



WorkCover NSW Annual Report 2010-11



Letter to the Minister

31 October 2011

The Hon. Gregory Stephen Pearce, BA LLB MLC
Minister for Finance and Services
Minister for the Illawarra
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 2011.

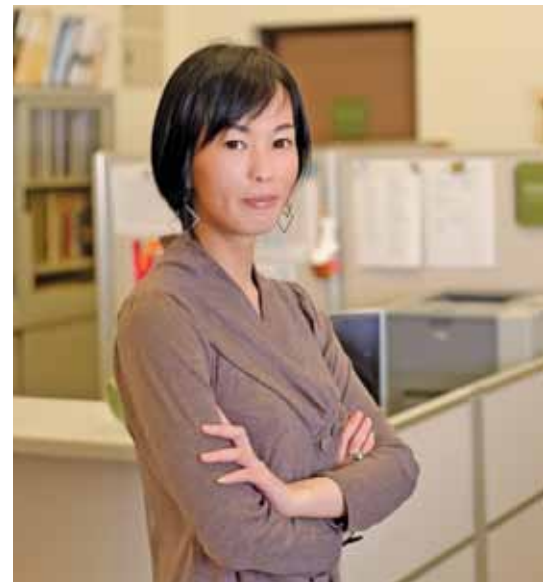
It provides a comprehensive insight to Agency's performance over the 2010/11 financial year and an overview of its future direction.

Yours sincerely

Lisa Hunt
Chief Executive Officer
WorkCover NSW

Contents

Chief Executive Officer's report	4
Corporate Plan	6
About WorkCover NSW	9
Prevention of workplace injury and illness	18
Low premiums	32
Sound fund management and system financial viability	33
Sustainable return to employment	41
Exemplar organisation	44
Cost and efficiency	54
Customer focused approach	56
Financial statements	62
Appendices	182



Year in review

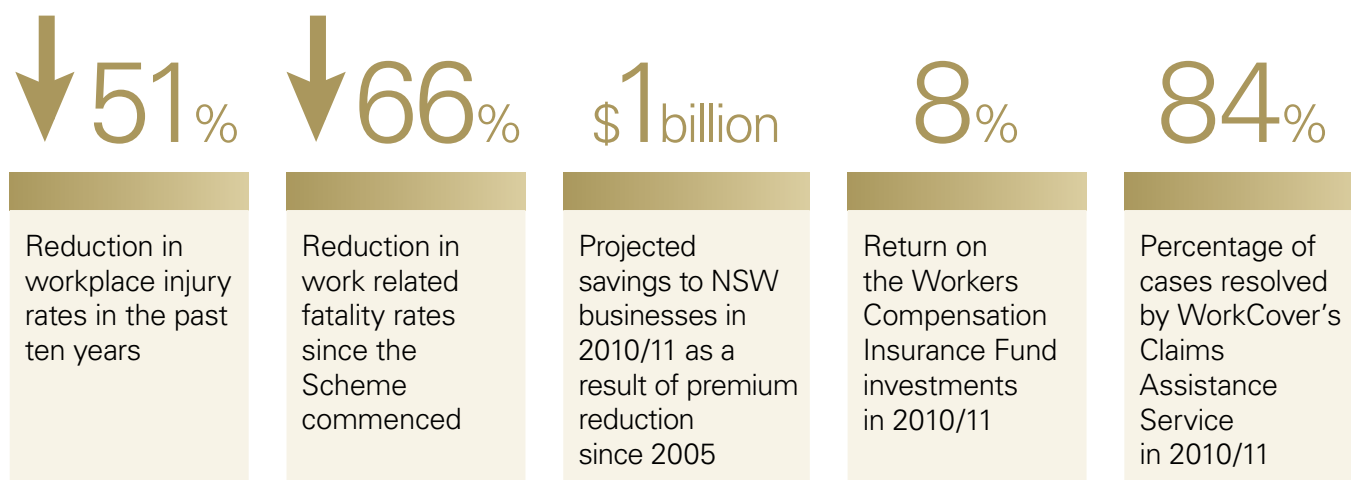
Major workplace injury rates have reduced by 51 per cent since 1991/92 from 18.7 injuries per 1000 workers to 9.1. This is the lowest rate since inception of the WorkCover Scheme. Work-related fatalities have dropped by 36 per cent, from 177 to 113 over the same period.

WorkCover has been preparing for the new national model work health and safety legislation, scheduled to commence on 1 January 2012. The Work Health and Safety Bill and the Occupational Health and Safety Amendment Bill were passed in June 2011.

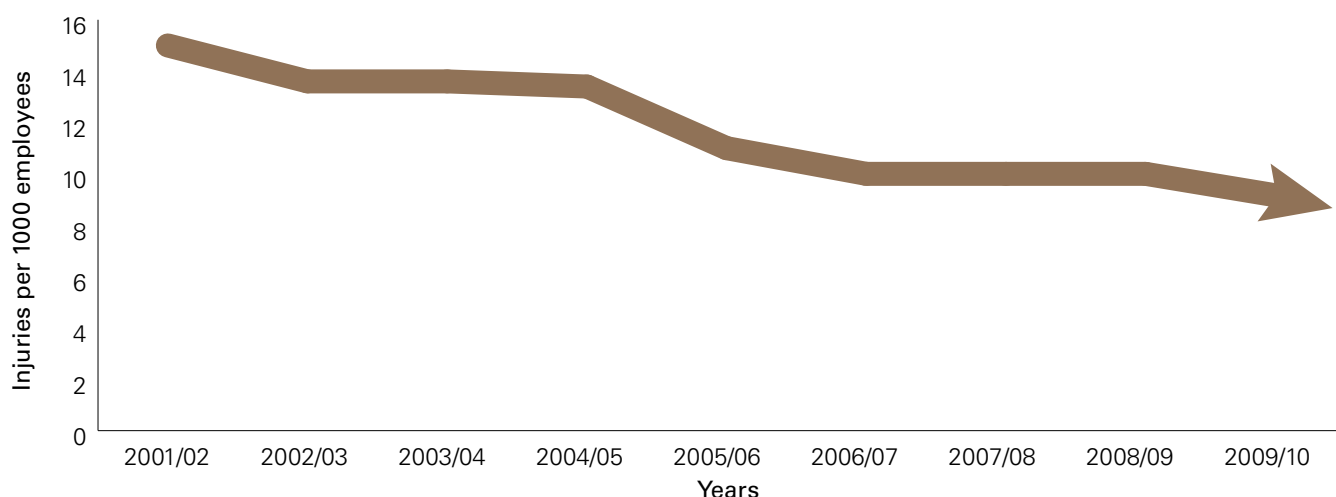
The WorkCover Scheme deficit increased by \$780 million and the Scheme funding ratio fell to 85 per cent. The change in the Scheme's financial position arose primarily from worse than expected claims experience.

Average workers compensation premium rates were reduced by up to 2.5 per cent from 30 June 2010 which reduced premiums paid in 2010/11. The rate cuts were targeted to those industries that had shown a sustained improvement in work health and safety, and injury prevention and management. In 2010/11, the Workers Compensation Insurance Investment Fund produced an 8 per cent return despite volatile market conditions.

WorkCover launched a new Corporate Plan in 2010. The Plan provides direction for the organisation over the next five years.



Workplace incidence rates – major injuries



► Purpose

Our purpose is to increase the competitiveness of the NSW economy through productive, healthy and safe workplaces.

► Our commitment

WorkCover is dedicated to promoting productive, healthy and safe workplaces for workers and employers in New South Wales.



Chief Executive Officer's report

On behalf of the WorkCover NSW Board, I am pleased to provide WorkCover NSW's Annual Report for 2010/11.

The 2010/11 financial year was one of considerable initiatives, transition, successes and challenges across the wide range of WorkCover's business.

Chief among these was WorkCover's launch of its new five-year Corporate Plan.

The Plan aims to promote the Authority's key purpose of increasing the competitiveness of the NSW economy through productive, healthy and safe workplaces. It guides WorkCover's priorities, resource allocation and policy focus over the next five years. Most importantly, it tells the community what it can expect of WorkCover.

A number of road shows have taken place over the last year to explain the Corporate Plan to staff, who have been positive about the changes.

Throughout 2010/11, WorkCover has continued to look for opportunities to prevent workplace injuries, support injured workers early return to work, and help businesses meet their responsibilities under occupational health and safety laws.

Through detailed expenditure and cost analysis, WorkCover has been able to deliver improved operational efficiency and more effective policy outcomes.

WorkCover is a large commercial business with three streams – work health and safety, workers compensation insurance and funds management.

WorkCover is one of Australia's largest insurance businesses and is responsible for more than \$12 billion in funds under management within the Worker's Compensation Insurance Fund.

Despite the difficult global economic climate, which has included the Japanese twin disasters in March 2011, investor sentiment dampened by US and European debt concerns throughout the financial year, and the Queensland floods in late 2010, the Fund has produced an 8 per cent return for the financial year ending 30 June 2011.

This is an excellent result which places the Fund among the top performing of similar funds in Australia and globally.

The incidence of workplace injury and illness remains at record lows since WorkCover was first established. WorkCover has initiated a number of programs to continue this downward trend, which stagnated slightly over the last financial year.

To continue to drive improvement in workplace safety and return to work outcomes, WorkCover is focusing on the top 10 industries, top five injuries and top five illnesses in NSW based on their level of risk.

By working in partnership with business, I believe we can motivate workers to adopt a safety culture that will lead to safer and more competitive workplaces.

WorkCover is working with industry to focus on the key injuries and illnesses and their causes through a holistic, multidisciplinary approach. A pilot program is already underway in the demolition sector of the construction industry.

Workers in the demolition industry are exposed to numerous hazards including the handling of explosives, potential exposure to hazardous materials such as chemicals and asbestos, and falls from heights.

The pilot program identifies areas where work health and safety improvements can be made by implementing targeted initiatives specific to the industry.

Some of the initiatives that have commenced already include the development of a Demolition Planning Pack, Demolition Industry Education Strategy and an Injury Management Program for high-risk employers.

At the conclusion of the pilot program, we hope to have made demolition worksites safer.

Another highly successful initiative continues to be the WorkCover Mentor Program.

This year, around 30 large organisations participated in the Program. They partnered with 45 small businesses to help them understand how to reduce injuries in their workplace and develop a sustainable safety culture.

The Program, now in its fifth year, allows small businesses to gain hands-on, industry-specific advice from large employers to identify risks in their workplace and enable them to meet work health and safety, injury management and workers compensation requirements.

“The 2010/11 financial year was one of considerable initiatives, transition, successes and challenges across the wide range of WorkCover's business.”

“The incidence of workplace injury and illness remains at record lows since WorkCover was first established. WorkCover has initiated a number of programs to continue this downward trend...”

The Program involves a series of site visits, advisory sessions and workshops to help businesses improve their capability to develop safe systems of work.

As a result, 95 per cent of ‘mentees’ report they have made safety changes in their workplace, including introducing or updating safety measures or putting in place better risk assessment procedures.

Many also report increased efficiency, productivity and profitability, due to their new safety initiatives.

One of the most significant changes for WorkCover this financial year has been the harmonisation of work, health and safety laws.

On 1 June 2011, the NSW Parliament passed the Work Health and Safety Bill and the Occupational Health and Safety Amendment Bill. The *Work Health and Safety Act 2011* will commence from 1 January 2012.

The new legislation will:

- ▶ maintain our strong work, health and safety framework;
- ▶ keep businesses accountable;
- ▶ reduce red tape for employers; and
- ▶ simplify the laws for both employers and workers.

The new legislation will deliver the certainty and protection all local workers and businesses deserve and make the laws easier to understand.

WorkCover has worked extremely hard on all these initiatives as well as many others. I would like to congratulate all staff on another year of solid performance and the demonstration of WorkCover’s corporate values.



“By working in partnership with business, I believe we can motivate workers to adopt a safety culture that will lead to safer and more competitive workplaces.”

Lisa Hunt
Chief Executive Officer

Corporate Plan 2010-2015

Corporate planning framework

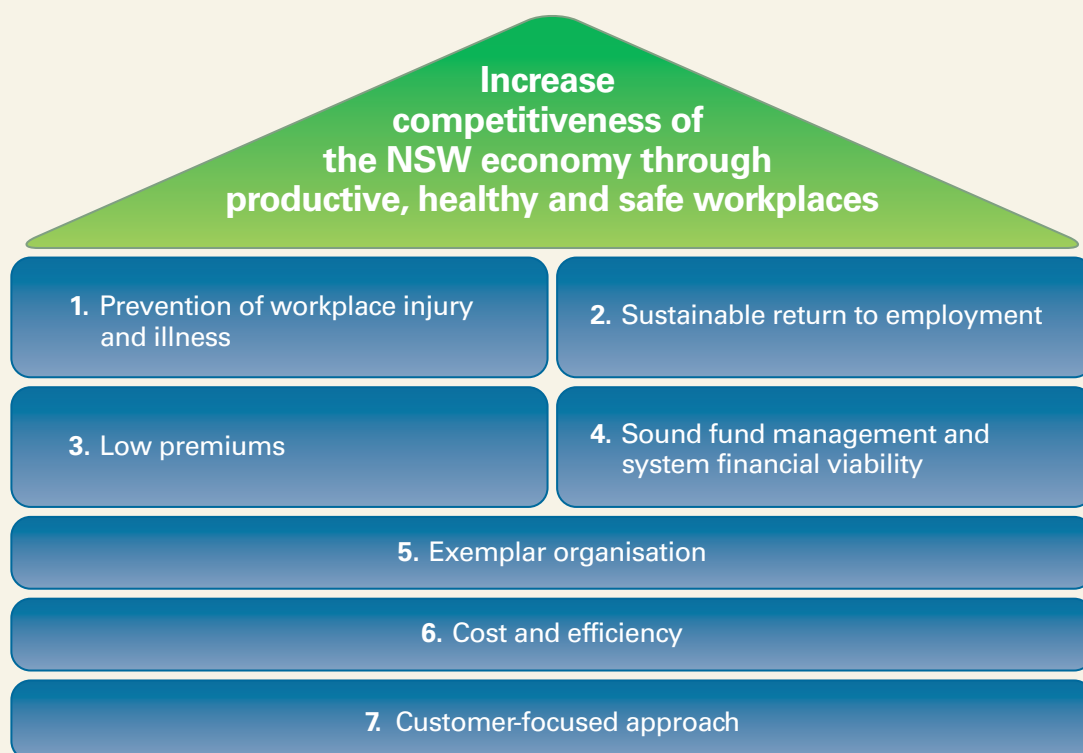
In October 2010, WorkCover launched a new five-year Corporate Plan to guide its service delivery and policy focus. The Plan supports the New South Wales Government's State Plan, and will be used by staff to guide their work.

WorkCover's purpose is to *increase the competitiveness of the NSW economy through productive, healthy and safe workplaces*.

The Plan communicates this purpose to stakeholders and the community. It guides WorkCover's delivery, priority setting, resource allocation and policy focus for the next five years. Importantly, the Plan explains what the community can expect from WorkCover.

► Our values

<i>Integrity</i>	I do what I say I will do
<i>Respect</i>	I value people
<i>Ethical Behaviour</i>	I am honest and fair
<i>Accountability</i>	I take responsibility
<i>Excellence</i>	I aim to deliver my best



Key result areas

Seven key result areas (KRAs) represent the priority outcomes or results to deliver on our primary purpose.

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

Actions and initiatives developed to deliver the KRAs will be monitored and measured through Key Performance Indicators (KPIs) and project milestones. Future Annual Reports will report performance against the KPIs and milestones to ensure accountability and transparency of the organisation's performance.

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 it can all be proud of and creates a strong environment for delivering high quality services to its stakeholders, in particular injured workers.

Business framework

WorkCover's business framework 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 safely everyday
- ▶ **Our people** – Our employees are integral to our success. 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
- ▶ **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, and
- ▶ **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 the 'wheel' below, 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.

“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.”



Achievements detailed under the Corporate Plan

Key result area	Key performance indicators	Target	2010/11 result
1. Prevention of workplace injury and illness	Reduction in fatalities (per 100,000 employees)	>20% reduction by 2012 (2009/10 target 2.17) ¹	1.65
Target priority industries, injuries and illnesses	Reduction in workplace injuries (per 1000 employees)	> 40% reduction by 2012 (2009/10 target 10.13) ¹	9.1
Investigations, enforcement and follow-up	Fatalities and serious incidents responded to within 12 hours (metropolitan) and 24 hours (regional)	100%	100%
Review health and safety regulation			
Targeted prevention and enforcement strategies			
2. Sustainable return to employment	Percentage Return to Work within 12 weeks	85.1%	85.6% ²
Clear Return to work targets and effective case management	Percentage Return to Work within 26 weeks	90.4%	90.9% ²
	Percentage Return to Work within 52 weeks	94.8%	94.7% ²
Return to employment plans and care plans	Agent Return to Work Performance	75%	72%
	Percentage of claims open after 3 years	38.9%	40.9%
3. Low premiums	Premiums are at comparable national benchmark levels	2011/12 target 1.95%	1.68%
Accurate and timely premium collection	Premium debt collection ageing score	0.27	0.21
Proactively monitor and manage Scheme costs			
4. Sound fund management and system financial viability	Return above growth liabilities over a rolling five-year period	>1.0%	-3.77%
Conduct market analysis and monitor trends	Average five-year Scheme funding ratio	>90%	95.9%
	Scheme funding ratio	>90%	85%
Sound fund management	Self and Specialised Insurers meet securities requirements	100%	100%
	Number of internal injury and illness claims		75
5. Exemplar organisation	WorkCover is a great place to work – survey results	75%	66% ³
Exceed public and comparable private sector injury prevention and Return to Work outcomes			
An empowered, productive and supportive workplace			
Effective performance management			
Workforce planning to meet current and future demands			
6. Cost and efficiency	Actual to budget expenditure variance	<2%	6.8%
Delivering our services efficiently and cost effectively	Actual to forecast expenditure variance	<2%	0.2%
7. Customer-focused approach	Calls answered within 60 seconds (info centre)	>85%	88.65%
Drive improved customer focused service delivery	Claims Assistance Service Resolution Rate	>85%	84.4%

1. These targets represent fatalities, and injury and illness targets as at June 2010 (latest data available). The results are taken from 2009/10 claims data.

2. The results and targets differ from those provided in the body of the report due to definitional differences.

3. The results reflect the latest survey conducted in 2010.

About WorkCover NSW

Who we are

Established on 1 July 1989, WorkCover was the first government agency to integrate workplace injury prevention, injury rehabilitation and workers compensation into a single authority. It is one of Australia's largest insurance businesses and was responsible for approximately \$13 billion under managed funds at 30 June 2011. WorkCover reports to the Minister for Finance and Services.

Our purpose

Our purpose is to increase the competitiveness of the NSW economy through productive, healthy and safe workplaces.

Our commitment

WorkCover is dedicated to promoting productive, healthy and safe workplaces for workers and employers in NSW.

Our values

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 stakeholders. 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, and
- ▶ **Excellence** – I aim to be my best.

Our role

WorkCover promotes compliance with workplace safety legislation by providing information, education and assistance on work health and safety as well as licensing the operation of hazardous equipment, activities and defined premises.

It assists businesses to improve their workplace safety through advice, information and industry-based incentives, WorkCover inspects workplaces, investigates incidents and complaints, mediates on workers compensation disputes and, where necessary, issues penalties and undertakes prosecutions.

WorkCover exercises the powers of the Nominal Insurer, the insurer for the NSW Workers Compensation Scheme through the Workers Compensation Insurance Fund (WCIF), and performs the Insurer's operational functions. More than 265,000 employers and their employees were covered by the NSW Workers Compensation Scheme in 2010/11.

New corporate plan

In October 2010, WorkCover launched a new five-year corporate plan to guide service delivery and policy focus. The plan, which aligns with NSW Government priorities, explains what the community can expect of WorkCover. It establishes seven key result areas (KRAs) for delivering on our primary purpose:

- ▶ Prevention of workplace injury and illness
- ▶ Suitable return to employment
- ▶ Low premiums
- ▶ Sound fund management and system financial viability
- ▶ Exemplar employer organisation
- ▶ Cost and efficiency, and
- ▶ Superior customer service.

Our customers

We have a diverse range of customers who include the NSW community, government, employers, workers and third parties.

Funding

WorkCover receives funding from various sources including fixed contributions from the Workers Compensation Insurance Fund (WCIF) after having regard to the estimate of WorkCover's net operating expenses, contributions on the premium income of specialised insurers and the deemed premium income of self-insurers, licensing fees, investment income and other miscellaneous sources.

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.

Legislation

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

This year has seen the NSW Government undertake significant reform towards national harmonisation of work health and safety laws and creation of a modern regulatory framework. WorkCover is on track to commence operations under the national model legislation from January 2012. Further details are available on page 24.

Reporting requirements

The 2010/11 WorkCover NSW Annual Report provides financial reports for the WorkCover Authority Fund, the Workers Compensation Commission, the Compensation Authorities Staff Division and the Workers Compensation Insurance Fund.

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 106.

Compensation Authorities Staff Division

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

As at 30 June 2011, CASD employs staff for WorkCover NSW, Workers Compensation Dust Diseases Board, Lifetime Care and Support Authority, Motor Accidents Authority, Sporting Injuries Committee and the Workers Compensation Commission.

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 128.

The Workers Compensation Dust Diseases Board, Lifetime Care and Support Authority, Motor Accidents Authority and the Sporting Injuries Committee prepare separate Annual Reports.

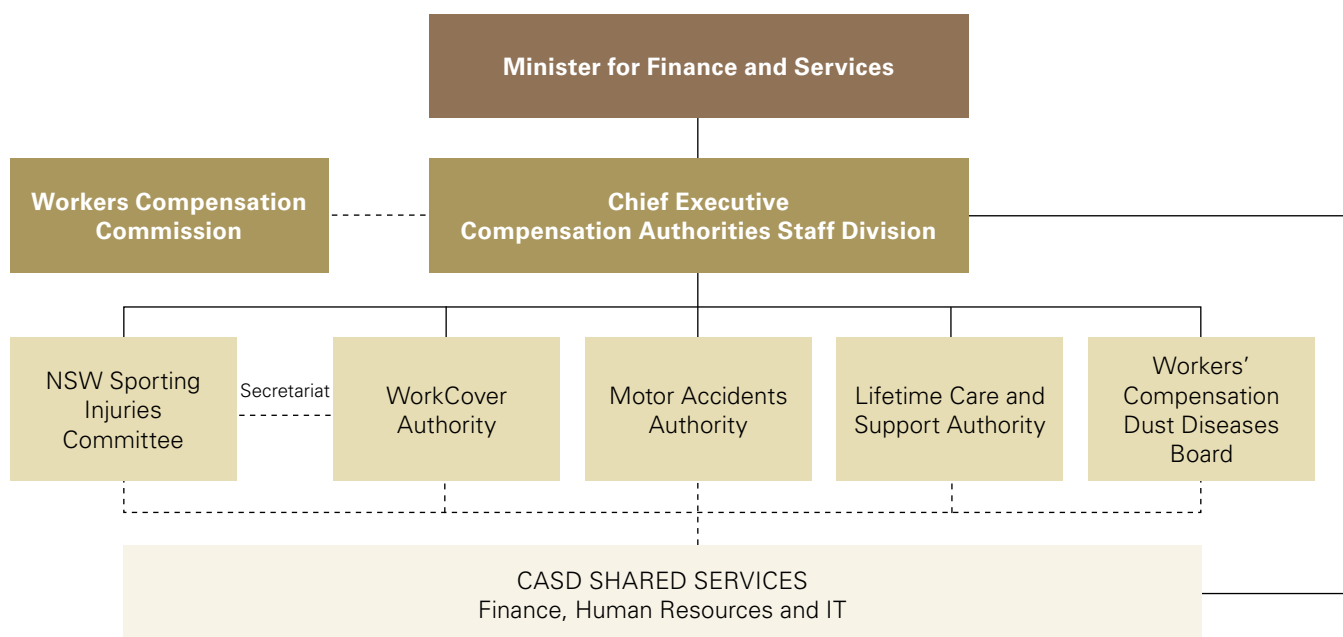
Workers Compensation Insurance Fund

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.

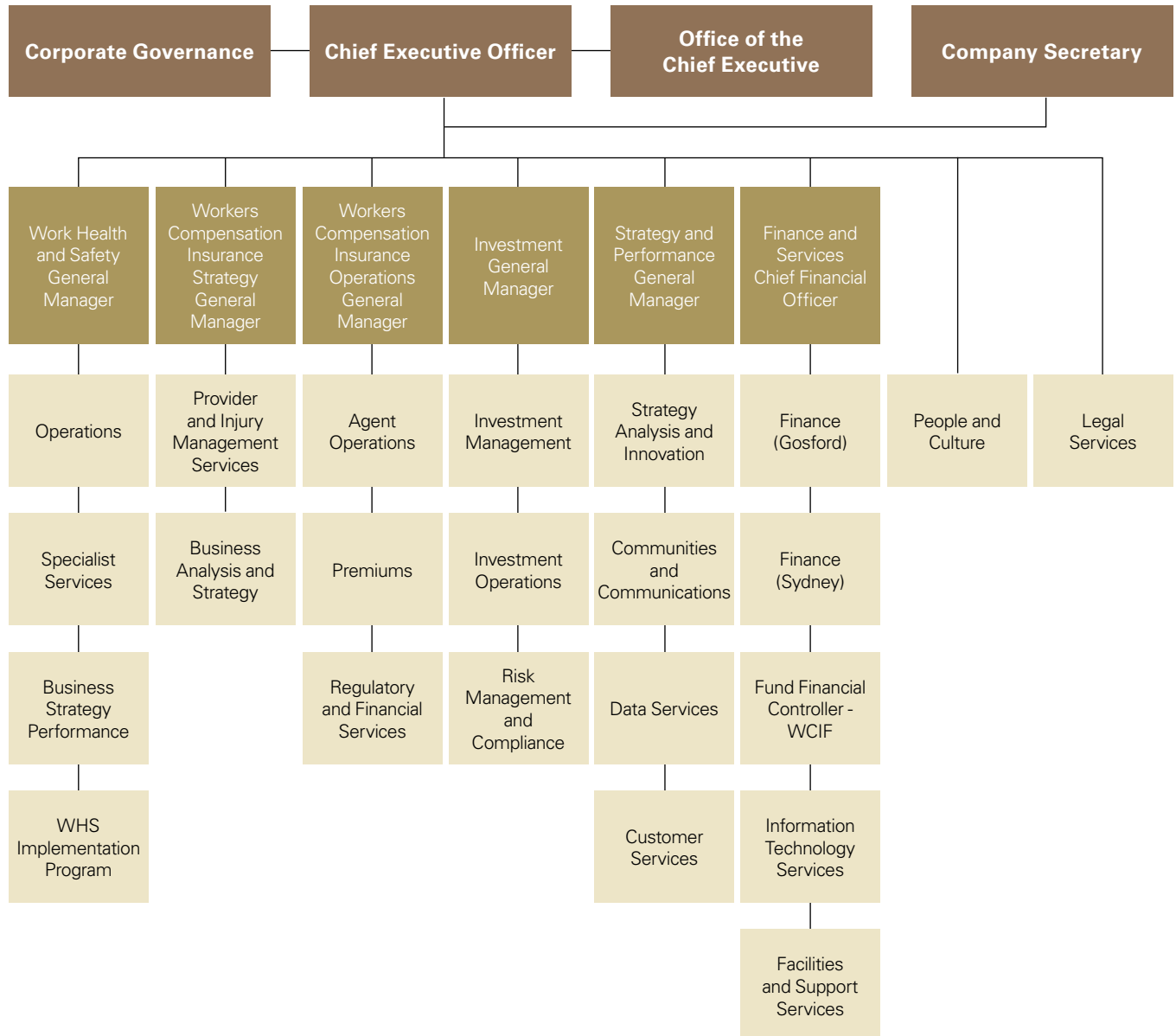
Additional information about the activities of the WCIF in 2010/11 is provided on page 36. Financial Statements for the WCIF commence on page 148.

Organisational structure

Compensation Authorities Staff Division



WorkCover Authority on 30 June 2011



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 2011, there were no vacant Director positions on the Board.

Members of the WorkCover NSW Board on 30 June 2011



Greg McCarthy, Chair
AAII

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. Greg has extensive experience in both privately underwritten and government schemes, and 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, and
- ▶ 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 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 and 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.



Nicholas Whitlam, Deputy Chair

AB (Hons), MSc

As a former CEO and Chairman of major financial institutions, Nick's career has embraced most aspects of banking, superannuation and insurance.

His 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, and
- ▶ Deputy Chair of the Whitlam Institute.

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



Carolyn Walsh

BEc, GAICD

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

Carolyn occupies a number of other positions including Commissioner of the Australian Transport Safety Bureau, and Chair of the NSW Minister for Transport's School Bus Safety Community Advisory Committee. She is a member of the Audit and Risk Committees for the NSW Police Integrity Commission, Aboriginal Lands Council, Public Transport Ticketing Corporation and Information and Privacy Commission.

Carolyn was appointed to the WorkCover NSW Board on 31 May 2010.



Lisa Hunt, Chief Executive Officer

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, Workers' Compensation Dust Diseases Board, Motor Accidents Authority, Lifetime Care and Support Authority and the Sporting Injuries Committee. 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.

