual handling in addition to broadening the mentor program across the industry.	106,224

	DESCRIPTION	FUNDING AMOUNT \$
Outdoor Media Association	Develop and deliver a training program on hazards within the industry to improve the competency of supervisors in identifying, assessing and controlling specific risks.	\$102,004
Police Association of NSW	Improve the safety culture of the NSW police force through targeted and general education and training programs.	165,000
Public Service Association	Reduce the effects of psychological hazards in public workplaces through raising awareness of psychological risk and injury management processes.	171,440
Surf Lifesaving of NSW	Develop and deliver a peer support program to ensure that members are supported following a major incident.	99,030
Textile, Clothing and Footwear Union with Asian Women at Work	Develop and implement training and resources for an 'in home' OHS training and auditing process for home based outworkers in the clothing industry.	71,300
Timber Trade Industrial	Develop a best practice machine guarding manual for the timber industry and train managers and supervisors in how to guard their machines effectively.	163,205
Unions NSW	Provide a range of industry based OHS workshops and hold an OHS safety delegates conference based on a peer education format that will allow participants to review and explore work currently being undertaken in the fields of OHS and workers compensation.	149,000
United Services Union	Develop awareness of the impact of alcohol and other drugs in the workplace. Relevant information and resources will be provided to local government workers on the effects of alcohol and other drugs.	153,527

## WorkCover Assist 2009 Applied Research Grant Funding

	DESCRIPTION	FUNDING AMOUNT \$
<b>GRANTEE</b>		
GRANTEE: Australasian Fleet Management Association (AFMA) RESEARCH PARTNER: UNSW Injury Risk Management Research Centre	<p>Development of a practical safety tool to assess fleet safety management practices.</p> <p>This research aims to:</p> <ol style="list-style-type: none"> <li>1. Develop a safety audit tool to assess fleet safety management practices</li> <li>2. Trial the usability of the fleet safety audit tool in several organisations.</li> </ol>	99,110
GRANTEE: Master Builders Association NSW RESEARCH PARTNER: University of Sydney	<p>Understanding factors that promote or impede the use of personal protective equipment (PPE) by young workers on construction sites. Gathering evidence to inform a safety culture for the construction industry.</p> <p>This study will examine in detail the factors related to the use and non-use of PPE by young workers, and how this relates to a safety culture for the NSW construction industry.</p> <p>The findings can be used by employers/managers/supervisors to more effectively assess the management and use of PPE and support its implementation on worksites.</p>	149,938

	DESCRIPTION	FUNDING AMOUNT \$
GRANTEE: Police Association of NSW RESEARCH PARTNER: Police Association of NSW, and Charles Sturt University	<p>Managing the hazards of operational police work. Profiling the key determinants associated with physical assaults made against NSW police officers.</p> <p>This study will provide an extensive and contemporary assessment of physical assaults made against NSW police officers. It will investigate what are the likely factors and circumstances involved in these physical assaults as a means of developing a better understanding of how the organisation can prevent and/or minimize the risk of assaults to police officers.</p> <p>The findings will have substantial impact on advising the NSW Police Force on use of force and other tactical interventions, and contribute to the body of knowledge on how best to train police officers in safety behaviour in the field.</p>	127,825
GRANTEE: Australian Jockeys Association RESEARCH PARTNER: Australian Catholic University	<p>Understanding fracture risk in apprentice jockeys: A longitudinal profile. This study will investigate fracture risk in a group of apprentice jockeys and less active peers (control group). Musculoskeletal health and injury profiles of apprentice jockeys will be tracked and changes over an eighteen-month period compared.</p> <p>Understanding more about musculoskeletal health, growth, maturation, physical activity, and injury status of apprentice jockeys will provide evidence that can be used in recommending appropriate injury prevention strategies for this group.</p>	26,641
GRANTEE: Boating Industry Association of NSW RESEARCH PARTNER: A&S Risk Solutions and University of Wollongong	<p>Developing best practice OHS guidance for the recreational and light commercial boating industries.</p> <p>The study will develop a more accurate profile of the incidence, nature and circumstances of injuries that have occurred in the industry.</p> <p>The findings will be used to identify the most complex tasks or systems to manage, how these are currently managed, and propose best practice methods for managing these tasks.</p>	98,176
GRANTEE: Police Association of NSW RESEARCH PARTNER: MUARC, Monash University Accident Research Centre 2008 grant, but contract not signed until September 2009	<p>Police vehicle seating systems and vehicle cabin stowage - their roles in injuries to police. (Phase Two)</p> <p>This study will develop and test safety solutions to address:</p> <ul style="list-style-type: none"> <li>• Interaction of police and vehicle seating systems during various driving conditions and events, and vehicle entry and exit</li> <li>• Item stowage systems and practices and vehicle cabin layouts.</li> </ul>	232,700