WorkCover Executive on 30 June 2011

Chief Executive Officer

Lisa Hunt BA, LLB

Chief Financial Officer, Finance and Services

Julie Newman BHSMgt, CPA

General Manager, Work, Health and Safety

John Watson PSM, Assoc Dip OHS, HFSIA.NSW

General Manager, Corporate and Shared Services

Robert Gray, MMgt

General Manager, Investment

Jerome Lander, MBBS, MBusCom, Grad Cert Business Admin, CIMA

General Manager, Strategy and Performance

Carmel Donnelly, BA (Hons), MBA (Exec), MPH, GAICD

Acting General Manager,

Workers Compensation Insurance Division

Mary Hawkins ADRC, BA, MADR

Office of the Chief Executive

The Office of the Chief Executive manages the provision of executive support and secretariat services to the Chief Executive Officer, the WorkCover NSW Executive, the WorkCover NSW Board and the Workers Compensation and Workplace Occupational Health and Safety Council.

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 2010/11 the meetings held and attendances by directors were:

Board	Number eligible to attend	Number attended
Lisa Hunt	11	11
Greg McCarthy	11	11
Nicholas Whitlam	11	11
Sue Clark	11	10
Carolyn Walsh	11	10
Mark Lennon	11	9
Geniere Aplin	11	10

2010/11 Annual Report figures for Audit and Risk Committee attendance

Compensation Authority Staff Division Audit and Risk Committee	Number eligible to attend	Number attended
Doug Wright	8	7
Carolyn Walsh	8	8
Sue Clark	8	6
Robert Ingui	8	7
Raymond Petty	8	8
Cass O'Connor*	7	7
Lisa Hunt**	8	6
Julie Newman***	2	2

* Cass O'Connor appointed on 25 August 2010

** Lisa Hunt as Chief Executive is a standing invitee of the CASD Audit and Risk Committee

*** Julie Newman attended as acting Chief Executive.

WorkCover Board Audit and Risk Management Committee**	Number eligible to attend	Number attended
Doug Wright	2	2
Sue Clark	2	2
Donna Staunton	1	0
Richard Allely	2	1
Lisa Hunt*	2	2

* Lisa Hunt as Chief Executive Officer is a standing invitee of the WCA Board Audit and Risk Management Committee

** WCA Board Audit and Risk Committee dissolved in November 2010 and replaced by the CASD Audit and Risk Committee which commenced in August 2010.

Our working environment

WorkCover is a large risk-based and commercial business with three business streams: work health and safety, workers compensation insurance, and management of the Workers Compensation Insurance Fund (WCIF).

The NSW Workers Compensation Scheme provides protection for over 265,000 businesses (number of employers paying into the Scheme in 2010/11) employers and their employees.

The Scheme is one of Australia's largest insurance businesses and is responsible for approximately \$13 billion under funds management as at June 2011, which is invested in international and domestic markets.

In 2010/11, the Scheme earned around \$2.5 billion in premiums from employers.

Total claim payments of the workers compensation system of over \$2 billion were paid in 2010/11.

WorkCover issued 200,000 licences, notifications, certificates and permits in the year.

The Information Centre received 206,284 calls and 10,195 emails in the year, while the Claims Assistance Service received 6757 requests for assistance.

There were 118,913 work-related injuries and illnesses reported to WorkCover in 2009/10 (latest available data). Of these, 38,111 resulted in five or more days off work, with 9118 resulting in a permanent disability. The total time lost to injury and illness for New South Wales businesses was over 350,441 weeks.

There were 113 employment related fatalities reported to WorkCover, 51 of which occurred as a result of a traumatic injury while the person was at work.

Our new plan

WorkCover launched a new five-year Corporate Plan in 2010. The Plan provides direction for the organisation over the next five years.

The new Plan is the first step in improving business efficiency, with WorkCover focusing on its ability to deliver on its Key Result Areas and supporting Key Performance Indicators.

Following a competitive selection process, KPMG was appointed to undertake a capability review. A number of review recommendations are now being actively implemented that will ultimately improve its service to NSW employers and workers.

Independent review

An independent review into allegations of bullying and harassment within WorkCover was initiated by the previous Government. PricewaterhouseCoopers conducted the review on behalf of the Department of Premier and Cabinet.

Staff were invited to participate in an anonymous online culture survey and individual interviews throughout the process.

The report was released by the previous Government on 3 March 2011, with no matters being referred for further investigation.

WorkCover immediately accepted all of the recommendations. A multi faceted approach to address the findings is underway.

Our customers

We have a diverse range of customers who include; the NSW community, government, employers, workers and third parties. We want positive connections with our customers that build trusted relationships for the future. To achieve this we will:

- ▶ gain a better understanding of our customers
- ▶ make it easier for our customers to do business with us
- ▶ be a trusted work health and safety and workers compensation expert for our customers, and
- ▶ help our customers to be more successful.

By delivering on our customer focused approach it will help us to prevent injury and illness, improve return to work outcomes and deliver lower premiums for the NSW community.

WorkCover has embraced social media as a way to spread important and timely information about workplace health and safety, and engage our stakeholders in discussion.

WorkCover has established a strong Facebook and Twitter presence, and boasts almost 3000 followers on each platform. YouTube has also become a key part of WorkCover's stakeholder engagement strategy, with themed safety videos attracting thousands of views.

In 2010/11, WorkCover received 107 formal compliments congratulating its staff and thanking them for their assistance on work health and safety. Compliments were received for providing advice, timely provision of publications to workplaces and assistance to a young worker starting employment. WorkCover also received compliments regarding its webinars and public information forums outlining the upcoming changes to work health and safety legislation.

WorkCover's Customer Service Charter was updated in 2010/11 to reflect the new values of the organisation. Additional detail on customer feedback is on page 56.

WorkCover is committed to corporate social responsibility and to providing equitable access to all of its services and actively promotes equity and diversity inclusiveness. In 2010/11, WorkCover commenced planning for the establishment of an Aboriginal Services Unit which will commence operation in 2011/12. WorkCover is also engaging with various ethnic communities across NSW to find better ways to assist them to improve their workplace safety.

Call centre award

The WorkCover Customer Service Centre has won first place in the prestigious Asia-Pacific Government Contact Centre Excellence Awards.

This award acknowledges the outstanding achievements of all the dedicated WorkCover staff who provide a positive and important public service.

The Customer Service Centre, which is based at WorkCover's Gosford Office, won the overall award for *customer contact industry achievement that demonstrates outstanding performance in leadership and innovation*.

WorkCover won the award for its innovative Wellness Project, designed to provide mutual benefits for both staff and customers.

Staff working in the Customer Service Centre can often deal with people in great distress, which in turn can have a psychological impact on staff.

The prevention program aimed to enhance the emotional wellbeing of staff, while delivering an outstanding service experience for customers by targeting communication skills in empathy and compassion, call control and the way information is provided.

The project targeted how staff managed calls and examined ways to reduce compassion fatigue by teaching staff coping techniques to build emotional resilience without reducing service levels.

As a result, the Service was able to demonstrate that innovations made to its operating procedures resulted in its ability to successfully manage a high volume of calls, while ensuring staff were psychologically equipped to manage these.

This is the third time the WorkCover Assistance Service has been recognised for its outstanding customer service. The Service won the Category for Best Government Contact Centre Operation with less than 30 employees at the 2007 Asia-Pacific Government Contact Centre Excellence Awards.

It was also a finalist in 2009 in the Category for Best Government Contact Centre Operation with more than 30 employees.

This is the third time the WorkCover Assistance Service has been recognised for its outstanding customer service.

National model legislation

Harmonisation of work, health and safety laws across Australia has been a key focus for WorkCover throughout 2010/11.

The Work Health and Safety Act commences from 1 January 2012 and implements the agreed national model legislation to; maintain its strong work, health and safety framework; keep businesses accountable; reduce red tape for employers; and simplify the laws for both employers and workers. The Work Health and Safety Bill and the Occupational Health and Safety Amendment Bill were passed in June 2011, paving the way for NSW to commence operations under the Act in 2012.

Our inspectorate at work

WorkCover provides advice and services to assist businesses improve workplace injury prevention, while still meeting community expectations regarding enforcement.

WorkCover has the largest workplace safety inspectorate in Australia, with a total of 314 permanent inspector positions spread throughout the State in metropolitan, regional and rural locations.

The inspectorate plays a crucial role in delivering advice, education and practical assistance to the State's businesses. Sanctions are taken where workplaces are shown to be negligent in their safety obligations.

While WorkCover's compliance enforcement role is important, employers are still more likely to receive advice from a WorkCover inspector than any form of penalty.

In 2010/11, 2272 Confirmation of Advice Records were issued to employers to address specific safety concerns identified by WorkCover inspectors.

WorkCover officers conducted 610 workplace advisory visits, 705 workshops, presentations, expos and 20 events.

In 2010/11, inspectors conducted a total of 24,752 visits to workplaces. A total of 14,854 notices were issued, including 587 Penalty Notices, 832 Prohibition Notices and 11,318 Improvement Notices.

'Working' through the NSW Economic Environment 2010/11

The past year has seen the Australian and NSW economies affected by global economic developments, with a continued strong international demand for mineral resources. This has greatly benefited the mining sector, encouraging nearly unprecedented levels of capital investment. Flow on effects have boosted related industries such as utilities, transport and business services.

A strong Australian dollar has reduced the price of imported products, depressing export-oriented industries and placing the export manufacturing sector under increased pressure.

Continuing volatility in financial markets and reverberations of the 2008/09 global financial crisis (the GFC), has depressed consumer retail sales.

At the NSW level, unemployment has remained largely unchanged with the rising fortunes of the mining and related sectors being offset by the retail and manufacturing sectors. Construction has also remained slow since the GFC.

The resulting change in the NSW employment profile may also have changed the injury risk profile in NSW, with an increase in the proportion of people employed in the services sectors compared to manufacturing and construction. The relative downturn in manufacturing and construction (high risk blue collar workplaces) and the increase in business services (relatively lower risk white collar workplaces) have contributed to a continued decline in numbers of workers compensation claims.

Experience and research has shown that when the economy is booming, the number of claims lodged also increases. A decrease in claims usually accompanies a downturn in the economy.

WorkCover has undertaken, and will continue to undertake geographic and industry sector risk profiles focusing on employment potential and demographic changes that could impact on risk-profile. For example, analysis may detect a sudden surge in the construction sector with an influx of young, relatively inexperienced workers into a high risk industry. In response, WorkCover would reallocate its resources to target this high-risk sector in order to minimise the risk of work-related incidents.

Using the economy to drive workplace safety performance

WorkCover established a number of new initiatives that aim to secure the control of serious health and safety risks. Using enhanced workplace safety risk analysis, WorkCover is targeting high-risk and vulnerable sectors in the community. This includes a specific focus on regional workplace safety issues, high-risk industries, and injury and illnesses.

The Ten-five-five Program will focus on the top 10 industries, top five injuries and top five illnesses in New South Wales based on their level of risk.

WorkCover is using quality data metrics and data analysis including horizon scanning and forecasting to identify priority areas and implementing a coordinated approach to focus work health and safety interventions on those priorities.

By taking a multidisciplinary and holistic approach to work health and safety, injury management and return to work, WorkCover is working with industry to focus on the key injuries and illnesses and their causes. Additional information about the Program commences on page 18.

Programs are also being developed in partnership with peak industry groups and stakeholders to ensure improvements are achieved on a State-wide basis. More detail is provided on page 18.

The other end of improving workplace safety comes from enforcement action following a major workplace incident. WorkCover continues to apply sanctions in instances where breaches of occupational health and safety laws have occurred and when advice and assistance has failed.

The Close the Loop Program involves a workplace follow-up visit within three months of a prosecution, to verify that controls for serious risks remain in place and to discuss lessons learnt from the investigation.

WorkCover's renewed focus has seen reductions in fatalities, serious injuries and illnesses within a transparent regulatory environment that is meeting community expectations.

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 Insurance Agents and Self and Specialised Insurers to target and uncover potentially fraudulent matters.

Fraud may be committed by employers, workers and service providers.

In 2010/11, WorkCover received 369 referrals of alleged fraudulent activity, all of which have and are being actioned. As a result of fraud investigations there have been 49 successful charges against nine defendants in nine matters.

Scheme performance and the economy

The Fund has produced an 8 per cent return for the financial year ending 30 June 2011.

The global economic recovery has been sustained at a moderate pace. Growth assets performed well in the first six months of the 2010/11 financial year.

The rally in growth assets was shaken by the Japanese earthquake disaster in March 2011. Investor sentiment was dampened due to US and European debt concerns. A flight to safety caused bond yields to fall and growth asset to lose some of the gains made in the first half of the financial year.

In Australia, the Queensland floods and cyclones in early 2011 caused temporary disruption to economic growth and upward pressure on inflation.

The Australian dollar which rose sharply against most major global currencies, ended the financial year at US \$1.07 compared to US 84 cents in June 2010. This served to moderate the returns from unhedged global equities. Defensive assets delivered solid performance, with Australian inflation linked bonds returning 6.3 per cent following a very strong 2010. Australian government bonds returned 4.5 per cent for the period.

Australian unlisted property provided a positive return over the period on the back of improved fundamentals and a stabilisation of capitalisation rates.

A full analysis of fund performance commences on page 36.

Prevention of workplace injury and illness

Ensuring the safe return home of workers is the most important thing employers can do for their workers. WorkCover helps businesses achieve this goal by providing advice and assistance on work health and safety obligations that enable business to effectively manage their work health and safety risks.

WorkCover also undertakes workplace inspections, investigations into workplace incidents and complaints, and where necessary the application of sanctions.

Target priority industries, injuries and illnesses

Targeted risks

WorkCover is working with industry on a holistic, multidisciplinary approach to work health and safety, injury management and return to work. Programs developed in partnership with peak industry groups and stakeholders, will ensure state-wide improvements in the incidence of workplace injury and illness in targeted high risk areas.

To drive continuous improvements in workplace safety and return to work outcomes, WorkCover will focus on the top ten industries, top five injuries and top five illnesses in NSW based on their level of risk.

The ten high risk industries identified in the Ten-five-five Program are:

- ▶ Site Preparation Services – Demolition
- ▶ Building Structure Services – Concrete Construction Services
- ▶ Other Construction Services – Landscaping Services
- ▶ Non-Building Construction – Road and Bridge Construction
- ▶ Building Construction – House Construction
- ▶ Road Freight Transport
- ▶ Other Wood Product Manufacturing – Wooden Structural Component Manufacturing
- ▶ Plastic Product Manufacturing
- ▶ Sheep and Beef Cattle Farming, and
- ▶ Horticulture and Fruit Growing – Plant nurseries and grape growing.

Site preparation services, including demolition, was chosen as the pilot industry for the Program. The pilot commenced in 2010/11. The program is working with industry to change the safety culture to reduce the incidence of falls and lacerations on demolition sites.

With the pilot well underway, the Program roll-out will be expanded to the remaining priority industries throughout 2011/12.

Occupational Disease and Wellbeing Strategy

In line with the National OHS Strategy 2002-2012 priority for the prevention of occupational disease, WorkCover is targeting the top five highest risk illnesses that affect NSW workers. These are:

- ▶ mental disorders (including stress)
- ▶ diseases of the nervous system and senses (including hearing loss)
- ▶ occupational cancers
- ▶ diseases of the respiratory system, and
- ▶ diseases of the musculoskeletal system.

In September 2010, drafting of the Occupational Disease and Wellbeing Strategy to address the top five highest risk illnesses commenced. It will identify industry engagement and awareness mechanisms, a preventative intervention model, and initiatives to build the capacity of WorkCover and industry to address occupational diseases.

Research and analysis of workers compensation claims and NSW hospitals admissions data has been completed, and will inform development of the Strategy, which will be finalised in late 2011 and implemented in 2012.

Partnerships and alliances

WorkCover is fostering relationships with industry associations and peak unions to achieve safer workplaces, effective recovery, return to work and security for injured workers. It meets regularly with ten active partners:

- ▶ Australian Meat Industry Council
- ▶ Boating Industry Association
- ▶ Clubs NSW
- ▶ Forests NSW
- ▶ Housing Industry Association
- ▶ Master Builders Association
- ▶ Motor Traders Association
- ▶ Printing Industry Association of Australia
- ▶ Restaurant & Catering NSW, and
- ▶ Waste Contractors & Recyclers Association of NSW.

Additional partnerships are expected to be formed with industries under the Ten-five-five Program.

Alliances

WorkCover developed and formalised Alliance relationships with the seven Head (Principal) Contractors assigned to oversee the Federal Government's Stimulus Package Building the Education Revolution (BER) for construction work in schools across New South Wales.

The aim of these Alliances is to work together to advance the development of practical and effective approaches to workplace health and safety and injury management. Alliance partners are:

- ▶ AbiGroup
- ▶ Bovis Lend Lease Pty Ltd
- ▶ Brookfield Multiplex
- ▶ Hansen Yuncken
- ▶ Laing O'Rourke
- ▶ Richard Crookes, and
- ▶ Reed Constructions.

Another recently signed alliance was the WIN Stadium Alliance with Department of Finance and Services. The WIN Stadium is a large construction development project in the Wollongong city.

Long Distance Truck Driver Fatigue

The provision of useful safety information plays an important role in ensuring the State's 36,600 truck drivers come home safely to their families.

Workplace injuries in road freight transport in NSW rose from 4.3 injuries per 1000 employees in February 2008, to 5.5 in November 2009. In response to the rise in injuries, WorkCover developed a major Long Distance Truck Driver Fatigue campaign in May 2010.

The campaign included development of information tools, including a Long Distance Truck Driver Fatigue Kit, that comprised fact sheets and checklists for all parties in the transport supply chain, posters, and a special trucking music CD that mixes classic rock 'n' roll with driver safety messages.

In 2010/11, WorkCover distributed 4483 Driver Fatigue kits and 1850 trucking safety CDs at Driver Awareness Days held at Roads and Traffic Authority checking stations. WorkCover also direct-mailed Driver Fatigue Kits to 12,000 workplaces engaged in road freight and placed fatigue reminder posters in toilets at major truck stops throughout the State.

Workplace audits were conducted on over 80 high-freight movement organisations, distribution and receiving depots. The audits focused on the obligations of consignor and consignees in the supply chain, in particular on the systematic management and application of Driver Fatigue Management Plans.



Working with the service station industry

In November 2010, WorkCover convened a forum with petrol retailers and gas suppliers to discuss the key findings of a recent verification program into the service station industry.

The forum highlighted program findings on the safe storage and handling of dangerous goods, in particular as they relate to the safe operation of service stations.

A draft compliance verification tool was provided to forum attendees to obtain their input to further development. The Forum reconvened in April 2011 to gain feedback on the tool and hear an update on the planned rollout of a Regional Verification Program into the service station industry.

WorkCover and AMIC partnership

The Australian Meat Industry Council (AMIC) is the peak council representing retailers, processors and smallgoods manufacturers, and is the only industry association representing the post-farm-gate Australian meat industry.

As industry leaders, AMIC are in an excellent position to champion the prevention of workplace injury and illness, and improve workers compensation outcomes in the meat industry.

AMIC has shown its dedication to building a safe work culture within the meat industry through the development of a partnership agreement with WorkCover. The partnership agreement focuses on the identification and development of workable solutions to high-risk workplace safety issues in the meat industry.

Under the agreement, advisory visits were undertaken of meat processing, retailing and small goods manufacturers in the metropolitan region. The advisory visits helped to identify industry specific safety issues. These issues were used to tailor eight workshops that were rolled out across NSW in May and June 2011. In addition Bandsaw Posters and Bandsaw Stickers were redesigned and distributed at the workshops along with the newly developed factsheet *"Manual tasks in the meat industry"*.



A modern safety approach to an age-old industry practice



In July 2010, WorkCover worked in partnership with Ballina Shire Council to help build and improve Council's capability to systematically manage workplace health and safety in accordance with legislative requirements.

As a result, there have been significant improvements to Council's overall work health and safety performance, including the development of a system to ensure the safety of staff members involved in grave digging at Council cemeteries.

Until 2010, Council outsourced its grave management activities. In preparation for this new role, cemetery staff received accredited training on safe grave operation. New Safe Work Method Statements (SWMS) were prepared to ensure that the activities were performed to the highest possible safety standard.



To ensure adequate earth retention measures and prevent cave-ins, particularly in the sandy areas, cemetery staff designed a practical shoring system that addressed the safety issues.

Following a number of trials, Council's workshop manufactured a lightweight, easy to install shoring system that facilitates easy installation and dismantling.



Ballina Shire Council staff members involved in developing the new shoring system.

Safety for Scaffolders

WorkCover recently found that both technical and organisational issues were impacting on the capacity of the scaffolders to deliver and erect safe scaffolds.

Discussions with Essential Energy (formerly Country Energy) indicated that many of its scaffolders were also unaware of critical safety issues associated with the erection and dismantling of scaffold around overhead power lines.

Eleven local scaffolding companies attended training in February 2011 on the issues faced by scaffolders, particularly overhead power line safety. The session also gave scaffolders the opportunity to air their safety concerns and identify how principal contractors might assist them to deliver safe and compliant scaffold.

Wind farm industry

WorkCover has been working with the wind farm industry near Goulburn on a project to ensure work health and safety within this burgeoning industry.

This relatively new, yet fast expanding industry, has an excellent work health and safety record in Australia. This is largely due to a strong emphasis on safety and compliance with international standards. Previous incidents overseas, such as blade failure and fire, have reinforced the importance of effective safety processes in Australia.

In response, WorkCover NSW has established a Wind Farms Safety Project to measure and benchmark the management of occupational health and safety, and workers compensation issues during construction and post commissioning phases. The project also involves developing a consistent approach to occupational health and safety with locally and internationally-owned wind farm companies.

Rural Safety Improvement Program

WorkCover undertook various initiatives under the Rural Safety Improvement Program to raise awareness of work health and safety issues and contribute to safer farms, farming equipment and work practices.

These include:

- ▶ fostering Local Farm Safety by attending or sponsoring field days
- ▶ commenced negotiations with the NSW Farmers Association to improve workplace health and injury management in the agriculture industry sector through a formal partnership agreement
- ▶ developing industry safety standards on Slashers and Front end loaders and their attachments
- ▶ reviewing the Wool Harvesting Guide, and
- ▶ working with the wine production industry to address industry specific hazards.

Regional alliances

A number of key alliances have been formed in regional and rural NSW to ensure agreed safety outcomes.

The Migrant Community Project followed an injury to an overseas labour hire worker. The project provided information sessions on legal obligations for work, health and safety, workers compensation and injury management to workers and employers in the Griffith area. The project was done in consultation with Griffith City Council.

Young Workers Safety in Construction Project: Field interviews with young apprentices in the Griffith district were held to determine their level of acquired knowledge in site safety and to determine employer commitment to fulfilling their work health and safety obligations.

WorkCover and Tarcutta Hume Alliance: The alliance between WorkCover, the Roads and Traffic Authority (RTA) and Leighton Contractors was focused on ensuring that agreed safety outcomes are being achieved in a major road bypass project.

WorkCover and Woomargama Alliance: The alliance between WorkCover, the RTA and Abigroup was focused on ensuring that agreed safety outcomes are being achieved in a major road bypass project.

WorkCover and Wellington Council Alliance: The alliance between WorkCover and Wellington Shire Council is aimed at achieving agreed safety outcomes for the period 2011–2012.



Paying it forward – from mentee to mentor

When Owen Bladen decided to participate in WorkCover's 2009 Mentor Program as a mentee, he never imagined that down the track he'd become a mentor himself.

Since those early days, the manager of Traffic Control Services – a company providing traffic management, labour hire and training services for the construction industry – has gone on to mentor other construction company employees, passing on his own knowledge.

"What I enjoy most about mentoring is helping mentees to grasp and implement new ideas in work health and safety," he said.

Owen's current mentee, Amanda Jones, is the administration manager of Mobile Plant Operator Training Services.

The company provides training in work health and safety and traffic control, as well as the use of forklifts and other high-risk equipment.

Given the safety challenges in her industry, Amanda joined the program to continue her company's commitment to work health and safety.

"Because the unsafe use of a high-risk machine can endanger its operator and those near it, it's important for training organisations such as ours to focus on quality training," Amanda said.

This common interest in health and safety has not only helped the pair address issues in their own workplaces, but has also fostered a greater awareness of the requirements for making workplace safety improvements.

As Owen points out, there needs to be a genuine desire in an organisation for a positive change to be made in its health and safety practices.

"When it comes to taking measures such as updating equipment or changing safety precautions, it's essential for a company to be prepared to go the hard yards. There's simply no other way to do it," he said.

Amanda agrees, adding that the mentor program encourages its participants to make such changes by giving them the opportunity to learn from another company's experiences.

But one of the more personal rewards of the program is, as Owen points out, the opportunity to pass on his knowledge and experiences to others.

"I've worked in the transport and construction industries for most of my life and have noticed that these industries often need help in addressing safety issues," Owen said.

"By starting out as a mentee, the mentor program has given me a good grounding in understanding how that help can be given. And now, as a mentor, I can see how other companies are very grateful for that help."

For more information or to register your interest in the Mentor Program visit workcover.nsw.gov.au/mentorprogram or call 13 10 50.



Safety Ambassadors Program

Safety ambassadors are experienced small business operators who have faced their own challenges in addressing safety in their workplace. They share how they achieved change, improved systems and processes and improved their business. Safety Ambassadors use their personal and business credibility, reputation and ability to inspire and influence positive safety change with small business peers.

Safety Solutions Rebate Program

In 2010/11, more than 440 NSW small businesses benefited through \$200,000 in safety rebates issued as part of WorkCover's Safety Solutions Rebate Program. The program offers up to \$500 (excluding GST) to help businesses identify and implement safety solutions in the workplace. It is available to small businesses that attend a free WorkCover safety workshop or workplace advisory visit from a WorkCover Business Advisory Officer.

During 2010/11, the program enabled businesses to make over \$410,000 in safety improvements that directly benefited their business, that they otherwise may not have been able to afford.

Triflex Automation at Seven Hills in Sydney's west participated in the program.

"We used our rebate to purchase a work platform, full body harness and shock absorbing lanyard which enables our staff to safely access items in our warehouse," Triflex Automation Managing Director, Reid Berg said.

Advisory Services

In 2010/11, WorkCover officers conducted 705 free workshops and presentations for NSW business operators, reaching more than 9000 participants. Feedback indicates that more than 90 per cent of participants agreed they had obtained practical work health and safety skills and knowledge they could apply in their workplaces after attending one of these advisory sessions.

WorkCover has also completed 610 workplace advisory visits to NSW small businesses, providing face-to-face practical advice and assistance on health and safety, workers compensation, and injury management matters identified by the requesting business operator.

Joint NSW Police/WorkCover Fireworks Taskforce

In February 2010, NSW Police raised concerns about the illegal use of fireworks as weapons against police. In response to these concerns WorkCover established a joint taskforce with NSW Police.

WorkCover has been proactive by:

- ▶ training taskforce staff in a program supported by the Pyrotechnics Industry Association of Australia
- ▶ increased monitoring and enforcement of licensed fireworks importers/suppliers
- ▶ participating in activities which resulted in the seizure of illegal fireworks
- ▶ conducting audits and cross checks of records, and
- ▶ writing and circulating Standard Operating Procedures for Police to follow when dealing with illegal fireworks.

Importer, supply and illegal use strategies will be implemented to address the illegal use of fireworks in the New South Wales community and improve controls over the supply chain and pyrotechnicians.

Surgical instrument transport cases

WorkCover established and led a tripartite national working party to develop solutions for the safe design and handling of road cases, tubs and trays, used in the transportation of surgical instruments. A single transport case to be used by all suppliers across Australia was considered the best solution.

The prototype transport case significantly reduced the risk of musculoskeletal injury in all work processes. A national Industry Safety Guide developed for the *Safe Design and Handling of Surgical Instrument Transport Cases* was published in May 2011. The guide outlines the responsibilities of all parties from designers through to the end users.

Bullying Prevention Program

WorkCover recently conducted a bullying prevention program to address the rising incidence of workers compensation claims and costs resulting from bullying in the workplace. The program used a range of interventions; including workplace visits, bullying prevention workshops, audit programs, and communication and promotional activities. There were a total of 228 workplace visits and 57 bullying prevention workshops held across NSW.

A suite of guidance materials were used as educational resources during this campaign. The *Preventing and Responding to Bullying at Work* guides also provides practical advice for employers and employees on how to deal with bullying in the workplace, along with how to implement a policy and system around preventing bullying behaviours. The guide and associated materials can be found on WorkCover's website at www.workcover.nsw.gov.au

International Electrotechnical Commission Award

Ajay Maira, Manager of WorkCover's Electrical Low Current Branch, has received the coveted IEC1906 Award from the International Electrotechnical Commission (IEC). The award honours those technical experts around the world whose role in the Commission's work is vital and whose contributions have been judged to be exceptional.

The IEC's Technical Committee for Equipment in Explosive Areas is dedicated to international standards relating to equipment used in explosive atmospheres, such as underground coal mines. Ajay has been participating as an active member of the IEC since 1999 and specialised in the technique of intrinsic safety. In 2001 Ajay became the Convenor of the IEC team developing and maintaining the intrinsic safety standard IEC 60079-11. This team of international experts, lead by Ajay, has been able to produce international standards of the highest quality which have been of benefit to many industries including underground coal mines, oil refineries and chemical processing plants.

Much of the work that Ajay and his staff perform is assessing and testing electrical equipment used in hazardous areas where explosion protection is required. The equipment is used in coal mining and other industries such as petroleum, gas and pharmaceutical industries.



Ajay receiving his Award from Else Shepherd, President of the Australian National Committee of the IEC.

Bullying Support Service

In March 2011, WorkCover launched a State-wide six-month Bullying Support Service. The service provides specialist support, including crisis counselling, referral, information and advice to workers enquiring about bullying related matters.

WorkCover will evaluate the Support Service and develop a best practice model to assist callers through what are at times complex bullying matters.

Review of work health and safety legislation

A key focus in 2010/11 has been preparing for the new national model work health and safety legislation, scheduled to commence on 1 January 2012.

Work Health and Safety Legislation 2010/11

WorkCover has been instrumental in development of the model work health and safety (WHS) legislation and continues to work towards implementing the *Work Health and Safety Act 2011* in NSW by 1 January 2012. The new legislation will ensure that NSW maintains its strong work health and safety framework; keeps businesses accountable; reduces red tape for employers; and simplifies the laws for both employers and workers.

In May 2011, the NSW Government introduced two bills to Parliament: the first, to enact the new Work Health and Safety Bill, and the second, to amend the current *Occupational Health and Safety Act 2000* to bring forward some key parts of the national model laws in the lead up to the 1 January 2012 implementation.

The key amendments to the current *Occupational Health and Safety Act 2000* remove the:

- ▶ 'reverse onus of proof' for employers by qualifying their primary duty of care for what is reasonably practicable, and
- ▶ deeming of liability for directors and managers of corporations for a breach of the Act. Officers of corporations will need to demonstrate they have exercised all due diligence, but will now only be liable for their own acts or omissions.

These amendments will offer more clarity and help prepare everyone for the changes introduced in the *Work Health and Safety Act 2011*.

On 7 June 2011, the *Occupational Health and Safety (OHS) Amendment Act* became law. The *Work Health and Safety Act 2011* will come into effect on 1 January 2012.

WorkCover participated in the development of model regulations and codes of practice. The draft package was released by Safe Work Australia for public comment between December 2010 and April 2011. The draft regulations have been updated following consideration of comments received from stakeholders across Australia. It is anticipated that the Workplace Relations Ministers' Council will consider the updated model Work Health and Safety Regulations package in August 2011.

In addition, WorkCover is actively participating in the Heads of Workplace Safety Authorities' Regulators Harmonisation Project (RHP). The project incorporates a wide range of activities that will influence the way in which work health and safety regulators and their inspectors administer the future work health and safety laws.

In December 2009, WorkCover established the Work Health and Safety Legislation Implementation Program (WHS LIP) to ensure WorkCover and its stakeholders are ready to operate under the new legislation. The Program has provided much of the training and communications activities, with presentation to internal and external audiences already being provided. It is due to complete the transition to operations within WorkCover by mid-2012.

Taking 'the message' to regional New South Wales

During 2010/11 WorkCover delivered 338 presentations on the model work health and safety legislation to large, medium and small sized business representatives across NSW. The presentations were in association with business groups and employee representative groups through existing industry partnerships and alliances, and were tailored for workplace health and safety stakeholders.

Working with industry to promote the model legislation has had significant 'knock on' effect for many stakeholder networks' actively promoting the legislation and the information sessions to their membership and industry in general. Stakeholder feedback has been very positive and resulted in WorkCover receiving a large number of requests to provide more presentations throughout 2011.

Regional workshops

As part of the existing industry partnerships, WorkCover delivered workshops on the model Work Health and Safety Act and Regulation in Broken Hill and Tweed Heads. The workshops were attended by a variety of regionally-based businesses.

Attendees had the opportunity to hear directly from the regulator on the changes to workplace health and safety legislation and came away with an improved understanding of what the changes mean for their businesses and how they need to prepare.

Webinar Program

Online seminars (or webinars) have proven highly successful in providing new work health safety information to businesses.

Since March 2011, WorkCover has held three webinars held with an average of around 600 attendees interacting in each 45-minute webinar.

Attendees advised that the webinars were easy to access, with excellent audio and concise presentations.

Some of the great testimonies from recent webinars were:

"Format is concise and gives a good overview of the topic – extra or additional information relevant to my business can be obtained via email contact with WorkCover."

"First webinar I have attended. So it was all a bit new for me. I found it good and informative ... I was stuck at home today due to flooded roads and was able to have my work forward to me at home the login details. Great technology. Recommend more of it. Will be involved in the upcoming webinars for sure."

"Great initiative. Thanks. The voice was clear and the slides easy to view."

"The audio streaming was terrific, there was no lag and I could hear the talker clearly at all times. Having a host read out the questions rather than people asking questions themselves is another terrific idea – as it is often hard to understand new voices that aren't a part of the whole webinar, ie. the constant voice of the host made it much easier to understand each question."

"It was conducted in a professional, easy to understand format."



Narrator – Senior Inspector Susan Laurie

Work health and safety performance

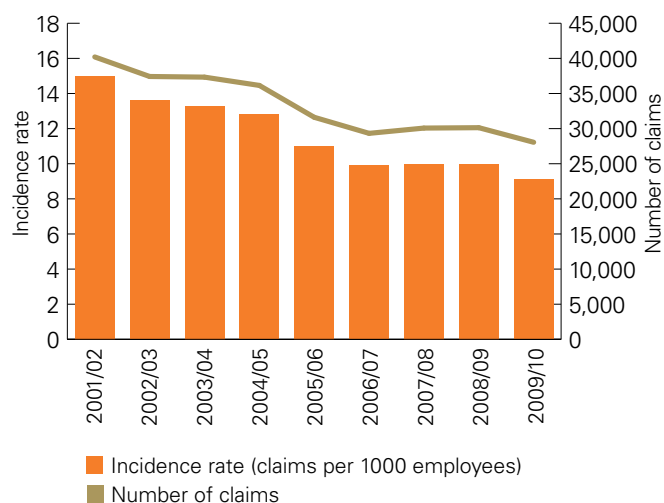
The most recent figures (2009/10 data) show that major workplace injury incidence rates (definition below) have reduced by 51 per cent since 1991/92 from 18.7 injuries per 1000 workers to 9.1. This is the lowest rate since inception of the Scheme in 1987. Work-related fatalities have dropped by 36 per cent, from 177 to 113 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. The graph below indicates the incidence rates of major workplace injury claims. The graph shows a continued reduction in workplace injuries.

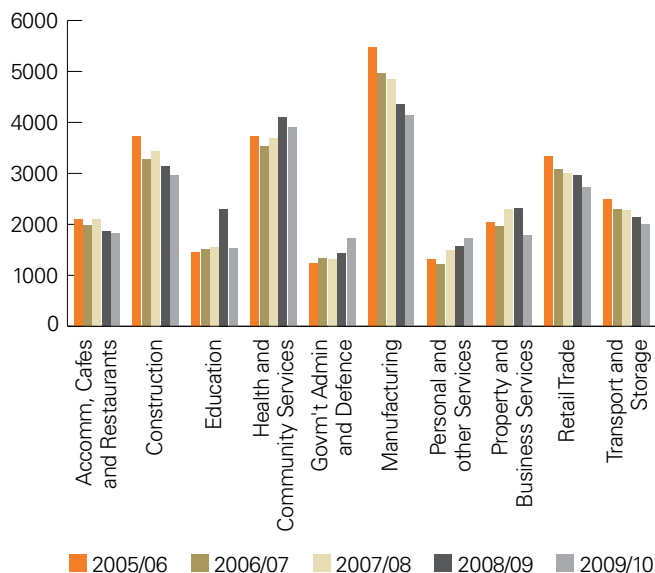
From 2004/05 road traffic accidents at work have been included in workplace injury calculations.

Major workplace injuries



There were a total of 28,056 major workplace injuries reported in 2009/10 (the latest released data), a reduction of 29 per cent from the 39,531 reported in 1999/2000. This represents a 42 per cent reduction in major workplace injury incidence rates which have reduced from 15.8 to 9.1 over the same ten-year period. This decrease is significant considering the reclassification of road traffic accidents in 2004/05.

Highest number of workplace injury claims in 2009/10 by industry

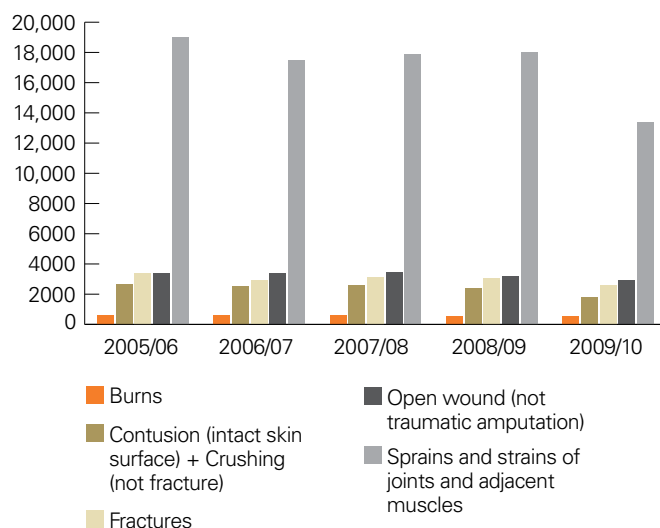


The agriculture, forestry and fishing industry had the highest rate of major workplace injuries with 19.3 per 1000 employees. The highest number of major claims was received in the manufacturing industry with 4139. The highest number of workplace fatalities was recorded in the transport and storage industry with 15, followed closely by construction with 11. Together, these two industries accounted for 51 per cent of all workplace fatalities.

Manual handling injuries were the most common mechanism for workplace injuries, contributing to a total of 8116 of the 28,056 workplace injuries across all industries.

Sprains and strains of joints and adjacent muscles remains the highest reported injury type with 16,801 recorded in 2009/10. A total of 6398 of these injuries were reported as back injuries. The graph below shows the highest ranking injury types (excludes 'other').

Five most common injury types



Labourers and related workers had the highest occupational incidence rate with 22.5 major injuries per 1000 workers. There were four workplace fatalities for this occupation, the fourth highest number of fatalities by occupation, behind intermediate production and transport workers (21), tradespersons and related workers (10) and professionals (six).

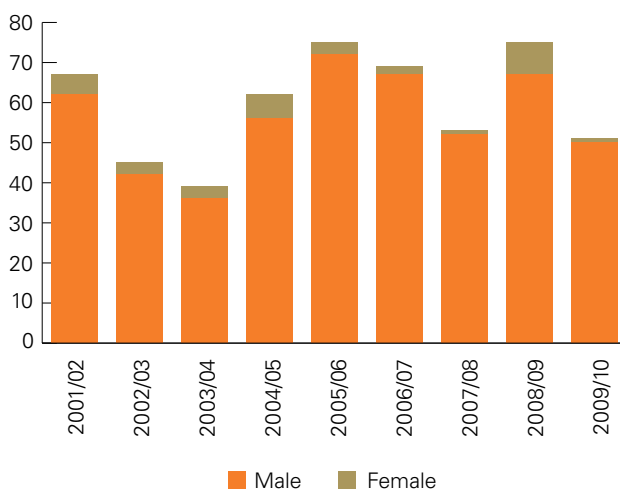
The age range with the highest number of major workplace injuries was the 45 to 49 year age bracket with 3656 injuries and an incidence rate of 10.4. The lowest incidence rate by age bracket was the 15 to 19 year range with six injuries per 1000 employees, followed by the 25 to 29 year bracket (seven) and the 20 to 24 year bracket (7.4).

Workplace fatalities

Workplace fatalities continue to fluctuate from year to year having reduced from 75 in 2008/09 to 51 in 2009/10. WorkCover uses the rate of fatalities per 100,000 workers to measure trends.

There have been 659 workplace fatalities in the ten year period from 2000/01 to 2009/10. Of these 90 were a result of a road transport incident, representing 14 per cent of all workplace fatalities.

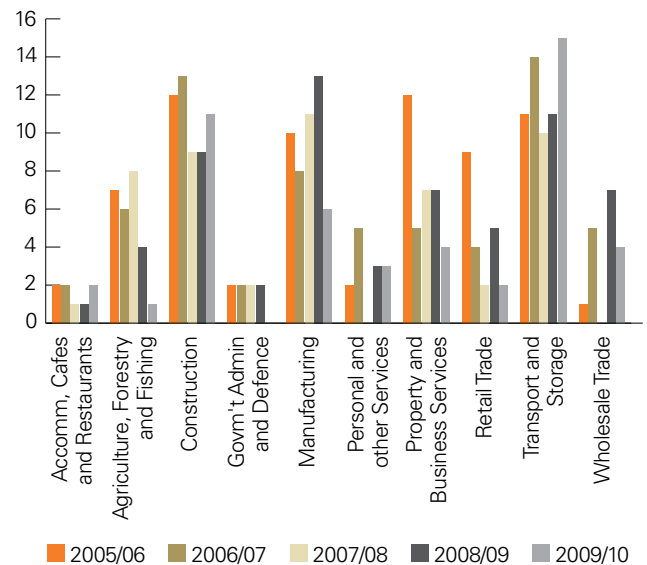
Workplace fatalities



The graph above shows the number of workplace fatalities by gender. Of the 51 workplace fatalities in 2009/10, 50 were males, with one female fatality, reduced from eight 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.

The transport and storage industry has had the highest number of workplace fatalities over the past five years with a total of 61. There have also been 54 fatalities in the construction industry and 48 in the manufacturing industry over the same period.

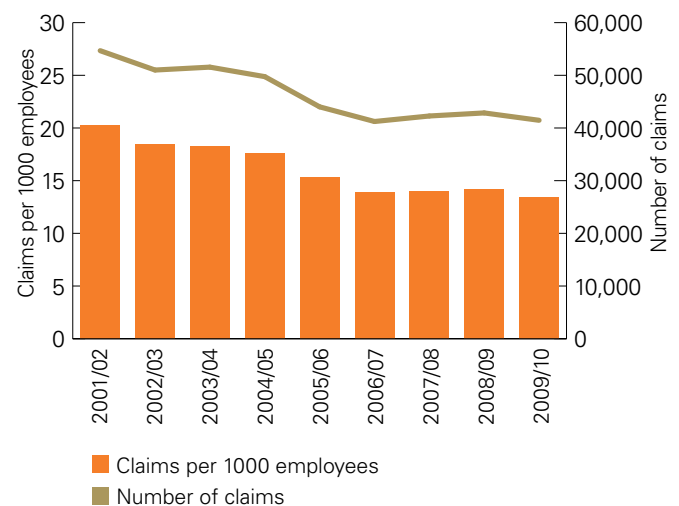
Industries with the highest number of workplace fatalities



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 128,923 employment injuries in 2009/10, a reduction of nine per cent from the 133,188 reported in 2008/09.

Major employment injuries

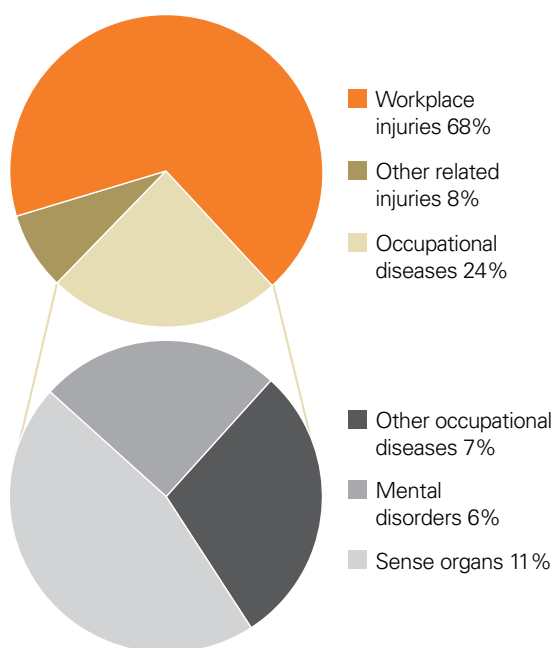


Major employment injury claims are those that result from incidents causing death, permanent disability or temporary disability where five or more days have been paid for total incapacity. Major employment injury incidence rates (major employment injuries per 1000 employees) have reduced by 37 per cent from 21.3 in 1999/2000 to 13.4 in 2009/10.

The graph on page 27 shows the continual reduction in major employment injury claims and incidence rates since 2001/02. The mining sector had the highest incidence rate (33.5) followed by transport and storage (23.5), and the construction industry (23.5).

An analysis of employment injuries represented in the graph below shows workplace injuries make up approximately 68 per cent of all employment injuries, followed by occupational diseases (24 per cent), with other work-related injuries contributing to 8 per cent.

Major Employment injuries

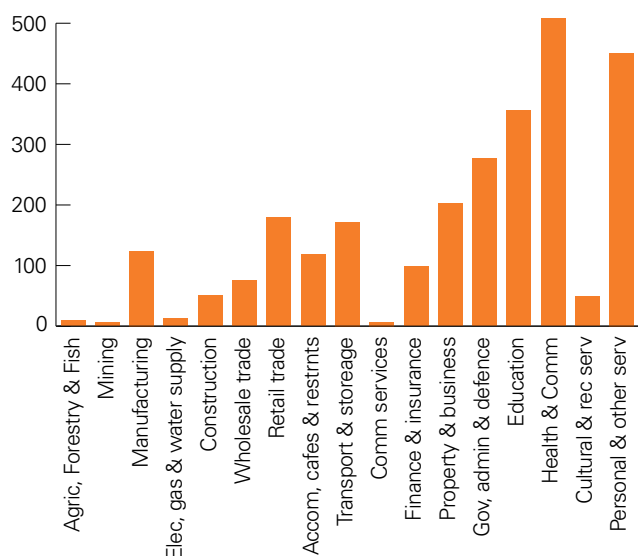


Industrial deafness was the major contributor of occupational disease, representing 4290 of the 10,055 claims, increasing from 3285 in 2008/09.

Mental disorders continue to be highly represented with 2695 claims, a slight increase from the 2530 claims in 2008/09. The incidence rate of mental disorders (1.1) is slightly lower than the high of 1.2 recorded in 2002/03.

As shown in the following graph, the health and community services industry was the major contributor, representing over 19 per cent of all reported mental disorders. The number of claims has also increased in the health and community services sector from 448 in 2008/09 to 508 in 2009/10.

Number of mental disorder claims by industry

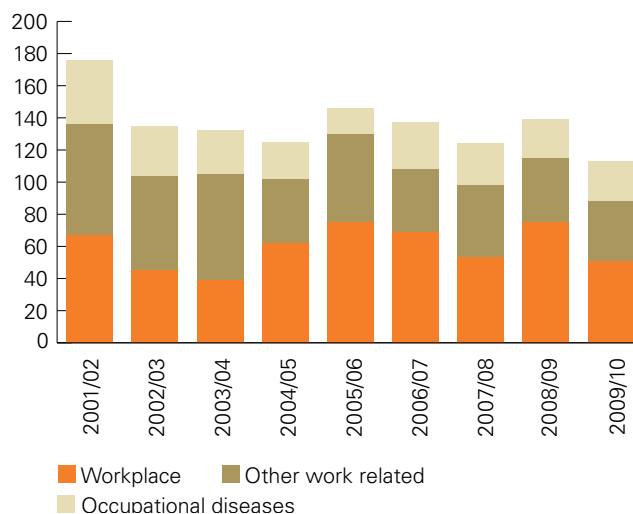


Employment fatalities

There were 113 work related fatalities in 2009/10, a reduction of 46 per cent since the Scheme commenced in 1987/88. This represents a 66 per cent reduction in the fatality incidence rate. The graph below shows the reduction in fatalities since 2001/02.

- 51 occurred as a result of traumatic injury while the person was at work
- 25 resulted from diseases contracted or aggravated as a result of employment, and
- 37 occurred while the person was away from their place of work (for example commuting to or from work).

Employment fatalities



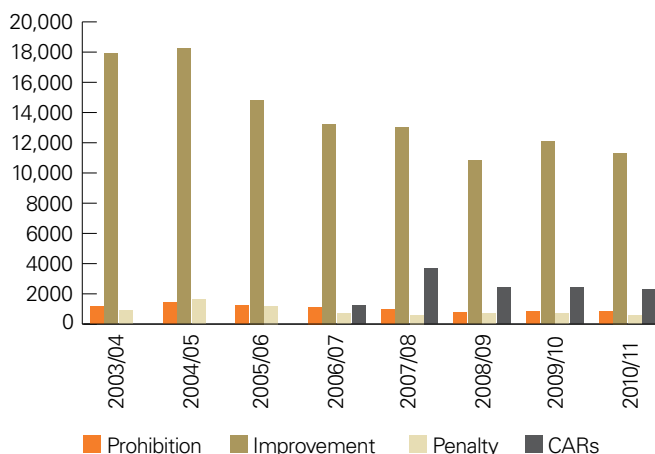
Use investigation, enforcement and follow-up safety risks

WorkCover assists businesses in improving their workplace safety, while still meeting community expectations regarding enforcement. The approach is consistent with the National Compliance and Enforcement Policy.

WorkCover applies evidence based processes to determine the most appropriate advisory and compliance approach for each safety issue. These approaches include a variety of advisory and enforcement activities.

During 2010/11, WorkCover issued 2272 Confirmation of Advice Records to employers focusing on safety issues identified in consultation with WorkCover inspectors. WorkCover inspectors and advisory officers conducted 610 workplace advisory visits and held 705 workshops, presentations and expos and 20 events. Inspectors conducted a total of 24,752 visits to workplaces. As a result of these visits a total of 14,854 notices were issued, including 587 Penalty Notices, 832 Prohibition Notices and 11,318 Improvement Notices.

Notices Issued



OHS prosecutions

WorkCover undertakes strategic prosecutions for non-compliance with occupational health and safety legislation. In 2010/11, WorkCover concluded a total of 109 successful occupational health and safety prosecutions involving 89 defendants in 47 matters. Total fines awarded by the courts were over \$6 million.

A total of 124 defendants were charged for breaches of the legislation in 2010/11. As at 30 June 2011, 171 defendants were before the Courts for breaches of occupational health and safety legislation. This does not include the five matters currently under appeal.

High Quality Investigations Priority Program

The High Quality Investigations Priority Program will deliver improved management of workplace safety risks in NSW businesses by:

- ▶ developing policies, procedures and manuals to support the investigation function
- ▶ implementing a 'Close the Loop' framework that ensures that risks continue to be controlled after the prosecution
- ▶ establishing a 'Credit Watch' process to proactively monitor high risk workplaces, and
- ▶ developing an investigation/prosecution communication strategy.

During 2010/11, a High Quality Investigations Taskforce was established to develop and implement these initiatives. A policy was developed for implementation in 2011/12.

WorkCover at the Sydney Shows

The Sydney Royal Easter Show was held over two weeks in April 2011 at Sydney's Homebush complex. The Sydney Family Show was also held in April at Moore Park.

WorkCover assisted the organisers behind the scenes to ensure the highest level of safety for all workers, exhibitors and visitors to the shows. WorkCover delivered information and advice sessions to the show's employers and workers, with a particular emphasis on young and vulnerable workers that are involved in carnival operations, catering and show bag sales.

WorkCover conducted inspections and audits of amusement devices prior to the commencement of the shows. Inspectors were on site every day working in consultation with organisers, NSW police and other regulatory agencies to quickly rectify any issues associated with amusement device operations or work health and safety.

Authorisation

WorkCover may ban some specific work-related activities or products unless specific permission has been granted. These 'authorisations' are imposed because WorkCover believes certain activities or products are potentially dangerous to workers.

The NSW Government has developed a licence processing system, the Government Licensing System (GLS), for use by all NSW Government agencies. WorkCover is in the process of transitioning its current licensing systems to the GLS. The use of GLS Work, Health and Safety licenses will:

- ▶ reduce the complexity of licence processing and engagement through efficient, consistent and coordinated management of resources, licensing policies and procedures
- ▶ reduce information technology costs by combining eight systems into the GLS, and
- ▶ reduce red tape by opening up online services.

WorkCover has scheduled transition of its existing licenses to the GLS by December 2011.

Asbestos Co-Regulators Working Group

WorkCover has taken a lead role in coordinating an intergovernmental review and response to asbestos-related issues in the workplace and community.

In March 2010, WorkCover established an Asbestos Co-Regulators Working Group comprising senior representatives from the Department of Environment, Climate Change and Water, Workers' Compensation Dust Diseases Board, Local Government and Shires Association and the former New South Wales Department of Planning (now the Department of Planning and Infrastructure).

The Group has mapped roles and responsibilities and identified areas for improvement cooperation and coordination of asbestos issues.

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 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.

In November 2010, the New South Wales Ombudsman released a report into the level of co-ordination between intergovernmental agencies entitled *Responding to the asbestos problem: The need for significant reform in NSW*.

The Government's response is expected to be released in August 2011.

Prevention and enforcement strategies for high consequence, low frequency risk

WorkCover is targeting prevention and enforcement strategies for high consequence / low frequency workplace safety risks that can potentially have catastrophic impacts for individuals, the community and the New South Wales economy. Priority areas being targeted by the strategies include major hazard facilities, explosives, asbestos, demolition, plant and hazardous chemicals.

Industry Solutions Program

The Industry Solutions Program develops practical and innovative safe design solutions to reduce injuries involving high risk plant and equipment in a range of industry sectors.

In 2010/11, new national guides on slashers and front end loaders and their attachments were developed and published. The guides outline specific design and safe use requirements to assist designers and manufacturers, suppliers and end users in identifying hazards and controlling the risks associated with their use.

A quad bike industry strategy was developed by a Trans-Tasman quad bike working party under the auspices of the Heads of Workplace Authorities. The strategy will contribute to the reduction of fatalities and serious injuries associated with quad bike use on farms. Nationally recognised rider training, mandatory wearing of approved helmets; and options to fit devices to protect riders in case of rollover are key outcomes of the strategy.

WorkCover will continue to assist the construction industry with the development of guidance material aimed at the erection, dismantling and alteration of scaffolding. A suite of practical guides have been developed and promoted to industry on prefabricated steel modular scaffold, trestle frame scaffold and tower-frame scaffold.

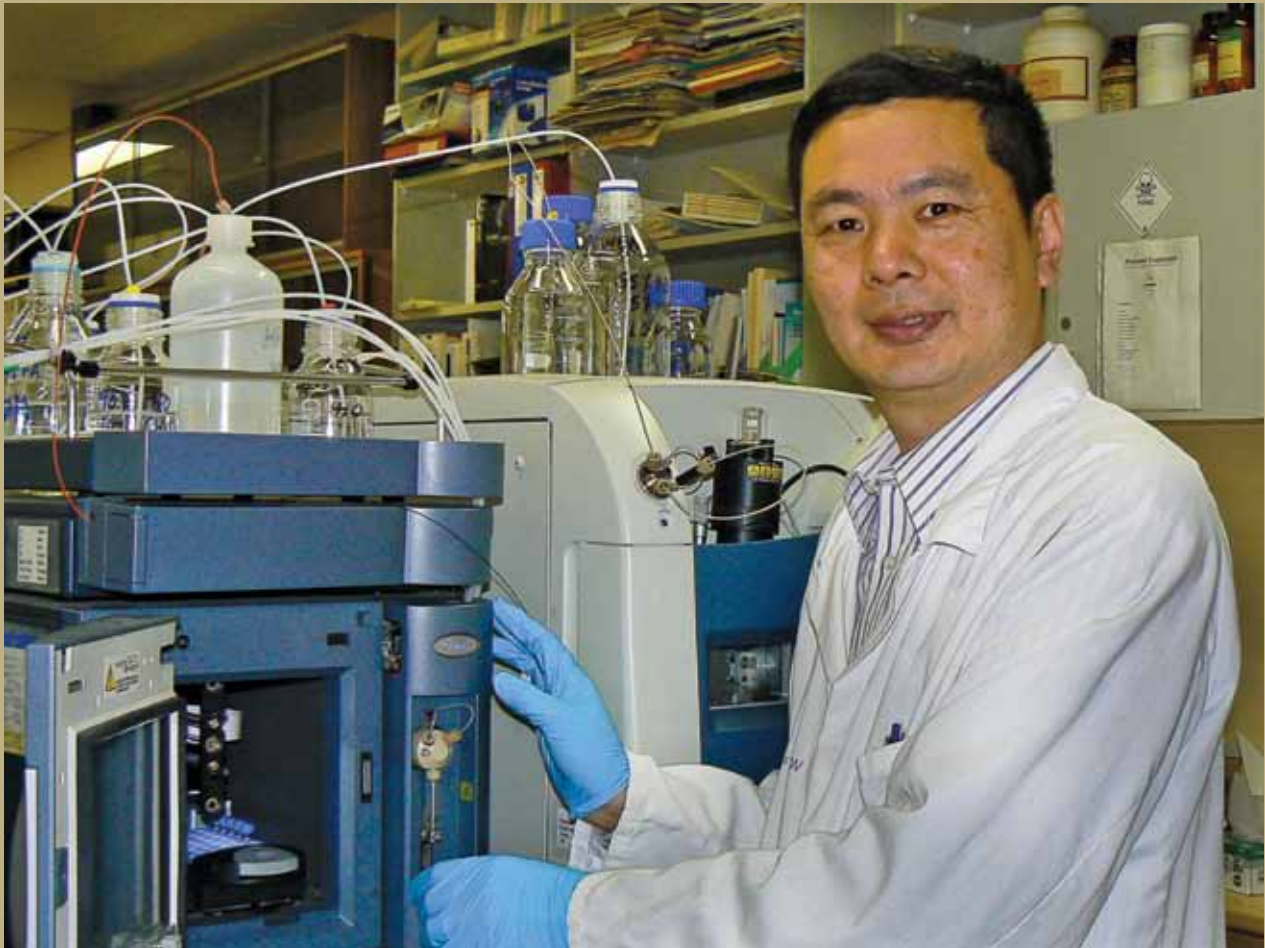
New test for isocyanates developed

WorkCover's Dr Jimmy Hu has developed a new test that provides assessment of the exposure to isocyanates chemicals. Isocyanates are used in spray painting, in the manufacture and application of polyurethane plastics and in the mining industry to stabilise walls and ceilings.

Prior to the introduction of this test, exposure to isocyanates in Australia could only be monitored by measuring the amount of the chemical in the air. The measurement of the isocyanates in air is very difficult and has a tendency to underestimate the amount present. In addition, measuring the amount of isocyanates in air does not assess personal exposure as spray painters are

meant to wear personal protective equipment. Therefore, measuring the air did not assess the exposure to the worker.