## APPENDIX 19 CREDIT CARD

For the 2009/10 financial year credit card use within WorkCover was in accordance with Premier's Memoranda and Treasurer's directions.

### Credit card use

Credit card use with WorkCover is limited to:

- expenses incurred in connection with travel on official business
- purchases in line with approved WorkCover purchasing policy
- meeting the cost of official out-of-pocket expenses (including certain approved entertainment/hospitality costs) as per the Premier's policy guidelines.

### Documenting credit card use

The Authority's credit card policy is documented, and requires monthly reconciliation of invoices by the cardholder's manager.

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## APPENDIX 20

### LICENSED AND SELF-INSURERS

#### Self-insurers

- Bankstown City Council
- BOC Limited
- Campbelltown City Council
- Council of the City of Blacktown
- Council of the City of Lake Macquarie
- Council of the City of Newcastle
- Council of the City of Sydney
- Council of the City of Wollongong
- Delta Electricity
- Electrolux Home Products Pty Ltd
- Energy Australia
- Eraring Energy
- Fairfield City Council
- Fletcher International Exports Pty Limited
- Gosford City Council
- Government of New South Wales (Forestry Commission Division)
- Government of New South Wales (State Transit Authority Division)
- Hawkesbury City Council
- Inghams Enterprises Pty Limited
- Integral Energy Australia
- ISS Property Services Pty Limited
- Johnson & Johnson Pty Limited
- Liverpool City Council
- Mars Australia Pty Limited
- Pacific National (NSW) Pty Ltd
- Qantas Airways Limited
- Rail Corporation New South Wales
- Rocla Pty Limited
- Shoalhaven City Council
- Southern Meats Pty Limited
- Star City Pty Limited
- Sutherland Shire Council
- 3M Australia Pty Limited
- Toll Pty Limited

- Transfield Services (Australia) Pty Limited
- TransGrid
- United Group Rail Services Limited
- University of New South Wales
- University of Wollongong
- Veolia Environmental Services (Australia) Pty Limited
- Warringah Council
- Westpac Banking Corporation
- Wyong Shire Council

#### Group self-insurers

- Australia and New Zealand Banking Group Limited
- Brambles Industries Limited
- BHP Billiton Limited
- BlueScope Steel Limited
- Brickworks Limited
- Coles Group Limited
- CSR Limited
- Holcim (Australia) Holdings Pty Ltd (formerly Rinker Group Pty Limited)
- Idamenco (No. 789) Ltd
- McDonald's Australia Holdings Limited
- Myer Holding Limited (formerly NB Flinders Pty Limited)
- Northern Co-operative Meat Company Limited
- The NSW Self Insurance Corporation
- OneSteel Limited
- Skilled Group Limited
- Unilever Australia (Holdings) Pty Limited
- Woolworths Limited

#### Specialised insurers

- Catholic Church Insurances Limited
- Coal Mines Insurance Pty Ltd
- Guild Insurance Limited
- Hotel Employers Mutual Limited
- North Insurances Pty Ltd
- StateCover Mutual Limited
- Racing NSW

## APPENDIX 21

### SCHEME AGENT PERFORMANCE

#### 30 JUNE 2010

This appendix contains data on the individual performance of the seven Scheme agents. The results are based on data submitted by Scheme agents to WorkCover and are only as reliable as the quality and accuracy of the underlying data. No adjustments have been made to allow for differences between Scheme agents' claim and policy portfolios. For example, some Scheme agents may

manage a higher concentration of policies from a particular industry or type or size of employer. These differences can impact the type and severity of compensation claims that occur and potentially the performance of Scheme agents.