As isocyanates are also suspected of being able to penetrate the skin, the only accurate way to determine a workers exposure is to measure the amount of chemical in urine. The new test was developed using the latest technology available at WorkCover's Thornleigh laboratory. It is the first time that this test has been offered in Australia and has allowed the monitoring of workers in NSW and Australia to be benchmarked with world best practice.



Dr Jimmy Hu, Senior Analytical Chemist at WorkCover's Thornleigh laboratory

Low premiums

Accurate and timely premium collection

Each year, the New South Wales WorkCover Scheme collects around \$2.4 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.

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.

A panel of auditors appointed and managed by WorkCover undertakes the audits. In 2010/11 wage audits identified \$26 million in underpaid premiums because of under-declaration of wages. They also resulted in \$5.2 million being refunded to employers who had overstated their wages.

Premium appeals

Workers compensation premiums are calculated by Scheme Insurance 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.

WorkCover must receive the application within one month of the Agent issuing the notice of the premium to the employer. WorkCover's target is to finalise appeals within 90 days of receiving a completed application.

Premium appeals determined in 2010/11

Appeal Type	Total Determined	Average Timeframes for Completion (Months)
Cost of Claim	48	4.9
WIC	58	5.1
Wages	54	4.0
Total	160	4.6

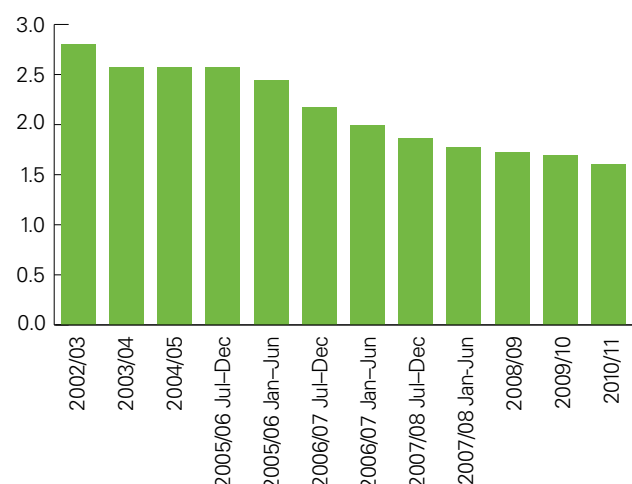
Managing Scheme costs

Premium rates reduced

Average workers compensation premium rates were reduced by up to 2.5 per cent from 30 June 2010. The rate cuts were targeted to those industries that had shown a sustained improvement in work health and safety, and injury prevention and management.

Businesses operating in more than 240 industry classes had their premium rates reduced. Premium rates for all other industries will be maintained at the same level as the previous year. The reductions brought the target premium collection rate in New South Wales to 1.66 per cent.

Target premium collection rate



Retro-Paid Loss Premium Method

The Retro-Paid Loss Premium Method was introduced from 30 June 2009 to provide an optional alternative premium method for large employers. It 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 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.

As at 30 June 2011, 43 organisations, incorporating 200 employing entities, have been accepted into the Retro-Paid Loss Premium arrangements. These participants have a combined wage roll of \$6,724 million and a combined basic tariff premium of \$118 million.

A condition of participation in the Method is the provision of security. As at 30 June 2011, \$494 million is held as required security by the Nominal Insurer in either cash deposits or bank guarantees. Legislation introduced from 1 February 2011 now allows for the provision of performance (insurance) bonds as an alternative method for providing the required security.

Sound fund management and system financial viability

WorkCover Scheme Valuation at 30 June 2011

The WorkCover Scheme deficit increased by \$780 million in 2010/11 and the Scheme funding ratio fell by four per cent (to 85 per cent). The change in the Scheme's financial position arose primarily from worse than expected claims experience, in particular a greater than expected number of claimants electing to pursue Work Injury Damages and to a lesser extent, higher than expected weekly incapacity payment costs.

Deteriorating risk free discount rates in the six months to June 2011 also impacted the financial position, increasing residual claims liability by \$260 million in six months.

As at June 2011, the Scheme's target premium collection rate (1.68 per cent of wages) is sufficient to cover the Scheme's costs.

WorkCover Scheme medical costs

Medical costs were trending upwards at greater than the inflation rate for several years through to December 2009. This resulted in gross medical liabilities increasing from 15 per cent of total Scheme liabilities at June 2006 to 26 per cent at December 2009.

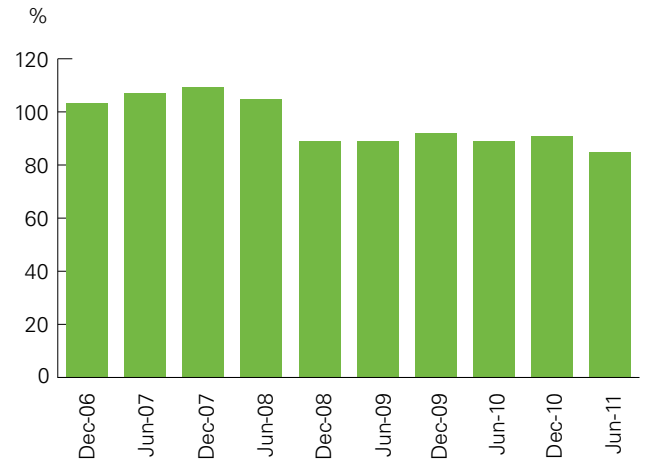
WorkCover introduced a medical strategy in late 2009 which arrested this trend. The strategy focused on preventing unnecessary treatment and over billing, particularly in connection with elective surgery and associated services.

The strategy contributed to a significant reduction in medical costs throughout 2010/11. Two actuarial releases of medical liability (totalling \$121 million) were achieved as a result.

Scheme medical experience in 2010/11 compared to 2009/10:

- ▶ total medical payments reduced by \$165 million
- ▶ as a proportion of total claims liability, medical liability reduced by almost two per cent
- ▶ actuarial release of \$121 million in medical liability.

Scheme Funding Ratio



Scheme Medical Payments (inflated)



Note: Monthly payments are inflated to July 2011 value equivalents.

Ensure long-term Workers Compensation Scheme and system viability

Scheme Insurance Agents

WorkCover manages the contractual obligations between the Nominal Insurer and Scheme Insurance Agents. WorkCover is responsible for the administration of the contract, analysis and reporting of Scheme Agent performance, management of the relationship with the Scheme Insurance Agents, and the development and implementation of initiatives to improve the overall performance of the Scheme.

The seven Scheme Insurance Agents that provide claims and policy services under contract to the Nominal Insurer are:

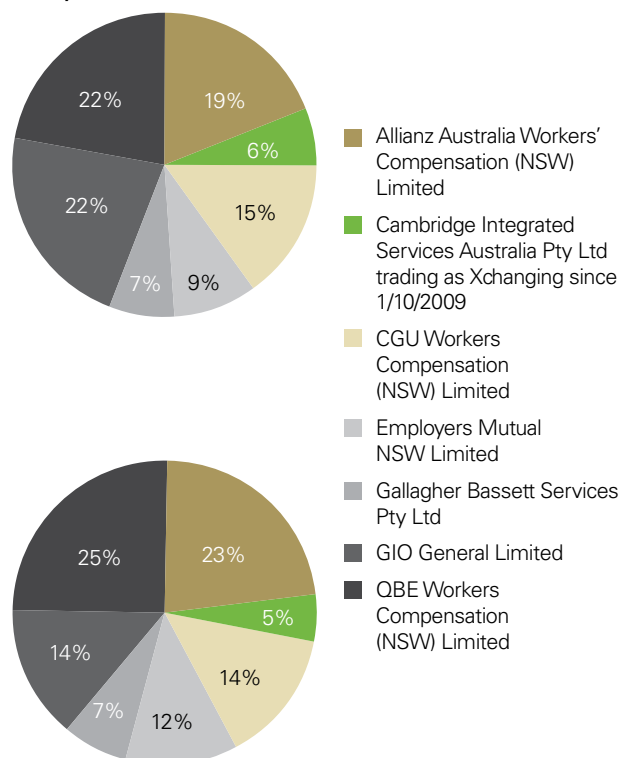
- ▶ Allianz Australia Workers' Compensation (NSW) Ltd
- ▶ Cambridge Integrated Services Australia Pty Ltd (trading as Xchanging)
- ▶ CGU Workers Compensation (NSW) Limited
- ▶ Employers Mutual NSW Limited
- ▶ Gallagher Bassett Services Pty Ltd
- ▶ GIO General Limited, and
- ▶ QBE Workers Compensation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

At the commencement of the new contracts on 1 January 2010, movement of workers compensation policies and claims between Agents was undertaken to optimise service delivery. The re-alignment aligned market share with each Agents' capacity, capability and performance.

Around 27,000 policies and 8200 open claims were transferred between Agents, representing 12 per cent and 8 per cent of the total market respectively. The claim and policy market shares of each Agent as at 30 June 2011 are shown right:

Open claims at June 2011 and policy count at December 2010

Policy Market Share (%)



Management of Scheme Agent performance

Scheme Insurance Agents remuneration is based on their ability to meet specific performance targets including return to work and financial outcomes for the Scheme. Additional Key Performance Indicators have also been established with financial recognition for achieving certain targets. Regular performance monitoring of these targets by the Nominal Insurer informs Agents of progress against agreed performance targets and identifies Scheme wide issues.

The contractual arrangements with each Agent are administered in accordance with strict contract management practices. The contracts provide the Nominal Insurer with authority to direct rectification of breaches or potential breaches of performance or system failures.

Scheme Agent Performance

WorkCover publishes a report comparing the performance of its seven workers compensation Scheme Insurance Agents at six monthly intervals. During 2010/11 the reporting format was revised. The report compares Agent performance in:

- ▶ Claim Management and Return to Work
- ▶ Customer Service, and
- ▶ Scheme Claim and Policy Market Share

The June 2011 edition of the Scheme Insurance Agent Performance Report is provided in the appendices.

- ▶ an update to the definition of 'authorised employee representative' (in clause 40: Notification of workplace injury) to align with the definition for 'authorised representative' in section 76 of the *Occupational Health and Safety Act 2000*, and
- ▶ the creation of a penalty notice offence for section 238AA of the *Workplace Injury Management and Workers Compensation Act 1998*. Section 238AA gives certain powers to WorkCover to obtain information, documents and evidence in relation to a possible contravention of the 1998 Act. The penalty notice offence is listed in Schedule 5 of the 2010 Regulation.

Workers compensation fraud

Every year, WorkCover investigates numerous reports of suspected fraudulent activity and works closely with Scheme Insurance Agents and Self and Specialised Insurers to target and uncover potentially fraudulent matters.

In 2010/11, WorkCover concluded a total of 49 successful workers compensation fraud prosecutions involving nine defendants in nine matters.

Austraclear

There is a steady increase in the number and value of bonds lodged by self and specialised insurers to satisfy licensing conditions, which requires lodgement of security equivalent to outstanding claim liabilities. The current process for lodging and accepting bonds is costly and time consuming for WorkCover, insurers and NSW Treasury. It also limits investment opportunities and creates cash flow difficulties for insurers.

During 2010/11, WorkCover commenced a project to implement an Austraclear automated bond transfer facility to address these shortcomings. This facility is expected to be operational by the end of 2011 and could lead to savings in excess of \$500,000 per annum to insurers.

Review of the *Workers Compensation Regulation 2003*

WorkCover completed a review of the *Workers Compensation Regulation 2003* in 2010. It then proposed minor amendments and sought public comment on a draft regulation.

The 2003 Regulation was repealed and the new Regulation, the *Workers Compensation Regulation 2010*, commenced on 1 February 2011, with changes, including:

- ▶ amendments to the rules about the register of injuries that:
 - ▶ allow the register of injuries to be recorded electronically
 - ▶ only allow the register of injuries to be kept in electronic form if the employer provides education, training and facilities to ensure that workers are able to access the register, and
 - ▶ are now set out in clause 45 of the 2010 Regulation (the particulars were previously set out in Form 2 of Schedule 1 of the 2003 Regulation).

Regulation of self and specialised insurers

Self-insurers and group self-insurers

At 30 June 2011 there were 43 self-insurers and 17 group self-insurers licensed by WorkCover. These are listed in Appendix 16. There were seven specialised insurers operating on a restricted licence. All groups are governed by a similar licensing policy and must lodge security with WorkCover for their outstanding claims liabilities.

Interaction with self and specialised insurers

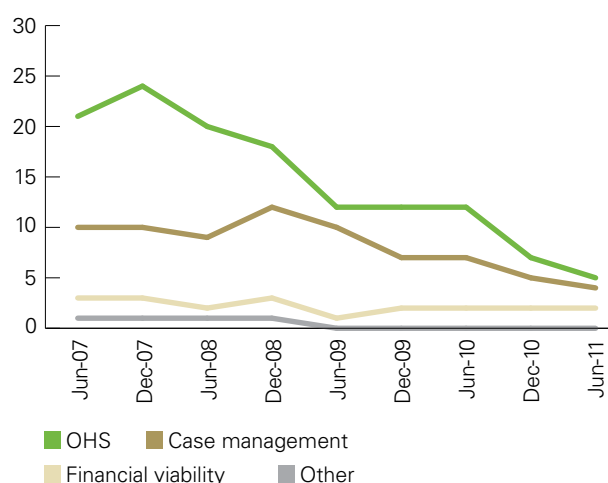
There were 55 workplace safety and case management audits undertaken with self and specialised insurers in 2010/11. A total of 91 per cent were found to be performing to a satisfactory standard.

In addition, wage audits of self-insurers and premium income audits of specialised insurers were undertaken for the first time. The audits ensured that insurers are declaring the correct wages and premium income to WorkCover in accordance with legislative requirements.

Performance of the self and specialised insurers

Self and specialised insurer performance has consistently improved over the past five years. The graph below highlights the significant downward trend in all licence breach categories, the most notably being in occupational health and safety (OHS) performance.

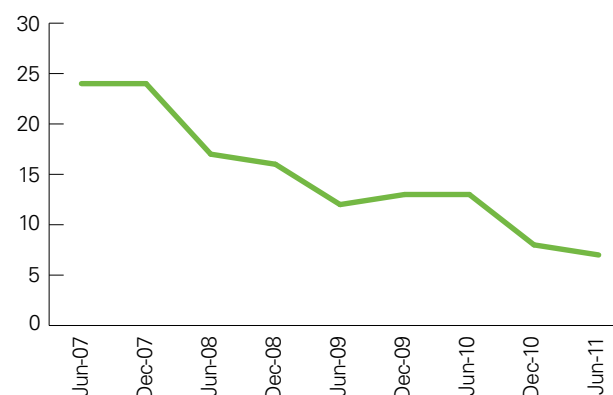
Number and type of licence breaches by self and specialised insurers



Self and specialised insurers work closely with WorkCover to improve their occupational health and safety outcomes.

The ongoing focus of all self and specialised insurers on their case management and occupational health and safety practises has also resulted in a downward trend in the number of licences issued for a non-standard license term. More than 90 per cent of self and specialised insurers are now issued with a standard three-year license, up from 65 per cent as at June 2007.

Number of insurers on non-standard licence



Sound fund management

Workers Compensation Insurance Fund (WCIF)

The *Workers Compensation Legislation Amendment Act 2004* prescribed the establishment of the Workers Compensation Insurance Fund Investment Board (the Investment Board), which:

- determines investment policies for the investment of the Workers Compensation Insurance Investment Fund (Fund), and
- reports to the Minister on the investment performance of the Fund.

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

The functions of the Investment Board are distinct from the functions of the WorkCover Board. In performing its functions, the Investment Board develops appropriate policies and procedures. The Investment Board makes decisions relating to investment policy. WorkCover, as agent of the Nominal Insurer, implements decisions.

The Investment Board has entered into a Memorandum of Understanding with the WorkCover to facilitate the conduct of its policies. WorkCover's Investment Division undertakes operational management of the Fund.

The Investment Board members as at 30 June 2011 were David Spruell (Chairperson), Nicholas Whitlam (Deputy Chairperson), Kerry Adby, Hon Peter Collins AM QC, Terry Downing and Lisa Hunt, Chief Executive Officer of the WorkCover Authority of NSW. The Governor of NSW re-appointed the five part-time Investment Board members for a period of 12 months from 20 February 2011.

Investment performance and market information

The Fund has produced an 8 per cent return for the financial year ending 30 June 2011. The table below shows Fund total performance for the period ending June 2011 and since inception.

	Total Fund Performance (% p.a.) ¹		
	12 Months	Six Months	Since Inception ²
Total Fund performance	8.0%	3.6%	5.2%
Liability benchmark return ³	4.7%	5.0%	6.6%
Relative performance	3.3%	(1.4%)	(1.4%)
Asset allocation return	7.6%	3.5%	4.6%
Relative performance	0.4%	0.1%	0.6%

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

2 Inception 30 November 2005.

3 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.

The table below shows Fund asset class performance for the period ending June 2011 and since inception.

Asset Class	Performance (%p.a.)		Benchmark (%p.a.)		Outperformance / (Underperformance) (%p.a.)	
	Fin Year	Since Inception ¹	Fin Year	Since Inception ¹	Fin Year	Since Inception ¹
Aust. equities	14.2	4.7	11.7	4.1	2.5	0.7
Int'l equities ²	8.6	1.4	9.4	0.8	(0.8)	0.6
Aust. unlisted property	10.1	6.0	8.6	8.6	1.5	(2.6)
Int'l listed property	27.0	1.5	28.3	1.1	(1.3)	0.4
Aust. fixed interest	5.2	6.5	4.5	6.0	0.7	0.6
Tail risk hedging	–	0.3	–	–	–	–
Aust. inflation-linked bonds	6.0	5.2	6.3	4.5	(0.3)	0.6
Investment grade credit	7.6	7.5	7.4	7.7	0.1	(0.2)
Infrastructure debt	–	3.6	–	3.1	–	0.5
Commodities	26.2	(5.1)	29.9	(7.1)	(3.7)	2.0
Cash	5.5	5.9	5.0	5.6	0.5	0.3

1. Inception date for performance is 30 November 2005, except Unlisted Property 20 December 2005, Commodities 5 August 2008, Investment Grade credit 11 October 2009, Tail Risk Hedging November 2010 and Infrastructure debt March 2011.

2. International developed markets currency exposure hedged 12.5 per cent at June 2011.

The global economic recovery has been sustained at a moderate pace. Growth assets performed well in the first six months of the 2010/11 financial year. European policy makers agreed to support Greece and other highly indebted nations within the Eurozone with the creation of European Financial Stability Facility. The US Federal Reserve also implemented its second programme of quantitative easing that sat alongside a stimulatory fiscal policy in the US. These events served to support improved sentiment in markets and may have led to an improved economic outlook for 2011, especially in the US.

The rally in growth assets was shaken by the Japanese earthquake disaster in March 2011. Many legacies of the 2008 Recession re-surfaced in the second quarter of 2011. European debt concerns, high levels of US deficit and fear of a hard landing for the Chinese economy, dampened investor sentiment. A flight to safety caused bond yields to fall and growth assets to lose some of the gains made in the first half of the financial year.

The Australian economy faced its own challenges despite its resilience during the global downturn. The Queensland floods and cyclones in early 2011 caused temporary disruption to economic growth and upward pressure on inflation. The two-speed economy has become increasingly evident this year. The mining sector benefited from increasing emerging market demand and the resulting rising commodity prices. Industrials and retailers suffered from weak domestic demand and a strong Australian dollar.

The Australian dollar which rose sharply against most major global currencies, ended the financial year at US \$1.07 compared to US 84 cents in June 2010. This served to moderate the returns from unhedged global equities to 2.6 per cent in the financial year to date, compared to a return of 30.1 per cent on a fully hedged basis. Defensive assets delivered solid performance, with Australian inflation linked bonds returning 6.3 per cent following a very strong 2010. Australian government bonds returned 4.5 per cent for the period.

Australian unlisted property provided a positive return over the period on the back of improved fundamentals and a stabilisation of capitalisation rates. The outlook for vacancies and rental growth was positive, supporting valuations.

Asset Allocation

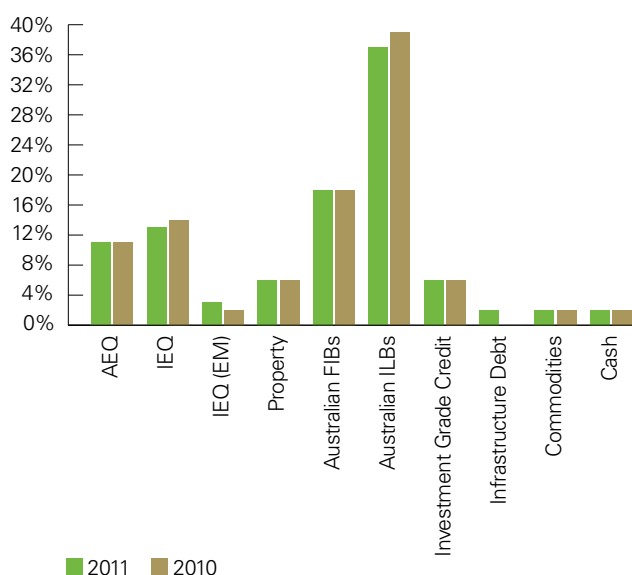
Asset Class	AA(%) ¹
Aust. equities (AEQ)	11.0
Int'l equities ² (IEQ)	13.0
Int'l equities emerging markets (IEQ (EM))	3.0
Property	6.0
Aust. fixed interest bonds	18.0
Aust. inflation-linked bonds	37.0
Investment grade credit	6.0
Infrastructure debt	2.0
Commodities	2.0
Cash	2.0
Total	100.0 ³

1. Actual asset class amounts are kept within a +/- 2.5 per cent tolerance of the Asset Allocation (AA) percentages.

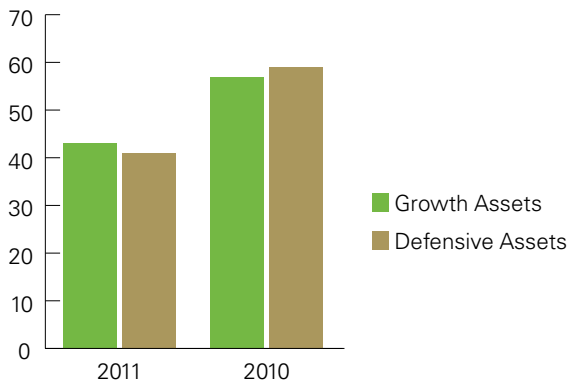
2. Developed market currency exposure strategic hedge ratio was 12.5 per cent as at 30 June 2011.

3. The total WCIF valuation is inclusive of tail risk hedging and International listed property (AUD\$20million approximately) which does not form part of the AA.

The Asset Allocation (AA) of the Fund at 30 June 2010 and 30 June 2011.



The AA mix of growth and defensive assets of the Fund at 30 June 2010 and 30 June 2011



Fund enhancements

The Investment Board adopted ESG Principles in June 2011. A staged approach will be taken to implement the ESG Principles.

A review of Australian equity managers commenced in the second quarter of 2011. Northcape Capital was appointed as an active Australian equities manager. This appointment aims to provide additional returns from the Australian equities asset class. Perennial was terminated from this asset class in late May 2011.

In June 2010, the Investment Board approved the implementation of a limited tail risk hedging portfolio. The objective of this portfolio is to spend a limited amount of the additional return that should accrue to the Fund (over the medium to longer term) from investing in growth assets, in order to protect some of the downside to the funding ratio from sudden unexpected drops in bond rates. WorkCover implemented the strategy in November 2010 and has performed as expected to date.

As the Australian dollar rose during the twelve-month period, the currency hedge ratio was reduced over the year. The Fund's hedge ratio was 12.5 per cent at June 2011. A comprehensive review of foreign currency hedging policy was conducted towards the end of the financial year.

The Investment Board endorsed an allocation to infrastructure debt, with the portfolio commencing in the first quarter of 2011. The Fund's infrastructure debt allocation was seeded using existing infrastructure inflation-linked bonds. In addition to the seeded assets, the Fund's infrastructure debt manager will look to invest in Australian infrastructure debt deals that meet the objectives of its mandate.

In late 2010, the Investment Board approved an active commodities strategy. As a result, H3 Global Advisers was appointed as the Fund's active commodities manager.

As part of the appointment of new investment managers, WorkCover undertakes an assessment of the manager's operational practices including a review of its compliance and operational environments. This assessment is conducted in addition to the assessment of the manager's investment management capability. In the period ending 30 June 2011, eleven operational reviews were undertaken of Fund investment managers. A tender to appoint a consultant to assist WorkCover undertake operational reviews was conducted in 2011 with Morse Consulting Pty Limited being appointed.

The review of the Master Custodian continued during 2010/11 resulting in a large proportion of recommendations being implemented during this period. One of the key recommendations was to move to a daily control environment. The change in model was successfully implemented in February 2011. The implementation of this recommendation has resulted in enhanced control practices and reduced financial and operational risks.

Fund Investment Managers

Fund Investment Managers as at 30 June 2011

Asset Class	Investment Manager
Australian Shares	Independent Asset Management Pty Limited. Northcape Capital Pty Ltd. Tyndall Investment Management Limited. Kapstream Capital Pty Limited (passive).
Global Shares	Arrowstreet Capital Limited Partnership (low volatility global shares). Colonial First State Investments Limited (emerging markets shares). Lazard Asset Management Pacific Co. MFS International (UK) Limited. State Street Bank and Trust Company.
Australian Unlisted Property	AMP Capital Investors Limited. Dexus Property Group. GPT Group Limited. Goodman Funds Management Limited. Lend Lease Real Estate Investments Limited.
International Listed Property	Russell Investment Management Ltd.
Investment Grade Credit	AMP Capital Investors Limited. Kapstream Capital Pty Limited.
Australian Fixed Interest and Tail Risk	WorkCover (Portfolio Construction) with Kapstream Capital Pty Limited and State Street Bank and Trust Company (Portfolio implementation). New South Wales Treasury Corporation.
Australian Inflation-Linked Bonds	Aberdeen Asset Management Limited. Colonial First State Asset Management (Australia) Limited. New South Wales Treasury Corporation.
Currency Hedging	Aberdeen Asset Management Limited.
Infrastructure Debt	Industry Funds Management Pty Limited.
Commodities	H3 Global Advisors Pty Limited.
Cash	New South Wales Treasury Corporation.

Fund costs

The estimated total cost of running the Fund for the financial year ending June 2011 was approximately 0.25 per cent of the average value of the Fund over the year. Of the 0.25 per cent, external investment management expenses amounted to 77 per cent of the total cost of running 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.

Sustainable return to employment

Set clear return to work targets

WorkCover manages the framework for measuring Scheme Insurance Agent performance against their contract with the Nominal Insurer, including return to work targets.

Professional Pathways Program

In 2010/11, WorkCover continued its Professional Pathways Program. This aims at supporting the workers compensation insurance industry to create professional development resources that can be used to attract, train and retain a skilled and experienced workforce.

WorkCover also finalised arrangements for three Registered Training Organisations (RTOs) to deliver WorkCover's *Certificate IV course in Workers Compensation Case Management*. A total of 49 case managers from across NSW enrolled in the 12-month course with these RTOs during 2010/11.

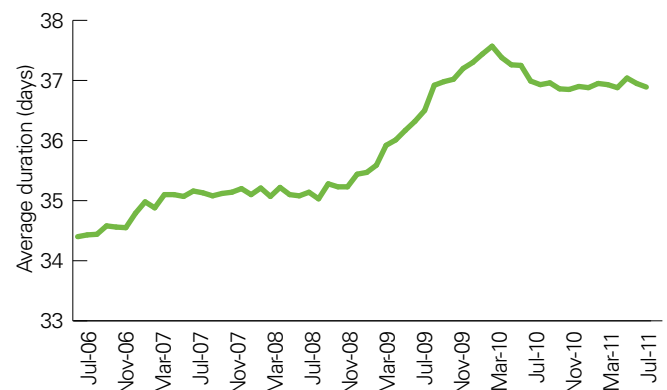
WorkCover also continued its work as a member of the Personal Injury Education Foundation (PIEF), contributing to the development and maintenance of several graduate level courses in personal injury management. During 2010/11, a total of 24 students from NSW enrolled in PIEF postgraduate courses as new students, a further 29 students undertook continuing study, and eight students completed their studies, receiving their Post Graduate qualifications in Personal Injury Management.

WorkCover continued its annual Personal Injury Management Scholarship Program. Seven new scholarships were awarded to industry personnel enrolling in PIEF postgraduate studies. The scholarships will provide each of the recipients with up to \$15,000 per year towards their studies.

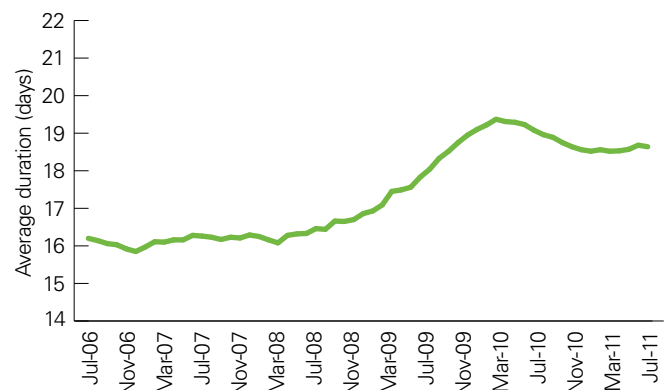
WorkCover Scheme return to work (RTW) performance

The graphs at right show the average number of days paid for weekly benefits in three stages during the life of a claim (6, 12 and 18 months). They show that return to work outcomes improved from early 2010, but have not yet returned to the strong performance achieved between 2005 and 2008.

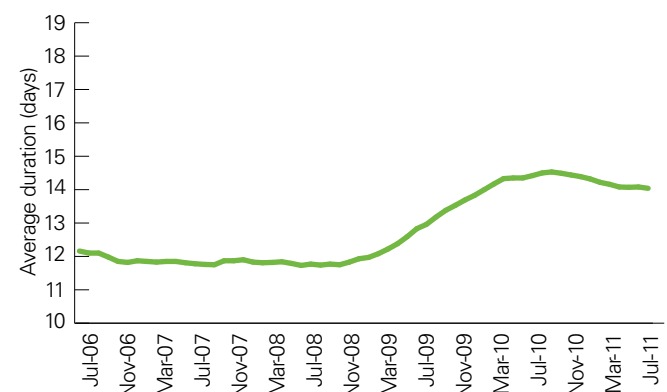
Scheme return to work – 6 month measure



Scheme return to work – 12 month measure



Scheme return to work – 18 month measure



In May 2011, WorkCover also launched the Injury Management Seminars Program. In its pilot year, the Program will offer monthly seminars that address a range of topics relevant to personal injury case managers.

In September 2010, WorkCover assisted PIEF to launch its Certified Personal Injury Professional (CPIP) Program. This new Program provides formal certification of individual skills, experience and qualifications for injury management professional, and provides a framework for supporting and encouraging continuous professional development.

Surgery costs

WorkCover has improved the monitoring and review of data from Scheme Insurance Agents in relation to provider billing patterns in the workers compensation system. WorkCover identified hand surgery as an area warranting further review. The NSW Hand Surgery Association and Australian Society of Plastic Surgeons nominated medical experts to assist with this review.

A number of hand surgeons were identified as invoicing differently to their peers. WorkCover, in conjunction with an expert medical panel, developed guidelines for billing items used in hand surgery. The guidelines identified item numbers that may no longer be used in hand surgery and other items that could be used with appropriate clinical justification.

WorkCover implemented a review process for all hand surgery requests and invoices from all hand surgeons that use an item number requiring clinical justification. In addition, all hand surgery requests and invoices from ten identified surgeons with different billing from their peers are now reviewed for approval. WorkCover and the medical panel undertake the review process.

WorkCover also undertook recovery action against a number of surgeons whose billing was significantly outside that of their peers. To date over \$615,000 has been recovered.

Improve assistance to injured workers

Vocational rehabilitation programs

WorkCover has improved its vocational rehabilitation programs to make it easier for injured workers to return to work or find a new job. The new programs provide incentives and assistance for both employers and employees to ensure longer-term injured workers can re-join the workforce.

The full suite of enhanced vocational rehabilitation programs will be available from 1 July 2011. The program will provide a new transition-to-work payment of up to

\$5000 for employment placements to cover items such as travel, clothing, relocation or childcare. It will also provide equipment funding for tools required for a job, and extension of the work trial period beyond 12 weeks where it will secure employment.

In addition, the updated JobCover Placement Program will provide an increase in wage subsidy with a new employer from \$3,600 for 12 weeks to \$27,400 over 52 weeks.

Shared claims

The Lifetime Care and Support Authority (LTCSA) commenced in New South Wales in 2006 to provide treatment, rehabilitation and attendant care services to people seriously injured in a motor vehicle accident.

A Memorandum of Understanding between WorkCover and the LTCSA ensures coordinated management of shared claims and clear communication between all parties.

Approximately 30 claimants in the WorkCover Scheme, who were injured in a motor vehicle accident have been accepted for interim care with LTCSA for a period of two years. Future workers compensation claimants will be accepted for interim care if they meet eligibility criteria.

The Lifetime Care and Support Scheme will provide for the worker's care needs, while the workers compensation insurer will be responsible for payment of weekly benefits, return to work and vocational rehabilitation.

When the two-year period of interim acceptance is completed, the worker will be assessed for acceptance for ongoing care with LTCSA. If ineligible, responsibility for ongoing management of all aspects of the claim will return to the workers compensation Scheme Insurance Agent.

WorkCover is developing payment of services guidelines that mirror those available in the Lifetime Care and Support Scheme. This approach will ensure equity in service provision, whether a worker is injured at work or in a motor vehicle accident.

NSW Bush Fire, Emergency and Rescue Services Volunteers

Members of the NSW Bush Fire, Emergency and Rescue Services may claim for compensation if they are injured while participating in authorised activities. These claims are managed directly by WorkCover. The workers compensation system provides benefits and assistance to help in the recovery process so that injured members can return to volunteering duties and work as safely and as soon as possible.



Daria's Story

Daria works as a full time grocery assistant and also volunteers with the NSW Rural Fire Service. In August 2010 Daria was alighting from a fire tanker when she slipped and fell heavily injuring her hip and wrist.

Following initial treatment for her injuries, Daria was referred for specialist care and underwent surgery to her wrist, subsequently requiring careful monitoring and regular reviews with her specialist. During this time she also received physiotherapy on her hip.

When Daria recovered sufficiently to return to work in a reduced capacity, her case manager consulted with her doctors and employer to develop injury management and return to work plans consistent with Daria's physical capacity.

The plan saw Daria return to work in November 2010 on reduced hours with lifting restrictions. The restrictions were gradually eased in accordance with advice from her doctors. Daria was able to resume full duties with her employer in February 2011, six months after her injury.

As a result of Daria's determination, the support provided through her workers compensation claim and the constructive participation of all parties involved in the claim, Daria has returned to her pre-injury occupation.

Much to Daria's delight, she has also returned to her duties as a volunteer Bush Fire Fighter.



Exemplar organisation

Exceeding public and comparable private sector organisations

WorkCover aims to lead NSW businesses in workplace health and safety performance and to share its experience with others.

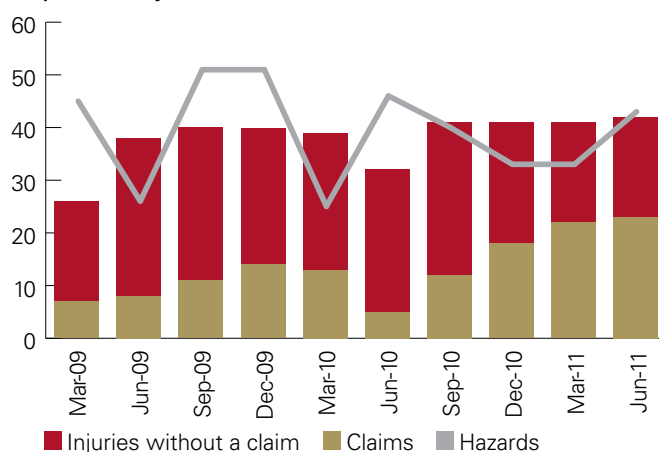
WorkCover also recognises the benefits of an innovative, committed and accountable workforce. WorkCover is a learning organisation, that supports its staff through learning and development opportunities, effective performance management and a culture that values diversity.

Occupational health and safety and workers compensation performance

WorkCover continues to increase staff and management awareness of work health and safety responsibilities and to 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 regularly exceeds the number of injuries reported (see graph below). This positive indicator highlights the awareness of all staff across the organisation of safety policies, workplace safety responsibilities and risk management.

Reported injuries and hazards identified

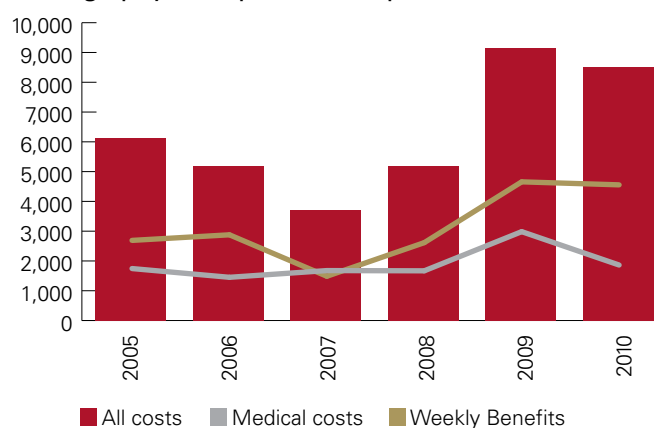


The majority of claims made in 2010/11 were not significant, with the few major claims have negatively impacted on WorkCover's workers compensation claims experience.

Of the 75 claims lodged during 2010/11, there were 21 claims for psychological injury. An increase in psychological claims and weekly benefits has been experienced across the Treasury Managed Fund during the year. Of the 21 psychological claims in WorkCover, nine had their claim liability declined, one has reverted to the status of 'recurrence' and one is still at the provisional liability stage. In response to the increase in psychological claims, a new Wellness Program is designed to support the emotional, physical and social wellbeing of staff.

There were twelve claims reported for repetitive movement injuries in 2010/11. All but one of these were accepted. WorkCover is undertaking risk management activities in this area with particular regard to ergonomics to eliminate risks associated with these injuries.

Average payment per claim reported (\$)



Despite an increase in claims the average net cost of claims has decreased, supporting a focus on early and appropriate re-engagement with the workplace. WorkCover's weekly benefit payments also decreased in 2010/11, suggesting WorkCover's refocused approach to improving injury management and return to work practices is working.

WorkCover's workers compensation claims experience has exceed that anticipated when deposit premiums were determined for prior fund years, resulting in a return of funds to WorkCover from the deposit premiums. WorkCover's three-year and five-year Hindsight Premium resulted in a refund totalling \$363,145.

However, the deposit premium covering WorkCover and the Workers Compensation Commission for 2011/12 of \$1,489,170 represents an increase of \$278,430 above that paid for in the 2010/11 fund year. The 23 per cent increase is significantly higher than the 16.5 per cent increase reported by SiCorp for all businesses from the previous fund year.

Improving our performance

An independent review into allegations of bullying and harassment within WorkCover was initiated by the previous NSW Government. PricewaterhouseCoopers conducted the review on behalf of the Department of Premier and Cabinet.

Staff were asked to participate in an anonymous online culture survey, which provided them with the opportunity to comment on the culture of WorkCover as well as workplace bullying and harassment. Individual interviews were conducted with staff wishing to participate.

The report was released by the NSW Government on 3 March 2011, with no matters being referred for further investigation.

The Report outlines the need for:

- ▶ clear internal communication and engagement strategies
- ▶ transparent recruitment processes
- ▶ robust performance management
- ▶ effective grievance handling framework, and
- ▶ strengthened leadership capability.

WorkCover immediately accepted all of the recommendations.

A multi-faceted approach to address the findings is underway and includes:

- ▶ an increased level of communication and engagement across the organisation
- ▶ the introduction of a Leadership challenge, which is designed to change the culture of WorkCover, as well as engage the other agencies of the Compensation Authorities Staff Division
- ▶ the introduction of new Recruitment Business Rules, which provide for consistency and greater transparency in the recruitment process
- ▶ simplifying and improving grievance handling, including a review of the policy
- ▶ development of an organisational culture that enables a positive and safe workplace
- ▶ development of an employee wellness programme focused on emotional, physical and social well-being, and
- ▶ improving the capability of the People and Culture Unit and managers to support employees who report inappropriate behaviours.

An empowered, productive and supportive workplace

Promoting equity and diversity

As a corporate citizen and employer, WorkCover is committed to corporate social responsibility and to providing equitable access to all of its services and actively promotes equity and diversity inclusiveness.

In 2010/11, WorkCover continued to implement the *2008–11 Social Justice Plan and Policy Statement* initiatives. It also continued implementation of Affirmative Action Strategies including:

- ▶ the 2011 *Spokeswomen's Strategic Plan*
- ▶ the Female Inspector Network, to provide female inspectors, with relevant networking and support opportunities in line with the *2010/11 Female Inspector Network Strategic Plan*. The Female Network has attracted interest from authorities in other states and jurisdictions in developing and implementing similar networks
- ▶ the *Indigenous Employment and Development Strategy*
- ▶ continued support for WATSIN (WorkCover's Aboriginal and Torres Strait Islander Network) Future Directions Operational Plan to provide a cohesive organisational wide commitment to initiatives that build on our community engagement activities and enhance staff awareness of Aboriginal and Torres Strait Islander culture
- ▶ planning for the establishment of an Aboriginal Services Unit which will commence operation in 2011/12, and
- ▶ continued promotion and participation in International Women's Day, NAIDOC Week, Harmony Day, International Day for People with a DisAbility and Loud Shirt Day.

Equity and diversity

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

Workers Compensation Commission

Interpreters

Over the years the Workers Compensation Commission has worked diligently, with its interpreter service providers, to ensure that a high standard of service is provided to participants who require the assistance of an interpreter. The benefits of that work were revealed in a client satisfaction survey conducted in 2011. This survey demonstrated that participants have increased satisfaction levels when dealing with interpreters in Commission proceedings, when compared to the survey conducted in 2008.

Cultural sensitivity

The Commission's clients are from diverse cultural backgrounds. The Commission's 140 Approved Medical Specialists (AMS), are expected to deliver equitable and sensitive services to everyone. This requires cultural intelligence as a core skill set. Access and equity, fairness, trust and rapport are legitimate expectations on the part of all those who bring their case to an AMS.

As part of the ongoing professional development of the AMS, at the Commission's annual AMS Conference held in May 2011, training was provided in the cultural factors which may affect the provision of their services to culturally diverse clients.

Accessibility for people with a disability

WorkCover has developed an online insurance premium estimator to give businesses a quick and easy way of checking their workers compensation premium.

The insurance estimator allows businesses to test what happens to their insurance premiums if they add to or change their business activities, add staff and adjust for the cost of claims.

People with a vision or mobility disability can use the insurance estimator online as it meets the World Wide Web Consortium's Web Content Accessibility Guidelines (WCAG).

WorkCover partnered with an accessibility specialist to ensure people with different levels of vision impairment could use the insurance estimator.

Participants with a range of disabilities tested the insurance estimator during development. This was complemented by code inspection and automated testing tools to ensure the insurance estimator was tuned for the widest possible audience to assist businesses plan for their future.

Local purchasing

The *Public Sector Employment and Management (Goods and Services) Regulation 2010* permits NSW Government agencies to procure goods and services directly from disability employment organisations without the need for a competitive tender or to seek approval from the State Contracts Control Board.

The Ageing, Disability and Home Care NSW (part of the Dept of Family and Community Services NSW) have released the *"Ready, Willing and Able"* scheme which aims to promote sustainable employment opportunities for people with disabilities. Under this scheme, WorkCover has entered into an agreement with Lasercraft Australia of West Gosford. Lasercraft is a registered Australian Disability Enterprise that manufactures and supplies a range of awards, trophies and gifts.

Under the agreement, WorkCover purchases engraved crystal plaques which are presented to staff on retirement. Lasercraft delivers a high quality product and WorkCover is very satisfied with the level of service provided. WorkCover is currently investigating additional opportunities to extend our relationship with Lasercraft.



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.

The main initiatives under the program in 2010/11 were:

- ▶ development of communication products on the new work health and safety laws such as picture/posters for workers with literacy barriers and people from culturally and linguistically diverse groups. WorkCover has produced flyers in 16 key languages. In addition there have been engagement activities with the Chinese community in the manufacturing, primary production, transport and storage industries on the most appropriate means of communication
- ▶ promotion of WorkCover's Client Diversity Profile to assist in tailoring projects and services by providing a general picture of the characteristics and location of culturally and linguistically diverse workers across industries and occupations
- ▶ Work Health and Safety workshops were conducted with a number of community groups including the St George and Sutherland Community College (SGSC), the Chinese Migrant Welfare Association (CMWA), Chinese Youth League, Restaurant & Caterers Australia, Australian Nursing Home Foundation, Uniting Care – Quong Tart Ashfield, Ashfield Police LAC, Chinese Australian Services Society (CASS), Griffith Shire Council, and the Migrant Settlement Services Team
- ▶ 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, and
- ▶ promotion and participation in key equity and diversity events.

Disability Action Plan

WorkCover's Disability Action Plan aims to meet the needs of service users, both as clients and workers. The main initiatives in 2010/11 included:

- ▶ engaging with the Deaf Society to conduct workplace assessment for deaf and hard of hearing staff. The aim is to ensure that all the necessary resources, including company culture, OHS and environmental variables are monitored and adequate to meet staff needs, to ensure equal opportunity to develop and maintain full working potential
- ▶ Deaf Society audit of Head Office, Gosford to make recommendations on modifications that will allow enhanced access for customers attending the site
- ▶ engaging with Job Access to assist staff with disabilities to remain in the workplace with access to appropriate resources
- ▶ ongoing support of a young person with a disability participating in the Jumpstart Cadetship Program
- ▶ partnering with an accessibility specialist and engaging with people with a range of disabilities to ensure people with different levels of vision impairment and/or mobility impairment could use the newly developed Online Insurance Premium Estimator designed to give businesses a quick and easy way of checking the workers compensation premium
- ▶ continued implementation of the Consolidated Action Plan for Staff with a Disability to ensure staff identifying with a disability have equitable access to all career and development opportunities
- ▶ enhancements to WorkCover's website including raising the usability standards of the site and incorporating level 1 and 2 W3C compliance for accessibility. The site also meets OCIO website standards
- ▶ continued 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, and
- ▶ continued promotion and participation in key equity and diversity events, such as International Day for People with a Disability and Loud Shirt Day.

WorkCover Equity and Diversity Statement

At WorkCover, everyone has the right to enjoy good working relationships. Everyone should feel comfortable in the workplace and differences should be respected. To achieve this, the work environment should be free from discrimination and/or harassment in the office, on sites and at any work-related event or function.

WorkCover:

- ▶ values the diverse cultural backgrounds, skills and talents of its people, customers and the NSW community;
- ▶ applies fairness and equity to its employment practices including merit based recruitment, selection and access to training and development opportunities; and
- ▶ reaffirms that discrimination and harassment of any type is unacceptable.

Equal Employment Opportunity

WorkCover collects Equal Employment Opportunity (EEO) data for the Department of Premier and Cabinet Workforce Profile, which measures performance in meeting the Government's employment benchmarks for staff from identified EEO minority groups and informs the planning and development of EEO initiatives.

The 2010 workforce profile indicates the proportion of women has risen slightly to 55.3 per cent with the highest proportion, 83.9 per cent employed at the salary level \$58,249 – \$73,709. Women occupy a total of 34 per cent of management positions.

WorkCover's proportion of Aboriginal and Torres Strait Islander staff is 3.4 per cent, exceeding the public sector benchmark of 5.6 per cent. The proportion of staff from racial, ethnic or ethno-religious minority groups was 14 per cent.

The proportion of staff with a disability was 8.0 per cent, an increase on the previous year. Of those with a disability, 4.0 per cent required workplace adjustment.

WorkCover promoted EEO in 2010/11 by:

- ▶ aligning the organisation's EEO Management Plan with WorkCover's Corporate Plan
- ▶ enhancing and promoting our EEO workforce profile data collection tool to increase participation and enhance reporting, and
- ▶ incorporating EEO criteria into the development of templates and guidelines for policy review.

Spokeswomen's program

The WorkCover NSW Spokeswomen's Program outcomes are linked with broader human resources and equity and diversity initiatives including:

- ▶ development of the *2010/11 Spokeswomen's Strategic Plan* with initiatives aimed at enhancing the development opportunities for the Spokeswomen's Representatives and staff generally
- ▶ continued sponsorship of Central Coast Lifeline Steel Magnolia Awards – Young Achiever Award
- ▶ redefining WorkCover's Spokeswomen's Program to meet the needs of the Compensation Staff Authorities Division agencies and their needs with the new Program to be launched late in 2011
- ▶ coordination of International Women's Day celebrations in various locations, and
- ▶ coordination of Pink Ribbon awareness events with guest speakers invited to share stories of inspiration and education on breast cancer.

Aboriginal and Torres Strait Islander development strategies

WorkCover aims to build the capacity of Aboriginal and Torres Strait Islander employers, workers and communities. Key initiatives in 2010/11 included:

- ▶ increasing WorkCover's proportion of Aboriginal and Torres Strait Islander staff to 3.4 per cent, exceeding the public sector benchmark of 2.6 per cent
- ▶ implementing the *2010/11 Aboriginal and Torres Strait Islander Employment and Development Strategy*
- ▶ planning the establishment of an Indigenous Services Unit to work with senior management on work, health and safety issues through community engagement programs across NSW
- ▶ NAIDOC Week celebrations which attracted both non indigenous staff and Aboriginal and Torres Strait Islander staff to share the history and culture with non-indigenous staff. The celebrations also included a cultural talk by a local Aboriginal Elder from the local aboriginal community and sampling of 'bush tucker'
- ▶ participating in the local Central Coast Community NAIDOC Week celebrations by entering a WorkCover team in the 2010 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, and
- ▶ continued participation in the 10th Indigenous Jobs Market. This was WorkCover's seventh attendance at this event.

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. In 2010/11 WATSIN coordinated a number of successful initiatives including:

- ▶ NAIDOC week celebrations and information sessions
- ▶ Reconciliation week celebrations and information sessions
- ▶ implementation of *WorkCover's Aboriginal and Torres Strait Islander Operational Plan 2008–11*, and
- ▶ implementation of *WorkCover's Aboriginal and Torres Strait Islander Future Directions Operational Plan 2008–11*.

Raising workplace safety awareness for Aboriginal businesses

A project was undertaken by Noel Arnold and Associates in partnership with Indigenous Success Australia under the WorkCover NSW 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 occupational 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.

WorkCover Aboriginal Services Unit

In December 2010, WorkCover's CEO announced the establishment of an Aboriginal Services Unit for the Compensation Authorities Staff Division (CASD). It is anticipated that the role of the new unit will be to lead engagement with the Aboriginal and Torres Strait Islander communities of NSW and work with people throughout CASD to tailor services and programs to the needs of Aboriginal and Torres Strait Islander businesses, workers and communities. The new Unit will commence operation in early 2012.

Trends in the representation of Equal Employment Opportunity groups on 30 June¹

EEO group	Benchmark or target %	Percentage of total staff ²					
		2011	2010	2009	2008	2007	2006
Women	50.0	55.0	55.0	55.0	55.0	54.0	52.0
Aboriginal people and Torres Strait Islanders	2.6 ³	3.4	4.1	3.1	3.2	2.9	1.1
People whose first language was not English	19.0	14.0	15.0	15.0	14.0	15.0	15.0
People with a disability	N/A	8.0	7.0	8.0	7.0	7.0	7.0
People with a disability requiring work-related adjustment ⁴	1.1	0.2					

Notes:

- 1 Calculations are based on the methodology used by DPC based on the annual workforce profile data submission
- 2 Excludes casual staff
- 3 Minimum target by 2015
- 4 Minimum annual incremental target

Trends in the distribution of Equal Employment Opportunity groups on 30 June.

EEO group	Benchmark or target %	Distribution index ^{1,2}					
		2011	2010	2009	2008	2007	2006
Women	100	91	89	91	90	89	89
Aboriginal people and Torres Strait Islanders	100	92	80	90	91	94	N/A
People whose first language was not English	100	101	102	100	101	100	101
People with a disability	100	99	102	99	100	104	N/A
People with a disability requiring work-related adjustment	100	96	100	97	97	105	104

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.

Human resource statistics

Exemplar organisation (continued)

	2010/11							2009/10							2008/09						2007/08						
	CASD ⁽⁵⁾	WCA	WCC	SIC	DDB ⁽²⁾	MAA	LTCSA	CASD ⁽¹⁾	WCA	WCC	LSPC	SI	DDB ⁽²⁾	MAA	LTCSA	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB
Administration and clerical	1,061	760	90	4	41	109	57	1,094	745	87	60	4	40	111	47	974	774	94	61	4	41	933	747	87	63	5	30
Associates/ ministerial																0											
Cadets ⁽³⁾	8	5				1	2	17	15	2																	
Departmental professional officers	34	25			9			32	23				9			38	25				13	35	23				12
Engineers	12	12						12	12							16	16					13	13				
General division																1	1					1	1				
Graduates								15	15							19	19										
Legal officers	38	27	9					37	26	7				4		33	25	8				32	26	6			
Safety inspectors ⁽⁴⁾	293	293						310	310							296	296					284	284				
Senior management (senior executive service)	13	9				2	2	15	9	1				3	2	11	10		1			15	14		1		1
Senior officers	55	43	2		1	9		59	48	2			1	8		51	47	3		1		50	46	3			
Statutory and other officers	24		23			1		5	4					1		4		4				4		4			
Technical officers	8	8						11	11							15	15					17	17				
Trainees																3	3										
TOTAL	1,546	1,182	124	4	51	124	61	1,607	1,214	102	61	4	50	127	49	1,461	1,231	109	62	4	55	1,384	1,172	100	64	5	43

Note: The HR Statistics quoted for 2010/11 are headcount figures as at 23 June 2011 (being the census date for the DPC Annual Workforce profile data-collection)

- 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)
- DDB headcount is as at 22 July 2010, due to DDB not being on the WorkCover NSW HR System until July 2010
- Cadets are a new Employment category in 2009/10
- There were 21 vacant inspector positions as at 23 June 2011
- From 4 April 2011, employees from the Building and Construction Industry Long Service Payments Corporation (LSPC) no longer formed part of the Compensation Authorities Staff Division (CASD)

Senior Executive Service (SES) and Chief Executive Service (CES) positions

	2010/11							2009/10							2008/09					2007/08							
	CASD ⁽¹⁾	WCA	WCC	SIC	DDB	MAA	LTCSA	CASD	WCA	WCC	LSPC	SIC	DDB	MAA	LTCSA	OWCA	WCA	WCC	LSPC	SIC	DDB	OWCA	WCA	WCC	LSPC	SIC	DDB
Number of CES/SES positions	15	10				3	2	16	10		1					11	10			1		15	14			1	
Number of positions filled by women	8	6				1	1	7	5							4	4					6	6				
Positions at or above SES level 5	9	7				1	1	7	5							5	5					5	5				

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

1. From 4 April 2011, employees from the Building and Construction Industry Long Service payments Corporation (LSPC) no longer formed part of the Compensation Authorities Staff Division (CASD)

Workforce planning

e-Recruitment

WorkCover continues to expand its use of the online e-Recruitment system, a centrepiece of ongoing government reform.

This system provides job seekers a 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. The system also enables selection committees to review applications and submit their recommendations online.

Workforce planning

WorkCover has developed a robust workforce analytics reporting program to provide a comprehensive annual workforce analytics report and general quarterly reports. These reports will enable identification of emerging workforce trends, provide more timely trend analysis, enable development of evidence based policy and establish a baseline so future workforce changes can be analysed.

Age Profile

Age analysis of permanent WorkCover staff

Under 25 (%)	25 to 34 (%)	35 to 44 (%)	45 to 54 (%)	55 to 64 (%)	65 + (%)
1.0	16.1	29.3	31.8	20.4	1.4

An in-depth analysis of the age profile and demographic data of the permanent WorkCover workforce was undertaken in 2010/11. Analysis revealed an overall median age of 46 years and a median tenure of 7.6 years.

The analysis identified a number of key challenges facing WorkCover's workforce, including a significant portion of staff approaching traditional retirement age and an under-representation of young workers. Over 20 per cent of the permanent workforce is aged 55 years and over, while only one per cent are aged under 25 years.

WorkCover is currently scoping potential attraction and retention initiatives to introduce young workers to its workforce through streamlined entry level programs, such as Scholarship, Cadet and Graduate Programs. In addition, a broad talent management framework is being considered for development in 2011/12.

Scholars

To expose young capable people to our organisation, WorkCover has commenced an industry based scholarship partnership with the University of NSW and the University of Newcastle. Our first group of first year scholars has been chosen and will commence later in 2011.

A great place to work

Karen started with WorkCover in 2006 as the Supervisor of Office Support Services in the Gosford Head Office. Having already worked for over 13 years in the public service for a number of different government agencies, Karen saw her new role as a positive step forward in her career, and has already progressed to new roles within the organisation.

"During the five years I have been with WorkCover I have been impressed by the learning and development opportunities on offer as well as the great working conditions and the quality of the facilities and equipment available to staff. I have also come to fully appreciate the importance of the role WorkCover plays in keeping work places safe and how what we do each day supports the community", Karen said.

Karen participated in the Corporate Leadership Development Program in 2011, noting that the "opportunity has been extremely motivating and I am grateful to have found a job that I feel connected to and which contributes positively to WorkCover's strategic workforce decisions".

As a busy mum of three children, the work/life balance and flexible working conditions offered by WorkCover "has made a positive impact on my life" she said. WorkCover's flexible work conditions provide Karen with more time with her children while "at the same time able to pursue a career doing something I feel passionate about".



Leadership in the community

Working with the Chinese community

Since early 2009, WorkCover Inspectors have attended over 40 events organised by Local Community Groups to raise awareness of workplace health and safety within the Chinese community.

In 2010/11, WorkCover representatives interacted with over 600 workers from the Chinese community, providing presentations and workshops to raise awareness and provide information and assistance on the new work health and safety legislation.

This initiative is focused on reducing the risk of work related injury and illness among workers who speak Cantonese and Mandarin, which is among the top ten languages spoken at home by employed culturally and linguistically diverse workers in NSW.

Korea Occupational Safety and Health Agency (KOSHA) delegation

Korea Occupational Safety and Health Agency (KOSHA) delegates, Director of Occupational Safety, Lee Chung-Ho, and Senior Manager Occupational Safety, Hwang Young-Kyu, visited in May 2011 to learn more about WorkCover's structure and operations. The KOSHA delegates were particularly interested in how risk management is embedded into NSW legislation and WorkCover's approach to developing the capacity of the State's businesses to identify and control risks in the workplace.