The information is provided to inform employers and the public on aspects of the performance of Scheme agents. The information does not purport to be all-inclusive or contain all information which employers may require to make an informed assessment as to the selection of an Agent.

### Claim management and return to work

SCHEME AGENT	TIMELINESS OF EMPLOYER NOTIFICATION TO SCHEME AGENT		LONG TERM TREATMENT COSTS
	% RECEIVED WITHIN 5 DAYS	% RECEIVED WITHIN 12 DAYS	GROWTH P/A
Allianz	61.3%	77.6%	1.2%
CGU	60.4%	77.8%	16.0%
CIS (Xchanging)	60.2%	76.8%	13.5%
EML	67.3%	80.9%	35.4%
GBS	61.4%	78.9%	1.2%
GIO	58.6%	75.1%	27.3%
QBE	62.0%	78.8%	26.3%
Scheme	61.5%	77.9%	15.8%

#### DURATION – PROPORTION OF WORKERS ON WEEKLY PAYMENTS AT:

SCHEME AGENT	13 WEEKS		26 WEEKS		52 WEEKS		134 WEEKS	
	%	TREND	%	TREND	%	TREND	%	TREND
Allianz	36.9%	Deteriorated	17.9%	Steady	8.8%	Steady	2.4%	Steady
CGU	40.1%	Steady	21.9%	Steady	12.6%	Steady	4.0%	Steady
CIS (Xchanging)	39.0%	Steady	20.9%	Steady	11.0%	Steady	4.8%	Steady
EML	36.8%	Steady	21.2%	Steady	11.0%	Steady	2.3%	Steady
GBS	41.4%	Steady	22.1%	Steady	11.3%	Steady	4.4%	Steady
GIO	42.0%	Steady	23.3%	Steady	14.6%	Steady	3.7%	Steady
QBE	36.2%	Steady	18.1%	Steady	9.2%	Steady	2.6%	Steady
Scheme	38.6%	Steady	20.3%	Steady	11.1%	Steady	3.2%	Steady

Note: A lower percentage represents better performance

Trend information – Duration

Improved: Performance in current year has improved by more than 4 per cent of that in the previous year

Steady: Current year performance within +/- 4 per cent of the previous year

Deteriorated: Performance in current year has deteriorated by more than 4 per cent of that in the previous year

## Service and processing

CLAIMS ASSISTANCE SERVICE CONTACTS			DATA INTEGRITY	
SCHEME AGENT	NUMBER OF CAS CONTACTS	NUMBER OF CAS CONTACTS PER \$10M EARNED PREMIUM	NUMBER OF DAYS OVERDUE	
Allianz	803	16.0	5	Steady
CGU	728	18.9	4	Steady
CIS (Xchanging)	225	20.3	3	Improved
EML	352	15.8	0	Improved
GBS	404	30.4	0	Improved
GIO	832	20.5	0	Steady
QBE	673	10.6	13	Steady
Scheme	4,017	16.8		

### Trend information – Data Integrity

Improved: Performance in current year has improved by more than 2 per cent of that in the previous year

Steady: Current year performance within +/- 2 per cent of the previous year

Deteriorated: Performance in current year has deteriorated by more than 2 per cent of that in the previous year