Cyclone Yasi

Two WorkCover Inspectors travelled to Far North Queensland in March 2011 for two weeks to assist Workplace Health and Safety Queensland (WHSQ) undertake inspections following the devastation of Cyclone Yasi. Based in Innisfail, the NSW inspectors assisted local generalist inspectors with their construction knowledge.

The eye of the cyclone crossed at Mission Beach, approximately one hour south of Innisfail, with extensive damage to houses, rural buildings and commercial premises in the region.

The NSW inspectors provided assistance to the Queensland inspectors, as they have no authority in Queensland. They encountered poor practices in asbestos removal, demolition and unsafe work at heights on roofs.



Most of the damage here has been done by a tidal surge.

The cross jurisdiction cooperation provided an opportunity to gain a better understanding of how various jurisdictions operate, with many similarities observed. It also provided NSW with an opportunity to assist the ravaged area in rebuilding for the future.

Lessons learned from Cyclone Larry in 2006 saw legislation to allow Q Build (Department of Works) to enter private properties to demolish unsafe buildings, clean up asbestos, and enter public reserves to remove debris and asbestos. The lessons learned by NSW will provide a better understanding of WorkCover's role in the unfortunate event of natural disasters affecting our State.



1. A commercial building in Tully.
2. A building in a rural area outside Tully.
3. Mission Beach - Infrastructures such as roads were badly damaged and will take years to repair.
4. The North Queensland banana crop was destroyed.

Cost and efficiency

WorkCover has been focusing on its ability to deliver on its Key Result Areas and supporting Key Performance Indicators.

This ensures that WorkCover continues to:

- ▶ improve work health and safety in New South Wales workplaces
- ▶ improve the cost-effectiveness and accountability of services, and
- ▶ maintain the financial sustainability of the workers compensation system.

Following a competitive selection process, KPMG was appointed to undertake a capability review. As a result of the review a number of recommendations were made, including that WorkCover should:

- ▶ develop a new organisational structure to ensure the efficient delivery of WorkCover's strategic goals, including shared services across the Compensation Authorities Staff Division
- ▶ make best use of existing resources to support internal decision-making, and ensure fair outcomes for injured workers and premium-paying employers, and
- ▶ ensure its capability to support changes due to the commencement of national work health and safety legislation in January 2012.

WorkCover is actively implementing the recommendations.



Energy performance and waste reduction

WorkCover is committed to achieving savings in energy usage and maintaining sustained energy management principles. During 2010/11, WorkCover owned or leased 30 sites that purchased electricity using the State Contracts Control Board (SCCB) electricity contracts. These contracts help minimise costs and achieve a reduction of greenhouse gas emissions by purchasing six per cent green power.

WorkCover will continue to review and implement cost effective strategies to reduce energy consumption.

The following table shows energy trends over the past three financial years.

Fuel	Total energy consumed GJ			Annual cost \$			CO ₂ emissions tonnes			Energy % change in the last year
	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09	2010/11	2009/10	2008/09	
Electricity (black coal)	18,752	18,146	19,331	801,764	762,282	594,920	5,588	5,408	5,703	3.3
Electricity (green power)	1,218	1,180	1,216	70,199	69,840	51,028	0	0	0	3.2
Natural gas	622	646	783	9,916	9,987	10,994	32	33	40	-3.7
LPG	0	0	66	0	0	1,418	0	0	4	0
Diesel	1,524	592	1,480	48,668	17,083	52,759	105	41	103	157.4
Petrol	32,128	35,707	33,350	1,114,544	1,162,429	1,129,487	1997	2278	2,150	-10
Total	54,244	56,271	56,26	2,045,091	2,021,621	1,840,606	7722	7760	8,000	

There was a 3.3 per cent increase in electricity consumption between 2009/10 and 2010/11. Electricity consumption trends are subject to fluctuation, with this year's increase being considered normal. E10 fuel purchases made up 68 per cent of fuel purchases, contributing to a decrease in vehicle emissions.

Between 2009/10 and 2010/11, overall total energy costs increased by 1.2 per cent, while total energy consumption reduced by 3.6 per cent. Greenhouse gas emissions decreased by 0.5 per cent over the period.

WorkCover regularly consults with the Department of Finance and Services to access information on the latest innovations in energy management that will enhance our ability to sustain energy savings and deliver positive environmental outcomes.

WorkCover is committed to reducing our environmental impact in the areas of recycling and waste reduction. Between 2009 and 2011, the organisation achieved a 49 per cent reduction in the amount of copy paper disposed, and an 85 per cent reduction in the amount of computer components disposed. This is largely due to WorkCover's refresh program. WorkCover actively looks for opportunities to purchase recycled content products and reduce waste where suitable and cost effective.

Customer focused approach

Customer service

The WorkCover Customer Service Centre 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, the Information Centre, the Claims Assistance Service and the Licensing Solutions Unit are a first point of contact with many of our customers.

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 received 206,284 phone calls, 10,195 emails and approximately 2000 counter enquiries in 2010/11.

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.

In 2010/11 the Unit received 355,000 customer requests, comprising 200,000 licences, notifications, certificates and permits, and 105,000 customer calls for assistance received through the Licensing hotlines.

Licensing Solutions provide first point call resolution to approximately 97 per cent of the 105,000 calls.

Customer feedback

In 2010/11, WorkCover received 107 formal compliments congratulating WorkCover staff and thanking them for their assistance, courteous approach and timely resolution of occupational health and safety issues. WorkCover also received a number of compliments regarding its webinars and public information forums outlining the upcoming changes to work health and safety legislation.

During 2010/11, the Customer Feedback portal on the WorkCover internet site was updated to provide an easier mechanism for members of the public to provide feedback to the organisation. The Customer Service Charter has also been refreshed to reflect the new values of the organisation.

Paralympian Speakers Program

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

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.

Heath retires

After an illustrious career spanning more than a decade of competition, WorkCover sponsored Paralympian, Heath Francis, has announced he is retiring from athletics.

The three-time Paralympian athlete, and member of WorkCover's Paralympian Speaker's Program, is the reigning Paralympic champion over 100m, 200m and 400m. Heath takes with him an outstanding Paralympic Games medal tally of six gold, four silver and three bronze medals from the Sydney, Athens and Beijing games.

Heath's contribution to WorkCover's safety message cannot be overstated and he will be sorely missed by WorkCover. We wish him well in his future endeavours.



2010 Safety Show and Conference

For the seventh successive year, WorkCover promoted healthy and safe workplaces at the 2010 Safety Show and Conference.

Held in October at Sydney Olympic Park, Homebush, the three day show attracted almost 10,000 visitors, while 320 people attended the conference. WorkCover occupied an interactive stand which featured *Hazard a Guess*, a new e-learning tool for young workers.

WorkCover ran a series of free workshops that were attended by 675 people over the three days. The workshops were designed to assist small business, particularly those in the transport and storage, health and community services, manufacturing and construction industries.

The conference boasted more than 50 Australian and international speakers and featured presentations on the new national work health and safety legislation and hazard identification. Seminars on the new laws attracted hundreds of business owners, keen to know how they could prepare for the new laws.

The Safety Show and Conference culminated with WorkCover's 2010 SafeWork Awards.

SafeWork Awards 2010

More than 500 people attended the seventh annual awards night at the Sydney Convention and Exhibition Centre at Darling Harbour in October 2010.

The five category winners were selected by an expert panel of judges from a field of more than 90 entries. The category winners were the Ballina Bypass Alliance was formed between the RTA, Leighton Contractors, AECOM, SMEC and Coffey Geotechnics, Toyota Material Handling Australia, Hazmat Services, Daniel Germany, Country Energy, and Aurecon Hatch. A further four finalists receiving 'highly commended' awards.

All 2010 SafeWork Award winners were eligible to enter the national safe work awards held in Canberra.

WorkCover Assist Grants Program

In 2010/11, WorkCover made \$6.1 million available to support key stakeholders implement the model work health and safety legislation. The WorkCover Assist 2010 Grants Program provided funding to employer associations, trade unions and not for profit group training organisations in NSW to deliver training on the model Work Health and Safety Act and Regulations to their members.

An additional \$600,000 was made available in WorkCover Assist grants to develop education programs in high risk focus areas relevant to work health and safety in their industry. These focus areas include: falls from heights, safe handling practices, and return to work.

As at the end of the 2010/11 financial year, the Government has made \$47.2 million available for this program since its inception in 2001.

Working Together Strategy

The *Working Together 2010–2012 strategy* is a whole of government initiative that seeks to secure improvements in the NSW public sector's workplace safety and return to work performance. WorkCover NSW leads the strategy in partnership with the NSW Self Insurance Corporation, the Department of Premier and Cabinet, public sector departments and unions.

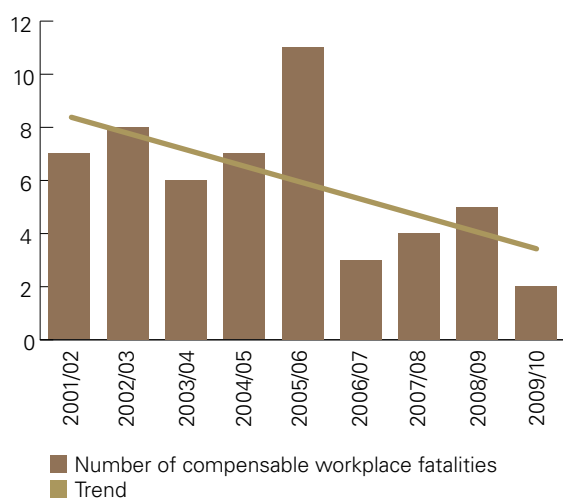
Working Together 2010–2012 sets nine workplace safety and injury management targets for the NSW public sector, and a number of associated actions and deliverables.

Interim results show that the public sector is on track to achieve the majority of its targets. Public sector departments have made considerable improvement in the prevention of injuries and in returning injured workers back to work in a faster and more durable way.

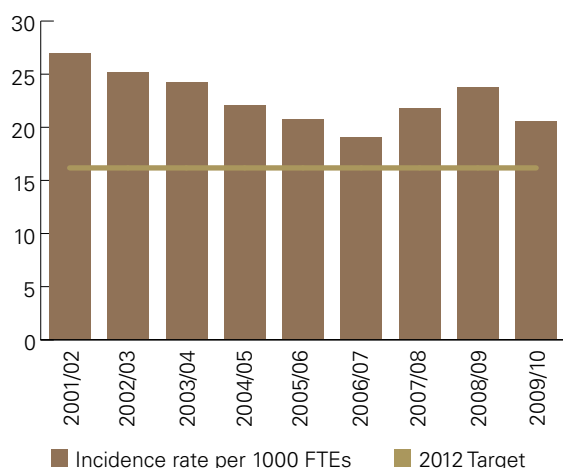
Strategy results as at December 2010 show an improvement of around nine per cent in the incidence rate of lost time claims compared to baseline. Results have exceeded targets in the return to work of injured workers who have been off work for more than six months. There has also been an improvement of around 24 per cent in returning injured workers to the workforce sooner once they are certified fit for modified duties.

The *Working Together 2010 – 2012* strategy follows on from the enormous success of the previous strategy which contributed to the prevention of approximately 10,000 injuries and an overall saving of \$540 million within the NSW public sector.

Workplace fatalities – all public sector agencies



Major workplace injuries and musculoskeletal disorders – all public sector agencies



Risk management

WorkCover's risk management framework is in line with the International Standard ISO 31000: 2009.

WorkCover undertakes an annual review of its strategic risk profile in consultation with the Executive and senior management, which assesses risk in regards to corporate and divisional objectives, the operating environment and current control framework.

WorkCover's risk environment is actively managed through the Risk Management Steering Committee and reports quarterly through the WorkCover Executive and the CASD Board Audit and Risk Committee.

Internal Audit Unit

The Compensation Authorities Staff Division (CASD) Internal Audit Unit (IAU) is an independent review function that manages, through an outsourced service provider, an annual plan of risk-based audits across all the CASD Agencies including WorkCover. In 2010/11, 11 reviews were completed in WorkCover or CASD-wide (including WorkCover). These reviews made 147 audit recommendations to strengthen the organisation's internal controls.

The following internal audit reviews were completed in 2010/11:

- ▶ CASD Leave Management
- ▶ CASD Board and Treasury Financial Reporting
- ▶ CASD Contractor Management
- ▶ CASD Records Management
- ▶ CASD Asset Management
- ▶ CASD Data Centres
- ▶ WCA Blacktown Office
- ▶ WCA Liverpool Office
- ▶ WCA Asbestos and Demolition Licensing
- ▶ WCA Investment Division Procurement and Contract Management of non investment services, and
- ▶ WCA Investment Division Delegated Authorities.

The IAU also undertakes a range of fraud and corruption prevention activities. In 2010/11, the IAU drafted CASD-wide policies for Fraud and Corruption Control and Internal Reporting respectively. IAU staff act as Protected Disclosure Officers to whom staff can report allegations of corrupt conduct within the *Public Interest Disclosure Act 1994*. IAU also manages investigations into corrupt conduct liaising, where appropriate, with the Independent Commission Against Corruption (ICAC).

The Director of Internal Audit and Corruption Prevention reports directly to the CASD Audit and Risk Committee for strategic direction and accountability purpose and reports administratively to the CASD Chief Executive to facilitate day to day operations.

Internal Audit and Risk Management Statement for the 2010-2011 Financial Year for the WorkCover Authority

I, Greg McCarthy, Chair of the WorkCover Authority Board, am of the opinion that the WorkCover Authority has internal audit and risk management processes in place that are, excluding the exception described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Greg McCarthy, Chair of the WorkCover Authority Board, am of the opinion that the internal audit and risk management processes for the WorkCover Authority depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) the WorkCover Authority has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
<ul style="list-style-type: none"> 3.1.4 - The Audit and Risk Committee must have no fewer than three (3) members, and no more than five (5) members, of whom a majority must be independent. 	<ul style="list-style-type: none"> Committee membership numbers to allow for each member to provide their respective Compensation Authorities Staff Division (CASD) agency Board with information from the Committee and advise each board of the discharging of its duty. Exemption granted to allow the CASD Audit and Risk Committee to have an independent membership of six (6) full time members and one (1) alternate member.

These processes, including the practicable alternative measures implemented, provide a level of assurance that enables the senior management of the WorkCover Authority to understand, manage and satisfactorily control risk exposures.

I, Greg McCarthy, Chair of the WorkCover Authority Board, am of the opinion that the Compensation Authorities Staff Division Audit and Risk Committee for the 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
- Carolyn Walsh, independent Member
- Susan Clark, independent Member
- Robert Ingui, independent Member
- Raymond Petty, independent Member
- Cass O'Connor, independent Member
- Geniere Aplin, independent Member (Alternate)

I, Greg McCarthy, Chair of the WorkCover Authority Board declare that this Internal Audit and Risk Management Attestation is made on behalf of the following controlled entities (or subsidiaries):

- Workers Compensation Commission

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to Treasury.

Greg McCarthy
Chair

Dated this 22 day of August 2011

Contact Officer: Lisa Hunt, Chief Executive Officer
WorkCover Authority
92-100 Donnison Street, GOSFORD NSW 2250
Telephone: (02) 4321-7173

Contents

Additional Background Information WorkCover NSW	61
Statement by Directors	63
Actuarial Certificate	64
Independent Auditor's Report	66
Statement of Comprehensive Income	68
Balance Sheet	69
Statement of Cash Flows	70
Statement of Changes in Equity	71
Notes to and forming part of the financial statements	72
Note 1. Reporting entity	72
Note 2. Constitution and functions of the WorkCover Authority	72
Note 3. Summary of significant accounting policies	72
Note 4. Contributions	77
Note 5. Fees and charges	78
Note 6. Investment revenue	78
Note 7. Other revenue	79
Note 8. Board and Committee member payments	79
Note 9. Personnel services and employee related costs	79
Note 10. Other operating expenses	80
Note 11. Grants	81
Note 12. Net claims incurred and finance costs	81
Note 13. Trade and other receivables	81
Note 14. Financial assets – investments	82
Note 15. Financial instruments	82
Note 16. Property, plant and equipment	88
Note 17. Intangibles	94
Note 18. Inventory	96
Note 19. Trade and other payables	96
Note 20. Provisions	97
Note 21. Outstanding claims	98
Note 22. Reconciliation of surplus/(deficiency) for the year to net cash (outflows)/inflows from operating activities	100
Note 23. Reconciliation of cash	100
Note 24. Expenditure commitments	101
Note 25. Self-insurers and specialised insurers security deposits and bank guarantees	101
Note 26. Contingent liabilities and contingent assets	101
Note 27. Funds	102

Additional Background Information

June 2011 Financial Statements Overview of Results

Introduction

Under the *Public Finance and Audit Act 1983* financial reports are prepared 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 financial report.
- ▶ Workers Compensation Commission.
- ▶ Compensation Authorities Staff Division.

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

1. WorkCover Authority:

	2011 \$m	2010 \$m
Operating Results	Actual	Actual
Revenue	269.7	244.1
Expenses	266.5	270.0
Operating (Deficit)/Surplus	3.2	(25.9)
Financial Position		
Short Term Solvency	104%	95%
Long Term Solvency	88%	87%
Total Assets	275.9	271.3
Total Liabilities	311.9	310.5
Equity	(36.0)	(39.2)

Operating Results

The operating results for the year ended 30 June 2011 was a surplus of \$3.2 million. This was an increase of \$29.1 million from the operating deficit of \$25.9 million reported in 2009/10. The operating surplus has decreased the accumulated deficit from \$39.2 million in 2009/10 to \$36.0 million in 2010/11. The result for 2010/11 is featured by:

- ▶ Increase in compensation scheme contribution income to offset an increase in actuarially assessed net claims incurred costs of \$20.1 million
- ▶ Decrease of \$14.8 million in superannuation liabilities following actuarial review
- ▶ No return of surplus funds to the Workers Compensation Insurance Fund, a decrease of \$10.0 million
- ▶ Decrease of \$3.6 million in the Workers Compensation Commission grant mainly due to the recent restructure which brought a number of external arbitrators in-house
- ▶ Decrease of \$1.9 million in pensions of the judges from the old Compensation Court following actuarial review.

Financial Position

Overall, WorkCover's financial position is sound.

Short-term solvency is adequate with current assets representing 104 per cent (95 per cent, June 2010) of current liabilities.

Long-term solvency is also adequate with total assets representing 88 per cent of liabilities (87 per cent, June 2010). Outstanding claims and superannuation are the main liabilities. Outstanding claims have been actuarially assessed at \$127.9 million (\$109.8 million, June 2010). Superannuation has been actuarially assessed at \$62.9 million (\$66.4 million, June 2010).

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 2010/11 WorkCover generated negative cash flows from operating activities of \$0.1 million. This cash was used to fund expenditure of \$3.4 million 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.

Overall costs decreased from \$33.1 million in 2009/10 to \$29.5 million in 2010/11 mainly due to the recent restructure which brought a number of external arbitrators in-house.

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:

- ▶ Lifetime Care Support Authority
- ▶ Motor Accidents Authority
- ▶ Sporting Injuries Committee
- ▶ WorkCover Authority
- ▶ 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.

In accordance with the *Public Sector Employment and Management (Departments) Order 2011 (as amended by the Public Sector Employment and Management (Departments and Ministers) Amendment Order 2011)*, the Long Service Corporation transferred from CASD to the Department of Finance and Services from 1 April 2011. The overall costs for CASD decreased from \$162.6 million in 2009/10 to \$161.2 million in 2010/11 mainly due to this transfer.

Julie Newman
Chief Financial Officer

Statement by Directors

WORKCOVER AUTHORITY OF NEW SOUTH WALES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 2011 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, Australian Accounting Standards 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

18 October 2011

Lisa Hunt
Chief Executive Officer



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WORKCOVER AUTHORITY of NSW

Actuarial Certificate Outstanding claims liabilities at 30 June 2011

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 2011 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, HIH and Rural & General.

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 2011 for the Other Fund, net of recoveries is set out in the following Table.

Outstanding Claims Liability at 30 June 2011 – Other	\$m
ERWCF	18.107
BFFCF	20.715
IGF – Non-HIH	72.420
IGF – HIH	16.666
Total	127.908

It is our understanding that the WorkCover Authority has provided \$127.9 million in the Financial Statements of the above Funds as at 30 June 2011 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 24th August 2011 for ERWCF and BFFCF and 24th August 2011 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
9 September 2011**



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 WorkCover Authority of New South Wales (the Authority), which comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Authority and the consolidated entity. The consolidated entity comprises the Authority and the entity it controlled at the year's end or from time to time during the financial year.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the consolidated entity as at 30 June 2011, and of their financial performance for the year then ended in accordance with Australian Accounting Standards
- 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 are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.



A Oyetunji
Director, Financial Audit Services

19 October 2011
SYDNEY

WorkCover Authority Statement of Comprehensive Income

For the year ended 30 June 2011

		Consolidated		Authority	
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenues					
Contributions	4	226,701	199,544	226,701	199,544
Fees and charges	5	16,237	15,719	16,237	15,719
Investment revenue	6	13,215	14,130	13,215	14,130
Other revenue	7	12,741	13,924	13,596	14,749
Total revenues		268,894	243,317	269,749	244,142
Expenses					
Board and Committee member payments	8	859	682	859	682
Personnel services and employee related costs	9	142,271	154,319	128,027	142,404
Office accommodation		14,691	13,949	12,853	12,308
Depreciation and amortisation		13,498	12,425	12,827	11,771
General grants		4,470	4,455	4,470	4,455
Other operating expenses	10	58,855	70,568	46,956	52,506
Specific grants	11	1,072	2,984	30,579	36,081
Net claims incurred	12	24,108	1,575	24,108	1,575
Finance costs	12	5,799	8,210	5,799	8,210
Total expenses		265,623	269,167	266,478	269,992
Surplus/(Deficit) for the year		3,271	(25,850)	3,271	(25,850)
Other comprehensive income					
Transfer from asset revaluation reserve		621	0	621	0
Net (decrease) in property, plant and equipment asset revaluation reserve		(621)	(1,704)	(621)	(1,704)
Total other comprehensive income for the year		0	(1,704)	0	(1,704)
Total comprehensive income for the year		3,271	(27,554)	3,271	(27,554)

The accompanying notes form part of these financial statements.

WorkCover Authority Balance Sheet

As at 30 June 2011

		Consolidated		Authority	
	Note	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current assets					
Cash and cash equivalents	23	55,002	53,513	55,001	53,512
Inventory	18	1,441	1,319	1,441	1,319
Trade and other receivables	13	16,834	19,057	16,663	18,799
Total current assets		73,277	73,889	73,105	73,630
Non-current assets					
Trade and other receivables	13	33,132	23,568	33,132	23,568
Financial assets	14	132,772	127,171	132,772	127,171
Intangible assets	17	8,761	14,650	8,368	13,817
Property, plant and equipment	16	28,753	33,568	28,481	33,078
Total non-current assets		203,418	198,957	202,753	197,634
Total assets		276,695	272,846	275,858	271,264
Current liabilities					
Trade and other payables	19	14,049	25,278	12,930	23,579
Provisions	20	46,081	44,844	42,640	41,599
Outstanding claims	21	14,494	12,654	14,494	12,654
Total current liabilities		74,624	82,776	70,064	77,832
Non-current liabilities					
Trade and other payables	19	44,371	47,361	50,611	53,295
Provisions	20	80,281	84,801	77,764	82,229
Outstanding claims	21	113,414	97,174	113,414	97,174
Total non-current liabilities		238,066	229,336	241,789	232,698
Total liabilities		312,690	312,112	311,853	310,530
Net assets/(Deficiency)		(35,995)	(39,266)	(35,995)	(39,266)
Equity					
Asset revaluation reserve		16,969	17,590	16,969	17,590
Accumulated funds		(52,964)	(56,856)	(52,964)	(56,856)
Total equity		(35,995)	(39,266)	(35,995)	(39,266)

The accompanying notes form part of these financial statements.

WorkCover Authority Statement of Cash Flows

For the year ended 30 June 2011

	Note	Consolidated		Authority	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Contributions		247,522	233,575	218,321	202,981
Investments		2,614	2,507	2,614	2,507
GST refund from ATO		8,162	8,603	6,964	6,981
Other receipts		27,547	28,707	27,547	28,699
Board and Committee member payments		(5,579)	(2,146)	(859)	(682)
Personnel services and employee related costs		(138,948)	(134,364)	(129,667)	(125,401)
Office accommodation		(16,003)	(17,613)	(14,020)	(15,839)
Grants paid		(31,564)	(32,325)	(31,564)	(32,325)
Compensation claims paid		(11,283)	(9,722)	(11,283)	(9,722)
Goods and Services Tax Payment to the Australian Taxation Office		(595)	(490)	(595)	(490)
Other payments		(81,977)	(68,899)	(67,574)	(49,041)
Net cash (Outflows)/Inflows from operating activities	22	(104)	7,833	(116)	7,668
Cash flows from investing activities					
Purchase of property, plant and equipment and intangibles		(3,413)	(7,748)	(3,401)	(7,583)
Proceeds on sale of property, plant and equipment		6	36	6	36
Redemption of investments		5,000	2,000	5,000	2,000
Net cash Inflows/(Outflows) from investing activities		1,593	(5,712)	1,605	(5,547)
Net increase in cash and cash equivalents		1,489	2,121	1,489	2,121
Cash and cash equivalents at the beginning of the financial year		53,513	51,392	53,512	51,391
Cash and cash equivalents at the end of the financial year	23	55,002	53,513	55,001	53,512

The accompanying notes form part of these financial statements.

WorkCover Authority

Statement of Changes in Equity

For the year ended 30 June 2011

Consolidated			
Note	Accumulated funds \$'000	Asset revaluation reserve \$'000	Total \$'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)
Total other comprehensive income for the year	–	(1,704)	(1,704)
Total comprehensive income for the year	(25,850)	(1,704)	(27,554)
Balance at 30 June 2010	(56,856)	17,590	(39,266)
Balance at 1 July 2010	(56,856)	17,590	(39,266)
Surplus for the year	3,271	–	3,271
Other comprehensive income	621	(621)	–
Total other comprehensive income for the year	621	(621)	0
Total comprehensive income for the year	3,892	(621)	3,271
Balance at 30 June 2011	(52,964)	16,969	(35,995)

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

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 2011 have been authorised for issue by the Chief Executive Officer of the WorkCover Authority on 13/10/2011.

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 27. 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) and
- ▶ the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010.

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.

Judgments, 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

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)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). 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 ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis.

(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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 3. Summary of significant accounting policies (continued)

(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.

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.

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.

(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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 3. Summary of significant accounting policies (continued)

(e) Assets (continued)

(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.

(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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 3. Summary of significant accounting policies (continued)

(e) Assets (continued)

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.

(xiv) Recognition of financial assets and financial liabilities

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

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 extinguished 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 rate 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) 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 3. Summary of significant accounting policies (continued)

(f) Liabilities

(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 (5.25 per cent – 2010).

(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:

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

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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 3. Summary of significant accounting policies (continued)

(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.

AASB amendment	Affected standards	Operative date
AASB 9	Financial Instruments	1 January 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters	1 July 2011
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

The new standards are concerned with disclosures and will have no direct impact on the Authority's financial statements. 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) Deficiencies in net assets

The Balance Sheet shows a deficiency of \$36.6m for Net Assets. Management has considered the deficiency when preparing the financial statements and assessed that they should be prepared on a going concern basis as the funding model ensures sufficient cash for each financial year is received from the Nominal Insurer.

Note 4. Contributions

Contributions to the various funds were:

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
WorkCover Authority Fund				
Nominal Insurer, self and specialised insurers	205,609	199,545	205,609	199,545
Workers Compensation Insurance Fund				
Management and administration expenses	521	521	521	521
	206,130	200,066	206,130	200,066
Insurers' Guarantee Fund	2,986	(11,536)	2,986	(11,536)
Bush Fire Fighters Compensation Fund	9,042	2,851	9,042	2,851
Emergency and Rescue Workers Compensation Fund	8,543	8,163	8,543	8,163
	226,701	199,544	226,701	199,544

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 – 2010).

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

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Fees and charges

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
TestSafe Australia testing fees	3,201	3,505	3,201	3,505
Certificates of competency	4,379	4,430	4,379	4,430
Testing and boiler inspection	948	811	948	811
Registration of plant	1,162	1,097	1,162	1,097
Biological monitoring	809	601	809	601
Demolition and pest control licences	505	455	505	455
Construction induction training	1,877	1,924	1,877	1,924
Consultancy and training	184	164	184	164
Dangerous goods licensing activities	2,407	1,650	2,407	1,650
Asbestos licences and removal permits	363	260	363	260
Accreditation fees	187	533	187	533
Other	215	289	215	289
	16,237	15,719	16,237	15,719

Note 6. Investment revenue

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest on call and term deposits	2,614	2,507	2,614	2,507
Movement in market values	10,601	11,623	10,601	11,623
	13,215	14,130	13,215	14,130

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 7. Other revenue

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Distribution from liquidator – IGF	1,357	1,861	1,357	1,861
OHS prosecution fines	3,631	3,904	3,631	3,904
Professional costs recoveries	1,736	1,797	1,736	1,797
Workers compensation s.156 recoveries	1,953	1,723	1,953	1,723
Infringement notices	517	477	517	477
Other	3,547	4,162	4,402	4,987
	12,741	13,924	13,596	14,749

Note 8. Board and Committee member payments

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Payment to Board members	859	682	859	682
	859	682	859	682

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.

Note 9. Personnel services and employee related costs

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Salaries and allowances	110,434	104,539	99,326	96,456
Annual leave	9,340	8,436	8,393	7,710
Long service leave	4,723	8,720	4,408	7,946
Payroll tax	7,229	7,195	6,532	6,657
Workers compensation insurance	1,207	902	1,089	831
Fringe benefits tax	805	726	772	721
Superannuation	8,533	23,801	7,507	22,083
	142,271	154,319	128,027	142,404

Included in the Consolidated Entity superannuation expense item is an actuarial assessed superannuation gain of \$3.49m (loss of \$12.27m – 2010).

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 10. Other operating expenses

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consultants	2,729	519	2,729	519
Contractors	13,565	19,225	3,424	3,107
Travel and vehicle expenses	5,649	6,070	5,539	5,864
Communication expenses	2,073	2,055	1,804	1,785
Advertising	947	2,674	941	2,672
Fees	10,319	6,511	10,233	6,399
External audit – Audit of the financial report – WorkCover Authority	258	257	242	224
Internal Audit	374	22	374	–
Printing	1,424	1,882	1,374	1,830
Repairs and maintenance	5,200	5,584	5,139	5,550
Stores	1,968	1,812	1,850	1,682
Training	1,433	1,570	1,365	1,475
Media expenses	1,036	1,297	1,034	1,296
Legal aid and rehab	374	413	374	413
Interpreter services	423	428	47	63
Voluntary redundancy expenses	–	65	–	8
Inventory	713	1,103	713	1,103
Allowance for doubtful debts	2,119	1,410	2,119	1,410
Bad debts	65	71	65	51
Property, plant and equipment written off	83	44	83	44
Other	8,103	17,556	7,507	17,011
	58,855	70,568	46,956	52,506

Included in Other Expenses are funds that the WorkCover Board may resolve as being surplus and so transfer back to the WCIF in accordance with the *Workplace Injury Management and Workers Compensation Act 1998*. In 2011 no funds were resolved as being surplus (2010 – \$10m).

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 11. Grants

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

	Note	Consolidated		Authority	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Workers Compensation Commission	3 (h) (i)	–	–	29,507	33,097
Compensation Court of NSW	3 (h) (ii)	1,072	2,984	1,072	2,984
		1,072	2,984	30,579	36,081

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	
	2011 \$'000	2011 \$'000	2011 \$'000	2011 \$'000	2010 \$'000
Insurers' Guarantee Fund	5,491	4,477	3,681	13,649	596
Bush Fire Fighters Compensation Fund	2,673	716	5,117	8,506	2,045
Emergency and Rescue Workers Compensation Fund	3,663	606	3,483	7,752	7,144
	11,827	5,799	12,281	29,907	9,785

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Receivables	21,142	22,524	20,972	22,266
Prepayments	714	177	713	177
	21,856	22,701	21,685	22,443
Less allowance for impairment	(5,022)	(3,644)	(5,022)	(3,644)
Total current receivables	16,834	19,057	16,663	18,799
Non-current				
Receivables	33,132	23,568	33,132	23,568
Total receivables	49,966	42,625	49,795	42,367

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 13. Trade and other receivables (continued)

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Movement in the allowance for impairment				
Balance at 1 July	(3,644)	(3,809)	(3,644)	(3,809)
Amounts written off during the year	740	1,575	740	1,575
Amounts recovered during the year	–	–	–	–
(Increase)/decrease in allowance recognised in profit or loss	(2,118)	(1,410)	(2,118)	(1,410)
Balance at 30 June	(5,022)	(3,644)	(5,022)	(3,644)

Note 14. Financial assets – investments

Other financial assets comprise deposits with investment funds managers.

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
TCorp Hour-Glass Investment Facilities	132,772	127,171	132,772	127,171
	132,772	127,171	132,772	127,171
Current	–	–	–	–
Non-current	132,772	127,171	132,772	127,171
Total financial assets	132,772	127,171	132,772	127,171

These assets relate to the Insurers' Guarantee Fund and their availability for use by the Authority is 'restricted'. They can only be used for purposes set out in the legislation that established the Insurers' Guarantee Fund. Note 27 provides more details on this.

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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 15. Financial instruments (continued)

(a) Financial instrument categories

			Consolidated		Authority	
	Note	Category	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial assets						
Cash and cash equivalents	23	N/A	55,002	53,513	55,001	53,512
Receivables ⁽¹⁾	13	Loans and receivables at amortised cost	8,895	9,086	8,895	9,086
Investments	14	At fair value through profit or loss designated as such upon initial recognition	132,772	127,171	132,772	127,171
Financial liabilities						
Payables ⁽²⁾	19	Financial liabilities measured at amortised cost	13,503	14,212	12,386	12,513

(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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 15. Financial instruments (continued)

(b) Credit risk (continued)

Details of WorkCover's past due trade debtors follows:

	Consolidated			Authority		
	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2011						
< 3 months overdue	207	207	–	207	207	–
3 months–6 months overdue	12	7	5	12	7	5
> 6 months overdue	35	8	27	35	8	27
2010						
< 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

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 2010. The analysis assumes that all other variables remain constant.

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

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 15. Financial instruments (continued)

(d) Market risk (continued)

	Consolidated		Authority	
	Market value 2011 \$'000	Market value 2010 \$'000	Market value 2011 \$'000	Market value 2010 \$'000
Financial assets				
TCorp Hour-Glass Investment Facilities	132,772	127,171	132,772	127,171
Cash and cash equivalents	55,002	53,513	55,001	53,512
Total financial assets exposed to market risk	187,774	180,684	187,773	180,683
Trade and other receivables	8,895	9,086	8,895	9,086
Total financial assets not exposed to market risk	8,895	9,086	8,895	9,086
Total financial assets	196,669	189,770	196,668	189,769
Financial liabilities				
Trade and other creditors	13,503	14,212	12,386	12,513
Total financial liabilities not exposed to market risk	13,503	14,212	12,386	12,513

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:

	Weighted average effective interest 2011 %	Consolidated			Authority		
		Floating interest rate 2011 \$'000	Non- interest bearing 2011 \$'000	Total 2011 \$'000	Floating interest rate 2011 \$'000	Non- interest bearing 2011 \$'000	Total 2011 \$'000
Financial instruments							
Financial assets							
Cash at bank	5.27%	9,076	–	9,076	9,075	–	9,075
Trade and other receivables	N/A	–	8,895	8,895	–	8,895	8,895
Investment in cash facilities	5.37%	45,926	–	45,926	45,926	–	45,926
Financial assets	N/A	–	–	–	–	–	–
Total financial assets		55,002	8,895	63,897	55,001	8,895	63,896
Financial liabilities							
Trade and other creditors	N/A	–	13,503	13,503	–	12,386	12,386
Total financial liabilities		–	13,503	13,503	–	12,386	12,386

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 15. Financial instruments (continued)

(d) Market risk (continued)

Interest rate risk exposure – previous year

	Weighted average effective interest 2010 %	Consolidated			Authority		
		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
Financial instruments							
Financial assets							
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	–	–	–	–	–	–
Total financial assets		53,513	9,086	62,599	53,512	9,086	62,598
Financial liabilities							
Trade and other creditors	N/A	–	14,212	14,212	–	12,513	12,513
Total financial liabilities		–	14,212	14,212	–	12,513	12,513

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.

	Change in interest rate	Consolidated		Authority	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank	+/-1%	81	107	81	107

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:

Facility	Investment sectors	Investment horizon	Consolidated		Authority	
			2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	45,926	42,815	45,926	42,815
Medium term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	Three years to seven years	99,916	64,416	99,916	64,416
Long term growth facility	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	Seven years and over	32,856	62,755	32,856	62,755

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 15. Financial instruments (continued)

(d) Market risk (continued)

Other price 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 has also leveraged off internal expertise to manage certain fixed income assets for the Hour-Glass facilities. 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:

	Change in unit price	Impact on profit/loss			
		Consolidated		Authority	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Hour-Glass Investment					
Cash facility	+/-1%	459	426	459	426

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
2011 Financial assets at fair value				
TCorp Hour-Glass Investment Facility	–	132,772	–	132,772
2010 Financial assets at fair value				
TCorp Hour-Glass Investment Facility	–	127,171	–	127,171

(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 2011.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Property, plant and equipment

	Note	Consolidated		Authority	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land and buildings					
Freehold land					
At fair value	(a)	12,810	12,810	12,810	12,810
Total freehold land at fair value	(b)	12,810	12,810	12,810	12,810
Buildings					
Gross carrying value		5,117	5,117	5,117	5,117
Accumulated depreciation		(301)	(4)	(301)	(4)
Total buildings at fair value		4,816	5,113	4,816	5,113
Total land and buildings		17,626	17,923	17,626	17,923
Leasehold improvements					
Gross carrying value		34,803	34,447	31,590	31,233
Accumulated amortisation		(28,641)	(25,394)	(25,695)	(22,660)
Total leasehold improvements at fair value		6,162	9,053	5,895	8,573
Office machines and equipment					
Gross carrying value		579	625	578	625
Accumulated depreciation		(525)	(448)	(525)	(448)
Total office machines and equipment at fair value		54	177	53	177
Furniture and fittings (including library)					
Gross carrying value		322	322	53	54
Accumulated depreciation		(305)	(301)	(40)	(38)
Total furniture and fittings at fair value		17	21	13	16
Computer hardware					
Gross carrying value		9,528	9,849	9,506	9,827
Accumulated depreciation		(6,467)	(5,784)	(6,445)	(5,767)
Total computer hardware at fair value		3,061	4,065	3,061	4,060
Scientific and technical equipment					
Gross carrying value	(a)	2,812	2,821	2,812	2,821
Accumulated depreciation		(1,028)	(567)	(1,028)	(567)
Total scientific and technical equipment at fair value		1,784	2,254	1,784	2,254
Motor vehicles					
Gross carrying value		344	344	344	344
Accumulated depreciation		(327)	(273)	(327)	(273)
Total motor vehicles at fair value		17	71	17	71
Capital works in progress					
At fair value		32	4	32	4
Total capital works in progress at fair value		32	4	32	4
Total property, plant and equipment		28,753	33,568	28,481	33,078

Notes to and forming part of the financial statements

For the year ended 30 June 2011

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 and Buildings
Paul Goldsmith
Land and Property Management Authority

The independent valuations performed during 2008/09 were carried out by:

Scientific and technical equipment
Blythe Robinson and Mason Paynter
Hymans Asset Management

- (b) Details of land owned by WorkCover:

Description of use	Location	Fair value
38.529 hectares Used as a centre for occupational health and safety research and testing	919 Londonderry Road Londonderry NSW	\$12,810,300

Movements during financial year for the Consolidated reporting entity

Class of asset	Fair value as at 1/7/10 \$'000	Additions \$'000	Disposals \$'000	Depn. w/back on disposal \$'000	Net revaln. movements \$'000	Recoverable amount w/downs \$'000	Depn. expense \$'000	Fair value as at 30/6/11 \$'000
Freehold land	12,810	–	–	–	–	–	–	12,810
Buildings	5,113	–	–	–	–	–	(297)	4,816
Leasehold improvements	9,053	355	–	–	–	–	(3,246)	6,162
Office machines and equipment	177	(46)	–	–	–	–	(77)	54
Furniture and fittings	21	–	–	–	–	–	(4)	17
Computer hardware	4,065	473	(793)	792	–	–	(1,476)	3,061
Scientific and technical equipment	2,254	15	(24)	18	–	–	(479)	1,784
Motor vehicles	71	–	–	–	–	–	(54)	17
Capital WIP	4	28	–	–	–	–	–	32
Total property, plant and equipment	33,568	825	(817)	810	–	–	(5,633)	28,753

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Property, plant and equipment (continued)

Movements during financial year for the Authority

Class of asset	Fair value as at 1/7/10 \$'000	Additions \$'000	Disposals \$'000	Depn. w/back on disposal \$'000	Net revaln. movements \$'000	Recoverable amount w/downs \$'000	Depn. expense \$'000	Fair value as at 30/6/11 \$'000
Freehold land	12,810	–	–	–	–	–	–	12,810
Buildings	5,113	–	–	–	–	–	(297)	4,816
Leasehold improvements	8,573	356	–	–	–	–	(3,034)	5,895
Office machines and equipment	177	(47)	–	–	–	–	(77)	53
Furniture and fittings	16	–	–	–	–	–	(3)	13
Computer hardware	4,060	473	(793)	792	–	–	(1,471)	3,061
Scientific and technical equipment	2,254	15	(24)	18	–	–	(479)	1,784
Motor vehicles	71	–	–	–	–	–	(54)	17
Capital WIP	4	28	–	–	–	–	–	32
Total property, plant and equipment	33,078	825	(817)	810	–	–	(5,415)	28,481

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Property, plant and equipment (continued)

Movements during financial year for the Authority (continued)

		Consolidated		Authority	
	Note	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Land and buildings					
Freehold land					
At fair value	(a)	12,810	15,138	12,810	15,138
Total freehold land at fair value	(b)	12,810	15,138	12,810	15,138
Buildings					
Gross carrying value		5,117	5,166	5,117	5,166
Accumulated depreciation		(4)	(375)	(4)	(375)
Total buildings at fair value		5,113	4,791	5,113	4,791
Total land and buildings		17,923	19,929	17,923	19,929
Leasehold improvements					
Gross carrying value		34,447	33,592	31,233	30,378
Accumulated amortisation		(25,394)	(21,841)	(22,660)	(19,321)
Total leasehold improvements at fair value		9,053	11,751	8,573	11,057
Office machines and equipment					
Gross carrying value		625	977	625	977
Accumulated depreciation		(448)	(715)	(448)	(715)
Total office machines and equipment at fair value		177	262	177	262
Furniture and fittings (including library)					
Gross carrying value		322	342	54	54
Accumulated depreciation		(301)	(304)	(38)	(35)
Total furniture and fittings at fair value		21	38	16	19
Computer hardware					
Gross carrying value		9,849	8,005	9,827	7,956
Accumulated depreciation		(5,784)	(4,690)	(5,767)	(4,650)
Total computer hardware at fair value		4,065	3,315	4,060	3,306
Scientific and technical equipment					
Gross carrying value	(a)	2,821	2,820	2,821	2,820
Accumulated depreciation		(567)	(106)	(567)	(106)
Total scientific and technical equipment at fair value		2,254	2,714	2,254	2,714
Motor vehicles					
Gross carrying value		344	344	344	344
Accumulated depreciation		(273)	(196)	(273)	(196)
Total motor vehicles at fair value		71	148	71	148
Capital works in progress					
At fair value		4	–	4	–
Total capital works in progress at fair value		4	–	4	–
Total property, plant and equipment		33,568	38,157	33,078	37,435

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Property, plant and equipment (continued)

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
Total property, plant and equipment	38,157	2,999	(669)	641	(1,704)	–	(5,856)	33,568

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Property, plant and equipment (continued)

Movements during financial year for the Authority

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	11,057	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
Total property, plant and equipment	37,435	3,000	(622)	593	(1,704)	–	(5,624)	33,078

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 17. Intangibles

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Internally generated				
Computer software				
Gross carrying value	34,926	35,354	32,564	33,005
Accumulated amortisation	(31,015)	(27,546)	(29,045)	(26,028)
Total computer software at fair value	3,911	7,808	3,519	6,977
Capital works in progress				
Gross carrying value	1,454	2,859	1,454	2,859
Total capital works in progress	1,454	2,859	1,454	2,859
Total internally generated intangibles at fair value	5,365	10,667	4,973	9,836
Computer software purchased				
Gross carrying value	8,748	7,976	8,642	7,870
Accumulated amortisation	(5,352)	(3,993)	(5,247)	(3,889)
Total intangible computer software purchased	3,396	3,983	3,395	3,981
Total intangibles	8,761	14,650	8,368	13,817

Movements during financial year for the Consolidated Reporting Entity

Class of asset	Fair value as at 1/7/10 \$'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 30/6/11 \$'000
Internally generated	7,808	1,339	(1,767)	1,693	–	–	(5,162)	3,911
Capital WIP	2,859	(1,405)	–	–	–	–	–	1,454
Computer software	3,983	2,116	(1,344)	1,343	–	–	(2,702)	3,396
Total intangibles	14,650	2,050	(3,111)	3,036	–	–	(7,864)	8,761

Expenditure during the research and development phase of software development was \$2000 in 2011 (\$177,000 – 2010).

In 2010/11 the useful life of WorkCover's licensing assets was revised from five years to two years as a result of WorkCover transitioning onto the Government Licensing System (GLS). This revision resulted in an additional \$2.3m amortisation expense in 2010/11.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 17. Intangibles (continued)

Movements during financial year for the Authority

Class of asset	Fair value as at 1/7/10 \$'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 30/6/11 \$'000
Internally generated	6,977	1,326	(1,767)	1,693	–	–	(4,710)	3,519
Capital WIP	2,859	(1,405)	–	–	–	–	–	1,454
Computer software	3,981	2,116	(1,344)	1,343	–	–	(2,701)	3,395
Total intangibles	13,817	2,037	(3,111)	3,036	–	–	(7,411)	8,368

	Consolidated		Authority	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Internally generated				
Computer software				
Gross carrying value	35,354	35,284	33,005	33,242
Accumulated amortisation	(27,546)	(23,836)	(26,028)	(22,741)
Total computer software at fair value	7,808	11,448	6,977	10,501
Capital works in progress				
Gross carrying value	2,859	3,247	2,859	3,115
Total capital works in progress	2,859	3,247	2,859	3,115
Total internally generated intangibles at fair value	10,667	14,695	9,836	13,616
Computer software purchased				
Gross carrying value	7,976	7,047	7,870	6,935
Accumulated amortisation	(3,993)	(4,149)	(3,889)	(4,047)
Total intangible computer software purchased	3,983	2,898	3,981	2,888
Total intangibles	14,650	17,593	13,817	16,504

Movements during financial year for the Consolidated Reporting Entity

Class of asset	Fair value as at 1/7/09 \$'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 30/6/10 \$'000
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
Total intangibles	17,593	3,641	(3,013)	2,998	–	–	(6,569)	14,650

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 17. Intangibles (continued)

Movements during financial year for the Authority

Class of asset	Fair value as at 1/7/09 \$'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 30/6/10 \$'000
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
Total intangibles	16,504	3,474	(3,013)	2,998	–	–	(6,146)	13,817

Note 18. Inventory

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying amount as at 1 July	1,319	1,482	1,319	1,482
Purchases	835	940	835	940
Distributions	(713)	(1,103)	(713)	(1,103)
Writedowns	–	–	–	–
Reversal of previous writedowns	–	–	–	–
Total inventory	1,441	1,319	1,441	1,319

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Creditors	14,049	25,278	12,930	23,579
Total current liabilities	14,049	25,278	12,930	23,579
Non-current				
Creditors	44,371	47,361	50,611	53,295
Total non-current liabilities	44,371	47,361	50,611	53,295
Total liabilities	58,420	72,639	63,541	76,874

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 20. Provisions

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Leave entitlements including oncosts	44,101	42,896	40,660	39,651
Compensation Court judges pension	1,980	1,948	1,980	1,948
Transfer of surplus funds to WCIF	–	–	–	–
Total current liabilities	46,081	44,844	42,640	41,599
Non-current				
Superannuation payable to CASD	65,461	68,952	62,944	66,380
Compensation Court judges pensions	14,820	15,849	14,820	15,849
Total non-current liabilities	80,281	84,801	77,764	82,229
Total liabilities	126,362	129,645	120,404	123,828

The key economic assumptions used in the valuation of judges pensions are:

	2011	2010
Discount rate	5.25%	5.25%
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)).

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 of CASD employees is unconditional accordingly all leave and associated on costs have been classified as current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expected to be settled within 12 months				
Recreation and extended leave	12,707	11,445	11,426	10,329
On costs on leave	1,831	1,682	1,643	1,519
	14,538	13,127	13,069	11,848
Expected to be settled after 12 months				
Extended leave	26,525	26,711	24,756	24,947
On costs on leave	3,038	3,058	2,835	2,856
	29,563	29,769	27,591	27,803
	44,101	42,896	40,660	39,651

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 20. Provisions (continued)

	Compensation Court Judges Pension	Total 2011 \$'000
Carrying amount 1/7/10	17,797	17,797
Payments made	(2,097)	(2,097)
Finance cost	900	900
Change in discount rate	200	200
Amounts provided	–	–
Carrying amount 30/06/11	16,800	16,800

Note 21. Outstanding claims

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expected future claims payments	185,985	139,579	185,985	139,579
Claims handling expenses	48,563	42,675	48,563	42,675
Discount to present value	(106,640)	(72,426)	(106,640)	(72,426)
Liability for outstanding claims	127,908	109,828	127,908	109,828
Current	14,494	12,654	14,494	12,654
Non-current	113,414	97,174	113,414	97,174
	127,908	109,828	127,908	109,828

	Consolidated and authority	
	2011 \$'000	2010 \$'000
Carrying amount start of year	109,828	110,192
Claims paid	(11,827)	(10,149)
Finance cost	4,654	8,210
Change in discount rate	1,145	885
Increase in amounts provided	24,108	690
Carrying amount end of year	127,908	109,828

(a) The weighted average expected term to settlement from the reporting date of the outstanding claims is as follows for each fund:

	2011	2010
Bush Fire Fighters Compensation Fund	7.1 years	7.0 years
Emergency and Rescue Workers Compensation Fund	6.1 years	6.2 years
Insurers' Guarantee Fund	10.1 years	8.5 years

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 21. Outstanding claims (continued)

- (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:

	2011 %	2010 %
Inflation rate	4.00	3.50
Discount rate	4.80	4.50

- (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:

	2011 %	2010 %
Inflation rate	3.45–4.00	3.50–3.75
Discount rate	4.80–5.90	4.50–6.00

- (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:

	2011		2010	
	\$'000	\$'000	\$'000	\$'000
Bush Fire Fighters Compensation Fund		20,715		14,882
Emergency and Rescue Workers Compensation Fund		18,107		14,018
Insurer's Guarantee Fund comprising:				
– Non HIH	72,420		67,185	
– HIH Insurance Co Ltd	16,666		13,743	
	–	89,086	–	80,928
Total outstanding claims	–	127,908	–	109,828

- (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:

- 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.
- 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.

- Any erroneous data will similarly have introduced uncertainties into the estimate of those parameters.
- 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.
- 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 2011

Note 22. Reconciliation of surplus/(deficiency) for the year to net cash (outflows)/inflows from operating activities

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Surplus/(deficiency) for the year	3,271	(25,850)	3,271	(25,850)
Depreciation/asset writeback	13,581	12,469	12,910	11,815
(Loss)/gain on sale of asset	(6)	(36)	(6)	(36)
Unrealised investment income	(10,601)	(11,623)	(10,601)	(11,623)
Increase/(decrease) in provisions				
– Outstanding claims	18,080	(364)	18,080	(364)
– Superannuation	(3,491)	12,261	(3,436)	11,380
– Doubtful debts	1,378	(165)	1,378	(165)
– Leave	1,205	5,899	1,008	5,359
– Provisions	(997)	1,102	(997)	1,102
Decrease/(increase) in inventory	(122)	163	(122)	163
Decrease/(increase) in debtors and prepayments	(9,025)	(12,496)	(8,806)	(9,963)
Increase/(decrease) in creditors	(13,377)	26,473	(12,795)	25,850
Net cash (used)/provided by operating activities	(104)	7,833	(116)	7,668

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash and cash equivalents	55,002	53,513	55,001	53,512
	55,002	53,513	55,001	53,512

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 24. Expenditure commitments

Lease commitments

	Consolidated		Authority	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Payable				
Not later than one year	11,546	11,346	9,896	9,655
Later than one year but not later than five years	30,701	35,744	30,701	34,053
Later than five years	8,568	14,242	8,568	14,242
	50,815	61,333	49,165	57,949

Expenditure commitments for the consolidated entity include input tax credits of \$4.616m (\$5.572m – 2010) 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 182 and 213-215B of the *Workers Compensation Act 1987*, WorkCover administers security deposits and bank guarantees lodged by self-insurers and specialised insurers.

As of 30 June 2011, WorkCover held deposits and bank guarantees to the value of \$1624m (\$1574m – 2010). These deposits and guarantees are held 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 2011 was \$2.04m (\$0.11m – 2010).

A reconciliation of the movement in deposits and bank guarantees held by WorkCover follows:

	2011 \$m
Balance at 1 July 2010	1,574
Deposits and guarantees lodged	929
Deposits and guarantees returned	(879)
Interest received	16
Interest paid	(16)
Balance at 30 June 2011	1,624

Note 26. Contingent liabilities and contingent assets

(a) Contingent liabilities

There are no known contingent liabilities.

(b) Contingent assets

There are no known contingent assets.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 27. Funds

The Authority has direction, control and management responsibilities for a number of funds. These funds are mutually exclusive. For this reason these funds are viewed as being 'restricted' and the assets and liabilities in each fund can not be utilised by the Authority for any other purpose than that specified in the legislation that created these funds.

These funds 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.

In January 2011 Rural & General Insurance Limited was also included in the Insurers' Guarantee Fund.

(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.

Details of the operations of these funds are disclosed in the following comparative financial statements:

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 27. Funds (continued)

(e) Terrorism Re-insurance Fund (continued)

Comparative Statement of Comprehensive Income

For the year ended 30 June 2011

	Funds								Total*	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Compensation Fund			
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Revenues										
Contributions	206.1	200.1	3.0	(11.5)	9.0	2.9	8.6	8.1	226.7	199.5
Investment revenue	2.5	2.4	10.7	11.7	–	–	–	–	13.2	14.1
Other revenue	28.6	28.6	1.3	1.8	–	–	–	–	29.9	30.4
Total revenues	237.2	231.1	15.0	2.0	9.0	2.9	8.6	8.1	269.8	244.1
Expenses										
WorkCover operations	203.3	220.9	1.4	1.4	0.5	0.9	0.8	1.0	206.0	224.1
Grants	30.6	36.1	–	–	–	–	–	–	30.6	36.1
Cost of claims	–	–	13.6	0.6	8.5	2.0	7.8	7.1	29.9	9.7
Total expenses	233.9	257.0	15.0	2.0	9.0	2.9	8.6	8.1	266.5	269.9
Operating surplus before gains/losses	3.3	(25.9)	–	–	–	–	–	–	3.3	(25.9)
Surplus for the year	3.3	(25.9)	–	–	–	–	–	–	3.3	(25.9)

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

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 27. Funds (continued)

(e) Terrorism Re-insurance Fund (continued)

Comparative Balance Sheet

As at 30 June 2011

	Funds								Total*	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Compensation Fund			
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Assets										
Receivables	16.1	18.7	0.6	0.1	17.5	11.4	15.7	12.1	49.9	42.3
Other financial assets	–	–	132.8	127.2	–	–	–	–	132.8	127.2
Other	85.9	94.6	1.2	1.2	3.4	3.6	2.8	2.4	93.3	101.8
Total assets	102.0	113.3	134.6	128.5	20.9	15.0	18.5	14.5	276.0	271.3
Liabilities										
Outstanding claims	–	–	89.1	80.9	20.7	14.9	18.1	14.0	127.9	109.8
Other	138.2	152.5	45.5	47.6	0.2	0.1	0.4	0.5	184.3	200.7
Total liabilities	138.2	152.5	134.6	128.5	20.9	15.0	18.5	14.5	312.2	310.5
Equity	(36.2)	(39.2)	–	–	–	–	–	–	(36.2)	(39.2)

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

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 27. Funds (continued)

(e) Terrorism Re-insurance Fund (continued)

Comparative Statement of Cash Flows

For the year ended 30 June 2011

	Funds								Total*	
	WorkCover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency and Rescue Workers Compensation Fund			
	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m	2011 \$m	2010 \$m
Operating activities										
Inflows										
– Contributions	210.3	195.0	–	–	3.0	3.0	5.0	5.0	218.3	203.0
– Investment revenue	2.5	2.4	0.1	0.1	–	–	–	–	2.6	2.5
– Other	31.6	33.9	2.9	1.8	–	–	–	–	34.5	35.7
(Outflows)										
– WorkCover operations	(144.9)	(142.2)	(0.2)	(0.2)	–	–	–	–	(145.1)	(142.4)
– Grants	(31.6)	(32.3)	–	–	–	–	–	–	(31.6)	(32.3)
– Claims	–	–	(4.8)	(4.5)	(2.7)	(2.7)	(3.8)	(3.3)	(11.3)	(9.7)
– Other	(64.9)	(45.7)	(1.3)	(1.6)	(0.5)	(0.6)	(0.8)	(1.0)	(67.6)	(49.1)
Net cash provided by/ (used in) operating activities	3.0	11.1	(3.3)	(4.4)	(0.3)	0.3	0.4	0.7	(0.2)	7.7
Investing activities	(3.4)	(7.5)	5.0	2.0	–	–	–	–	1.6	(5.5)
Net (increase)/decrease cash	(0.4)	3.6	1.7	(2.4)	(0.3)	0.3	0.4	0.7	1.4	2.2
Cash at beginning of financial year	46.5	42.9	1.2	3.6	3.6	3.3	2.3	1.6	53.6	51.4
Cash at end of financial year	46.1	46.5	2.9	1.2	3.3	3.6	2.7	2.3	55.0	53.6

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

End of audited Financial Statements

Contents

Statement by Commission	107
Independent Auditors Report	108
Statement of Comprehensive Income	110
Balance Sheet	111
Statement of Cash Flow	112
Statement of Changes in Equity	113
Notes to and forming part of the financial statements	114
Note 1. Constitution and functions	114
Note 2. Summary of significant accounting policies	114
Note 3. Contributions	118
Note 4. Personnel services and employee related costs	118
Note 5. Other operating expenses	120
Note 6. Trade and other receivables	120
Note 7. Property, plant and equipment	121
Note 8. Intangibles	123
Note 9. Trade and other payables	125
Note 10. Provisions	125
Note 11. Reconciliation of surplus/(deficit) to net cash (outflows)/inflows from operating activities	126
Note 12. Reconciliation of cash	126
Note 13. Expenditure commitments	126
Note 14. Related party transactions	126
Note 15. Financial instruments	127

Statement by Commission

WORKERS COMPENSATION COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 2011 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, Australian Accounting Standards 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.