## Definitions

DEFINITION	
MEASURE*	
Timeliness of employer notification to Agent	This is the proportion of claims received by the Scheme agent within the past 12 months, from the employer, within five working days and 12 working days of the worker's date of Injury.
Long term treatment costs	Growth is based on the comparison of payments in the 12 months to June 2010 relative to the 12 months to June 2009. The 3.36 per cent growth in LPI A93 (Labour Price Index) values over the period has not been factored into this calculation. Long term treatment costs relate to medical and occupational rehabilitation payments made more than one year after the date of injury.
Duration on weekly payments	The period of compensation for each worker is measured as the total number of equivalent days for which weekly benefits have been received. This period has been adjusted depending on the type of benefit (total and partial incapacity) and the employee status (full/part-time).
Proportion of workers on weekly payments at 13 Weeks	This is the number of workers who have received at least 13 weeks of compensation expressed as a proportion of those workers receiving compensation for more than 20 days. It takes into account payments made within the first six months from the date of notification.
Proportion of workers on weekly payments at 26 Weeks	This is the number of workers who have received at least 26 weeks of compensation expressed as a proportion of those workers receiving compensation for more than 20 days. It takes into account payments made within the first nine months from the date of notification.
Proportion of workers on weekly payments at 52 Weeks	This is the number of workers who have received at least 52 weeks of compensation expressed as a proportion of those workers receiving compensation for more than 20 days. It takes into account payments made within the first 15 months from the date of notification.
Proportion of workers on weekly payments at 134 Weeks	This is the number of workers who have received at least 134 weeks of compensation expressed as a proportion of those workers receiving compensation for more than 20 days. It takes into account payments made within the first 34 months from the date of notification.
Data Integrity	Scheme agents must submit claim and policy activity data to WorkCover by a set time each month. Data Integrity measures compliance with this requirement and is expressed as the number of days past the due date compliant submissions were received in the 12 months to 30 June 2010.
Claims Assistance Service (CAS) contacts	The number of matters in the preceding 12 months that involved Claims Assistance Service contact with Scheme agents to resolve.

\* All assessments were made as at 30 June 2010

## Market share as at 30 June 2010

	% OF POLICIES <sup>(1)</sup>	% WAGES <sup>(2)</sup>	% OF PREMIUM <sup>(3)</sup>
<b>SCHEME AGENT</b>			
Allianz	17%	23%	21%
CGU	19%	18%	17%
CIS (Xchanging)	5%	4%	4%
EML	6%	9%	9%
GBS	7%	5%	6%
GIO	27%	18%	17%
QBE	19%	23%	25%
Scheme <sup>(4)</sup>	100%	100%	100%

### Notes:

- (1) Number of policies refers to the number of employers with policies managed by each Agent, excluding minimum domestic policies. Policies where the employer has wages less than or equal to \$7500 have been excluded as they might be expected to be eligible for the 'very small Policy exemption' on renewal
- (2) Refers to actual wages paid by employers managed by each Agent and is declared for the determination of their premium. It relates to policies in force during the 12 months to 30 June 2010
- (3) Premium refers to the earned premium for the 12 months to June 2010 calculated using IPO (Insurance Premiums Order) rates in force at the commencement of the calendar year
- (4) Due to rounding, market share may not equate to 100 per cent

### FULL DESCRIPTION

SCHEME AGENT	
Allianz	Allianz Australia Workers' Compensation (NSW) Limited
CGU	CGU Workers' Compensation (NSW) Limited
CIS (Xchanging)	Cambridge Integrated Services Australia Pty Ltd (trading as Xchanging from 1 October 2009)
EML	Employers Mutual Workers' Compensation (NSW) Limited
GBS	Gallagher Bassett Services Pty Ltd
GIO	GIO General Limited
QBE	QBE Workers' Compensation (NSW) Limited

## APPENDIX 22 PRODUCTION NOTES

The WorkCover NSW Annual Report 2009/10 is a publically available document and can be accessed on the WorkCover website [workcover.nsw.gov.au](http://workcover.nsw.gov.au) or obtained by phoning 13 10 50.

In accordance with statutory requirements, WorkCover notes that the estimated external production cost for the 2009/10 Annual Report was \$20,280 (ex-GST).

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Project managed by WorkCover NSW – Planning Performance and Research Unit, Strategy and Policy Division.

Design by Proactive Graphics.

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