Lisa Hunt
Chief Executive Officer
WorkCover Authority of New South Wales

18 October 2011



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 Workers Compensation Commission of New South Wales (the Commission), which comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- 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 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 and the PF&A Act and for such internal control as the Chief Executive of WorkCover Authority of New South Wales determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 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
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.



A. Oyetunji
Director, Financial Audit Services

19 October 2011
SYDNEY

Workers Compensation Commission Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Commission	
		2011 \$'000	2010 \$'000
Revenues			
Contributions	3	29,507	33,098
Total revenues		29,507	33,098
Expenses			
Personnel services and employee related costs	4	14,243	11,914
Office accommodation		1,838	1,641
Depreciation and amortisation	7 & 8	671	654
Other operating expenses	5	12,755	18,889
Total expenses		29,507	33,098
Surplus/(deficit) for the year		–	–
Other comprehensive income			
Other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–

The accompanying notes form part of these financial statements.

Workers Compensation Commission Balance Sheet

As at 30 June 2011

		Commission	
	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	12	1	1
Trade and other receivables	6	170	257
Total current assets		171	258
Non-current assets			
Trade and other receivables	6	6,240	5,934
Intangible assets	8	392	833
Property, plant and equipment	7	272	490
Total non-current assets		6,904	7,257
Total assets		7,075	7,515
Current liabilities			
Trade and other payables	9	1,117	1,699
Provisions	10	3,441	3,244
Total current liabilities		4,558	4,943
Non-current liabilities			
Trade and other payables	9	–	–
Provisions	10	2,517	2,572
Total non-current liabilities		2,517	2,572
Total liabilities		7,075	7,515
Net assets		–	–
Equity			
Retained earnings		–	–
Total equity		–	–

The accompanying notes form part of these financial statements.

Workers Compensation Commission Statement of Cash Flow

For the year ended 30 June 2011

	Note	Commission	
		2011 \$'000	2010 \$'000
Cash flows from operating activities			
Contributions		29,201	30,594
Other receipts		–	8
Refunds from the Australian Taxation Office		1,198	1,622
Personnel services		(14,001)	(10,427)
Office accommodation		(1,983)	(1,774)
Other payments		(14,403)	(19,858)
Net cash (outflows)/inflows from operating activities	11	12	165
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(12)	(165)
Net cash inflows/(outflows) from investing activities		(12)	(165)
Net increase/(decrease) in cash held		–	–
Cash and cash equivalents at the beginning of the financial year		1	1
Cash and cash equivalents at the end of the financial year	12	1	1

The accompanying notes form part of these financial statements.

Workers Compensation Commission Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Retained earnings	
		2011 \$'000	2010 \$'000
Balance at 1 July		–	–
(Deficit)/surplus for the year		–	–
Other comprehensive income		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Balance at 30 June		–	–

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

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 2011 have been authorised for issue by the Chief Executive Officer of the WorkCover Authority on 18/10/2011.

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) and
- ▶ the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010.

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.

Judgments, 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)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). 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 ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis.

(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.

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 arm's length transaction.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(e) Assets (continued)

(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.

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.

(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.

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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(e) Assets (continued)

(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.

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) Recognition of financial assets and financial liabilities

A financial asset is extinguished 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 extinguished when the obligation specified in the contract is discharged or cancelled or expires.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of Significant Accounting Policies (continued)

(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 rate 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 service – 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. 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 (5.25 per cent – 2010).

(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. From 1 July 2010 the Commission moved some arbitrators to be in-house rather than external contractors. All arbitrators are appointed by the Attorney General. All of the Ministerial appointees and the in-house arbitrators 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).

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of Significant Accounting Policies (continued)

(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	Financial Instruments	1 January 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters	1 July 2011
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

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:

	2011 \$'000	2010 \$'000
WorkCover Authority Fund	29,507	33,098
	29,507	33,098

Note 4. Personnel services and employee related costs

(a) Personnel services received from CASD

	2011 \$'000	2010 \$'000
Salaries and allowances	7,176	6,849
Annual leave	560	576
Long service leave	303	757
Payroll tax	472	459
Workers compensation insurance	119	71
Fringe benefits tax	34	5
Superannuation	677	1,607
	9,341	10,324

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 4. Personnel services and employee related costs (continued)

(b) Employee related costs for Ministerial appointees

	2011 \$'000	2010 \$'000
Salaries and allowances	3,929	1,233
Annual leave	387	150
Long service leave	11	17
Payroll tax	225	79
Workers compensation insurance	–	–
Fringe benefits tax	–	–
Superannuation	350	111
	4,902	1,590

Ministerial appointees include the President, Deputy Presidents, Registrar and Arbitrators.

Total personnel services and employee related costs

	2011 \$'000	2010 \$'000
Salaries and allowances	11,105	8,082
Annual leave	947	726
Long service leave	314	774
Payroll tax	697	538
Workers compensation insurance	119	71
Fringe benefits tax	34	5
Superannuation	1,027	1,718
	14,243	11,914

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Other operating expenses

	2011 \$'000	2010 \$'000
Consultancy fees	–	–
External audit fees	17	33
Internal audit fees	–	22
Provision for doubtful debts	–	–
Bad debts	–	20
Property, plant and equipment written off	–	–
Travel	110	206
Advertising	6	3
Payments to arbitrators	1,746	7,565
Payments to approved medical specialists	5,704	5,270
Payments for medical appeals panels	1,173	1,507
Payments for mediators	770	511
ARB and AMS superannuation payments	681	1,243
General contractors	66	23
Fees for services provided by WorkCover	855	825
Postage	182	181
Stores	117	130
Interpreters fee	377	365
Other	951	985
	12,755	18,889

Note 6. Trade and other receivables

	2011 \$'000	2010 \$'000
Current		
Receivable from ATO for GST	170	257
	170	257
Non-Current		
Receivable from WorkCover	6,240	5,934
	6,240	5,934
	6,410	6,191

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 15.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 7. Property, plant and equipment

	2011 \$'000	2010 \$'000
Leasehold improvements		
At gross carrying value	3,214	3,213
Accumulated depreciation	(2,946)	(2,733)
Total leasehold improvements at fair value	268	480
Furniture and fittings (including library)		
At gross carrying value	268	268
Accumulated depreciation	(264)	(263)
Total furniture and fittings at fair value	4	5
Computer hardware		
At gross carrying value	22	22
Accumulated depreciation	(22)	(17)
Total computer hardware at fair value	–	5
Total property, plant and equipment	272	490

Movements during financial year

Class of asset	Fair value as at 1/7/10 \$'000	Additions \$'000	Disposals \$'000	Depn. w/back on disposal \$'000	Net revaln. movements \$'000	Recoverable amount w/downs \$'000	Depn. expense \$'000	Fair value as at 30/6/11 \$'000
Leasehold improvements	480	–	–	–	–	–	(212)	268
Furniture and fittings	5	–	–	–	–	–	(1)	4
Computer hardware	5	–	–	–	–	–	(5)	–
Total property, plant and equipment	490	–	–	–	–	–	(218)	272

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 7. Property, plant and equipment (continued)

Movements during financial year (continued)

	2010 \$'000	2009 \$'000
Leasehold improvements		
At gross carrying value	3,213	3,214
Accumulated depreciation	(2,733)	(2,521)
Total leasehold improvements at fair value	480	693
Furniture and fittings (including library)		
At gross carrying value	268	288
Accumulated depreciation	(263)	(269)
Total furniture and fittings at fair value	5	19
Computer hardware		
At gross carrying value	22	50
Accumulated depreciation	(17)	(40)
Total computer hardware at fair value	5	10
Total property, plant and equipment	490	722

Movements during financial year

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	Depn. expense \$'000	Fair value as at 30/6/10 \$'000
Leasehold improvements	693	–	–	–	–	–	(213)	480
Furniture and fittings	19	–	(20)	20	–	–	(14)	5
Computer hardware	10	(1)	(28)	28	–	–	(4)	5
Total property, plant and equipment	722	(1)	(48)	48	–	–	(231)	490

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 8. Intangibles

	2011 \$'000	2010 \$'000
Internally generated		
Computer software		
At gross carrying value	2,361	2,349
Accumulated amortisation	(1,969)	(1,517)
Total computer software at fair value	392	832
Capital works in progress		
At gross carrying value	–	–
Total capital works in progress	–	–
Total internally generated intangibles	392	832
Computer software purchased		
At gross carrying value	104	104
Accumulated amortisation	(104)	(103)
Total intangible computer software purchased at fair value	–	1
Total intangibles	392	833

Movements in intangibles

Class of asset	Fair value at 1/7/10 \$'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 30/6/11 \$'000
Internally generated	832	12	–	–	–	–	(452)	392
Capital WIP	–	–	–	–	–	–	–	–
Computer software	1	–	–	–	–	–	(1)	–
Total intangibles	833	12	–	–	–	–	(453)	392

Expenditure during the research and development phase of software development was Nil in 2011 (\$Nil – 2010).

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 8. Intangibles (continued)

Movements in intangibles (continued)

	2010 \$'000	2009 \$'000
Internally generated		
Computer software		
At gross carrying value	2,349	2,042
Accumulated amortisation	(1,517)	(1,096)
Total computer software at fair value	832	946
Capital works in progress		
At gross carrying value	–	134
Total capital works in progress	–	134
Total internally generated intangibles	832	1,080
Computer software purchased		
At gross carrying value	104	112
Accumulated amortisation	(103)	(102)
Total intangible computer software purchased at fair value	1	10
Total intangibles	833	1,090

Movements in intangibles

Class of asset	Fair value as at 1/7/09 \$'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 30/6/10 \$'000
Internally generated	946	308	–	–	–	–	(422)	832
Capital WIP	134	(134)	–	–	–	–	–	–
Computer software	10	(8)	–	–	–	–	(1)	1
Total intangibles	1,090	166	–	–	–	–	(423)	833

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 9. Trade and other payables

	2011 \$'000	2010 \$'000
Current		
Creditors	1,117	1,699
	1,117	1,699
Non-current		
	–	–
	–	–
	1,117	1,699

Details regarding liquidity risk and credit risk are disclosed in Note 15.

Note 10. Provisions

	2011 \$'000	2010 \$'000
Current		
Recreation and extended leave provided by CASD employees	2,966	2,952
Recreation and extended leave provided by ministerial appointees	475	292
	3,441	3,244
Non-current		
Superannuation	2,517	2,572
Total	2,517	2,572
Total	5,958	5,816

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 of CASD employees is unconditional accordingly all leave and associated on costs have been classified as current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	2011 \$'000	2010 \$'000
Expected to be settled within 12 months		
Recreation and extended leave	1,281	1,115
Oncosts on leave	188	163
	1,469	1,278
Expected to be settled after 12 months		
Extended leave	1,769	1,764
Oncosts on leave	203	202
	1,972	1,966
	3,441	3,244

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 11. Reconciliation of surplus/(deficit) to net cash (outflows)/inflows from operating activities

	2011 \$'000	2010 \$'000
Surplus/(deficit)	–	–
Depreciation and amortisation	671	654
Decrease/(increase) in receivables	(219)	(2,533)
Increase/(decrease) in payables	(582)	623
Increase/(decrease) in provisions	142	1,421
Net cash provided by operating activities	12	165

Note 12. 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.

	2011 \$'000	2010 \$'000
Cash and cash equivalents	1	1
	1	1

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 13. Expenditure commitments

	2011 \$'000	2010 \$'000
Lease commitments		
Payable		
Not later than one year	1,650	1,691
Later than one year but not later than five years	–	1,691
Later than five years	–	–
	1,650	3,382

Expenditure commitments are for office rentals on the Commission's premises and include input tax credits of \$150,000 (\$307,000 – 2010), which are expected to be recoverable from the Australian Taxation Office.

There are no capital expenditure commitments.

Note 14. 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 \$855,000 (2010 – \$825,000).

Contents

Statement by Department Head	129
Independent Auditors Report	130
Statement of Comprehensive Income	132
Balance Sheet	133
Statement of Cash Flows	134
Statement of Changes in Equity	135
Notes to and forming part of the financial statements	136
Note 1. Summary of significant account policies	136
Note 2. Employee related expenses	139
Note 3. Trade and other receivables	139
Note 4. Trade and other payables	139
Note 5. Provisions	140
Note 6. Reconciliation of surplus for the year to net cash (outflows) /inflows from operating activities	146
Note 7. Reconciliation of cash	146
Note 8. Financial instruments	146
Note 9. Expenditure commitments	147

Statement by Department Head

COMPENSATION AUTHORITIES STAFF DIVISION FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 2011 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, Australian Accounting Standards 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.

Lisa Hunt
Chief Executive
Compensation Authorities Staff Division

18 October 2011



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 Compensation Authorities Staff Division (the Division), which comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Division as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- 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 is responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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.

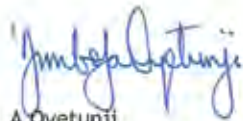
My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.



A Oyetunji
Director, Financial Audit Services

19 October 2011
SYDNEY

Compensation Authorities Staff Division Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenues	1(e)		
Personnel services income		160,637	177,313
Investment revenue		88	80
Total revenues		160,725	177,393
Expenses	1(e)		
Employee related	2	161,278	162,645
Other expenses		15	14
Total expenses		161,293	162,659
(Deficit)/surplus for the year		(568)	14,734
Other comprehensive income			
Superannuation actuarial gain/(loss)		568	(14,734)
Total other comprehensive income for the year		568	(14,734)
Total comprehensive income for the year		0	0

The accompanying notes form part of these financial statements.

Compensation Authorities Staff Division Balance Sheet

As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	7	6,139	6,282
Trade and other receivables	3	53,783	53,926
Total current assets		59,922	60,208
Non-current assets			
Trade and other receivables	3	68,315	74,042
Total non-current assets		68,315	74,042
Total assets		128,237	134,250
Current liabilities			
Trade and other payables	4	9,814	9,352
Provisions	5	50,108	50,856
Total current liabilities		59,922	60,208
Non-current liabilities			
Provisions	5	68,315	74,042
Total non-current liabilities		68,315	74,042
Total liabilities		128,237	134,250
Net assets		–	–
Equity			
Retained earnings		–	–
Total equity		–	–

The accompanying notes form part of these financial statements.

Compensation Authorities Staff Division Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$'000 Inflows (outflows)	2010 \$'000 Inflows (outflows)
Cash flows from operating activities			
Personnel services		161,348	155,687
Investment receipts		88	80
Employee related payments		(161,554)	(155,747)
Other payments		(15)	(2)
Payments to the Australian Taxation Office		(10)	–
Net cash (outflows)/inflows from operating activities	6	(143)	18
Net increase in cash held		(143)	18
Cash and cash equivalents at the beginning of the financial year		6,282	–
Cash transferred in as a result of administrative restructuring		–	6,264
Cash and cash equivalents at the end of the financial year	7	6,139	6,282

The accompanying notes form part of these financial statements.

Compensation Authorities Staff Division Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Retained earnings \$'000	Total \$'000
Balance at 1 July 2009		–	–
Surplus for the year		14,734	14,734
Other comprehensive income			
Superannuation actuarial (loss)		(14,734)	(14,734)
Total other comprehensive income for the year		(14,734)	(14,734)
Total comprehensive income for the year		–	–
Balance at 30 June 2010		–	–
Balance at 1 July 2010		–	–
Surplus for the year		(568)	(568)
Other comprehensive income			
Superannuation actuarial gain		568	568
Total other comprehensive income for the year		568	568
Total comprehensive income for the year		–	–
Balance at 30 June 2011		–	–

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 1. Summary of significant account 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:

- ▶ Lifetime Care and Support Authority of New South Wales
- ▶ Long Service Corporation
- ▶ 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.

In accordance with the *Public Sector Employment and Management (Departments) Order 2011 (as amended by the Public Sector Employment and Management (Departments and Ministers) Amendment Order 2011)* the Long Service Corporation (LSC) was transferred from CASD to the Department of Finance and Services (DFS) effective from 1 April 2011.

This transfer has been treated as a contribution by owners in accordance with NSW Treasury Policy Paper '*Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities*.' In accordance with this policy this financial report includes the income and expenses of LSC for the period 1 July 2010 to 31 March 2011. Details of the assets and liabilities transferred to DFS in respect of the LSC at 31st March 2011 follow:

\$'000

Assets

Receivable from agencies using employee services for employee provisions and oncosts	2,143
Receivable from agencies using employee services for accrued salaries and other costs	366
Receivable from agencies using employee services for employee provisions	2,850
Total assets	5,359

Liabilities

Accrued salaries and other costs	366
Leave provisions and oncosts	2,143
Superannuation	2,850
Total liabilities	5,359
Net assets	0

CASD is a NSW government division. 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 2011 have been authorised for issue by the Chief Executive of the Compensation Authorities Staff Division on 18/10/11.

(b) 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) and
- ▶ the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2010.

These financial statements have been prepared on the basis of historical cost except for certain provisions that are measured at fair value.

Judgments, 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 1. Summary of significant account policies (continued)

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not receivable from the Australian Taxation Office (ATO). 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 ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis.

(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 rate 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) Recognition of financial assets and financial liabilities

A financial asset is extinguished 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.

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 extinguished 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 1. Summary of significant account policies (continued)

(j) Liabilities (continued)

(ii) Employee benefit provisions and expenses (continued)

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 (5.25 per cent – 2010).

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.

AASB amendment	Affected standards	Operative date
AASB 9	Financial Instruments	1 January 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters	1 July 2011
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

The new standards are concerned with disclosures and will have no direct impact on the CASD 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 CASD.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Employee related expenses

	2011 \$'000	2010 \$'000
Salaries and allowances	124,106	120,538
Annual leave	10,828	10,204
Long service leave	5,393	10,593
Superannuation*	10,693	11,030
Payroll tax	8,255	8,410
Workers compensation insurance	1,218	1,076
Fringe benefits tax	785	795
	161,278	162,646

* Total superannuation expense recognised in the Statement of Comprehensive Income of \$10.1m 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

	2011 \$'000	2010 \$'000
Current		
Receivable from agencies using employee services for employee provisions and other costs	50,131	51,237
Receivable from agencies using employee services for accrued salaries and oncosts	3,652	2,689
	53,783	53,926
Non-current		
Receivable from agencies using employee services for employee provisions	68,315	74,042
	68,315	74,042
Total receivable	122,098	127,968

Note 4. Trade and other payables

	2011 \$'000	2010 \$'000
Current		
Audit fee	12	13
Accrued salaries and oncosts	3,652	2,689
CASD – Payable to WorkCover	6,150	6,650
Total payable	9,814	9,352

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions

	2011 \$'000	2010 \$'000
Current		
Leave provisions and oncosts	50,108	50,856
	50,108	50,856
Non-current		
Payable to other CASD agencies for superannuation liabilities	0	251
Superannuation	68,315	73,791
	68,315	74,042
Total receivable	118,423	124,898

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 of CASD employees is unconditional accordingly all leave and associated on costs have been classified as current.

It is expected that the leave provisions and on-costs will be settled over the following period:

	2011 \$'000	2010 \$'000
Expected to be settled within 12 months		
Recreation and extended leave	14,348	13,406
Oncosts on leave	2,095	1,987
	16,443	15,393
Expected to be settled after 12 months		
Extended leave	30,196	31,776
Oncosts on leave	3,469	3,687
	33,665	35,463
	50,108	50,856

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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions (continued)

Superannuation (continued)

(b) Reconciliation of the present value of the defined benefit obligation

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Present value of partly funded defined benefit obligations at the beginning of the year	50,172	45,691	11,726	11,145	182,897	177,240	244,795	234,076
Current service cost	1,957	1,946	519	530	951	1,151	3,427	3,627
Interest cost	2,480	2,473	574	597	9,280	9,722	12,334	12,792
Contributions by fund participants	994	1,009	–	–	1,017	1,093	2,011	2,102
Actuarial (gains)/losses	645	3,494	256	797	(2,332)	12,885	(1,431)	17,176
Benefits paid	(6,426)	(2,230)	(1,353)	(644)	(8,126)	(5,995)	(15,905)	(8,869)
Past service cost	–	–	–	–	–	–	–	–
Curtailments	–	–	–	–	–	–	–	–
Settlements	–	–	–	–	–	–	–	–
Business combinations	–	–	–	–	–	–	–	–
Exchange rate changes	–	–	–	–	–	–	–	–
Present value of partly funded defined benefit obligations at the end of the year	49,822	52,383	11,722	12,425	183,687	196,096	245,231	260,904

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions (continued)

Superannuation (continued)

(c) Reconciliation of the fair value of fund assets

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Fair value of fund assets at the beginning of the year	36,814	34,428	7,177	7,258	129,612	130,781	173,603	172,467
Expected return on fund assets	3,057	2,917	588	609	10,921	11,034	14,566	14,560
Actuarial gains/(losses)	(576)	1,155	2	40	(289)	1,247	(863)	2,442
Employer contributions	1,717	1,996	504	597	1,283	1,818	3,504	4,411
Contributions by fund participants	994	1,009	–	–	1,017	1,093	2,011	2,102
Benefits paid	(6,426)	(2,230)	(1,353)	(644)	(8,126)	(5,995)	(15,905)	(8,869)
Settlements	–	–	–	–	–	–	–	–
Business combinations	–	–	–	–	–	–	–	–
Exchange rate changes	–	–	–	–	–	–	–	–
Fair value of fund assets at the end of the year	35,580	39,275	6,918	7,860	134,418	139,978	176,916	187,113

(d) Reconciliation of the assets and liabilities recognised in balance sheet

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Present value of partly funded defined benefit obligation at end of year	49,822	52,383	11,722	12,425	183,687	196,096	245,231	260,904
Fair value of fund assets at end of year	(35,580)	(39,275)	(6,918)	(7,860)	(134,418)	(139,978)	(176,916)	(187,113)
	14,242	13,108	4,804	4,565	49,269	56,118	68,315	73,791
Adjustment for limitation on net assets	–	–	–	–	–	–	–	–
Unrecognised past service cost	–	–	–	–	–	–	–	–
Net liability to be recognised in balance sheet	14,242	13,108	4,804	4,565	49,269	56,118	68,315	73,791

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions (continued)

Superannuation (continued)

(e) Expense recognised in the Statement of Comprehensive Income

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Current service cost	1,958	1,946	520	530	950	1,151	3,428	3,627
Interest on obligation	2,479	2,473	574	597	9,279	9,722	12,332	12,792
Expected return on plan assets	(3,057)	(2,917)	(588)	(609)	(10,921)	(11,034)	(14,566)	(14,560)
Past service cost	–	–	–	–	–	–	–	–
Losses/(gains) on curtailments and settlements	–	–	–	–	–	–	–	–
Total included in employee related payments	1,380	1,502	506	518	(692)	(161)	1,194	1,859

The superannuation expense recognised in the Statement of Comprehensive income is included in the line item 'Employee Related'. Superannuation actuarial gains of \$0.6m 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		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Actuarial (gains)/losses	1,221	2,339	253	757	(2,042)	11,638	(568)	14,734
Adjustment for limit on net assets	–	–	–	–	–	–	–	–
Expense recognised in the Statement of Comprehensive income	1,221	2,339	253	757	(2,042)	11,638	(568)	14,734

(g) Actual return on fund assets

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Actual return on fund assets	3,105	3,240	591	650	10,780	11,801	14,476	15,691

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions (continued)

Superannuation (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 2011 %
Australian equities	33.4
Overseas equities	29.5
Australian fixed interest securities	5.7
Overseas fixed interest securities	3.1
Property	9.9
Cash	5.1
Other	13.3

(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

	2011 %	2010 %
Salary increase rate (excluding promotional increases)	3.5	3.5
Rate of CPI increase	2.5	2.5
Expected rate of return on Fund assets backing current pension liabilities	8.60	8.6
Discount rate	5.28	5.17

(m) Demographic assumptions

The demographic assumptions at 30 June 2011 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

(n) Historical information

	Financial year to 2011 \$'000	Financial year to 2010 \$'000
SASS		
Present value of defined benefit obligation	49,822	52,383
Fair value of Fund assets	(35,580)	(39,275)
(Surplus)/deficit in Fund	14,242	13,108
Experience adjustments – Fund liabilities	645	3,494
Experience adjustments – Fund assets	576	(1,155)

	Financial year to 2011 \$'000	Financial year to 2010 \$'000
SANCS		
Present value of defined benefit obligation	11,722	12,425
Fair value of Fund assets	(6,918)	(7,860)
(Surplus)/deficit in Fund	4,804	4,565
Experience adjustments – Fund liabilities	256	797
Experience adjustments – Fund assets	(2)	(40)

N/A: Information not available for this period.

	Financial year to 2011 \$'000	Financial year to 2010 \$'000
SSS		
Present value of defined benefit obligation	183,687	196,096
Fair value of Fund assets	(134,418)	(139,978)
(Surplus)/deficit in Fund	49,269	56,118
Experience adjustments – Fund liabilities	(2,331)	12,885
Experience adjustments – Fund assets	289	(1,247)

N/A: Information not available for this period.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 5. Provisions (continued)

Superannuation (continued)

(o) Expected contributions

	SASS	SANCS	SSS
	Financial year to 2011 \$'000	Financial year to 2011 \$'000	Financial year to 2011 \$'000
Expected employer contributions to be paid in the next reporting period	1,889	559	1,584

(p) Funding Arrangements for Employer Contributions

The following is a summary of the 30 June 2011 financial position of the Fund calculated in accordance with AAS 25 'Financial Reporting by Superannuation Plans':

	SASS		SANCS		SSS		Total	
	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	Financial year to 2011 \$'000	Financial year to 2010 \$'000	2011 \$'000	2010 \$'000
Accrued benefits	46,709	48,714	10,763	11,279	131,688	137,773	189,160	197,766
Net market value of fund assets	(35,580)	(39,275)	(6,918)	(7,860)	(134,418)	(139,978)	(176,916)	(187,113)
Net (surplus)/deficit	11,129	9,439	3,845	3,419	(2,730)	(2,205)	12,244	10,653

Recommended contribution rates for the entity are:

SASS	multiple of member contributions	1.90
SANCS	per cent of member salary	2.50
SSS	multiple of member contributions	1.60

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

The economic assumptions adopted for the 2009 actuarial review of the Fund are:

	2011 %	2010 %
Expected rate of return on fund assets backing current pension liabilities	8.3	8.3
Expected rate of return on fund assets backing other liabilities	7.3	7.3
Expected salary increase rate	4.0	4.0
Expected rate of CPI increase	2.5	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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 6. Reconciliation of surplus for the year to net cash (outflows)/inflows from operating activities

	2011 \$'000	2010 \$'000
(Deficit)/surplus for the year	(568)	14,734
Decrease/(increase) in trade and other receivables	5,870	(21,427)
Increase in trade and other payables	462	1,824
Superannuation actuarial gain/(loss)	568	(14,734)
(Decrease)/increase in provisions	(6,475)	19,621
Net cash(used)/ provided by operating activities	(143)	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.

	2011 \$'000	2010 \$'000
Cash and cash equivalents	6,139	6,282
	6,139	6,282

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

			Carrying amount	
	Note	Category	2011 \$'000	2010 \$'000
Financial assets				
Class:				
Cash and cash equivalents	7	N/A	6,139	0
Trade and other receivables ^{*(1)}	3	Loans and receivables (at amortised cost)	122,098	127,968
Financial liabilities				
Class:				
Trades and other payables ^{*(2)}	4	Financial liabilities measured at amortised cost	9,806	9,352

Notes:

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

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

Notes to and forming part of the financial statements

For the year ended 30 June 2011

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 year 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 2011.

(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 exposed to market risk through its liability to defined benefit superannuation funds. Should the earnings on these funds underlying assets differ from the funds actuarial projections due to, for example changes in the market values of those underlying assets, then CASD's liability to these funds will vary from the amount included in these accounts.

(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

Contents

Overview of the NSW WorkCover Scheme Financial Performance	149
Directors Declaration	150
Actuarial Certificate	151
Independent Auditors Certificate	153
Statement of Comprehensive Income	155
Statement of Financial Position	156
Statement of Changes in Equity	157
Statement of Cash Flows	158
Notes to and forming part of the financial statements	159
Note 1. Constitution and functions	159
Note 2. Summary of significant accounting policies	159
Note 3. Financial risk management objectives and policies	163
Note 4. Underwriting result	163
Note 5. Investment income	163
Note 6. Net claims incurred	163
Note 7. Remuneration of auditors	164
Note 8. Cash and cash equivalents	165
Note 9. Recoveries receivable	165
Note 10. Trade and other receivables	165
Note 11. Financial assets and liabilities	167
Note 12. Financial instruments	167
Note 13. Trade and other payables	176
Note 14. Borrowings	176
Note 15. Unearned premiums	176
Note 16. Outstanding claims	176
Note 17. Reconciliation of surplus/(deficit) for the year to net cash provided by operating activities	180
Note 18. Liability adequacy test	181
Note 19. Commitments	181
Note 20. Security deposits and bank guarantees	181

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.

	2011/10 \$'000	2010/09 \$'000
Operating Result		
Net earned premiums	2,495	2,395
Expected investment credit	621	508
Other income	13	26
Claims incurred (excluding external factors)	(3,533)	(2,520)
Operating expenses	(652)	(649)
Premium Deficiency Reserve	(41)	26
Surplus/(Deficit) from underwriting operations	(1,097)	(214)
Impact on result from external factors		
Difference between actual and expected long term investment returns	301	571
Change in inflation assumptions and discount rates	(112)	(495)
Change in claims handling expense	127	37
Risk Margin	–	–
Surplus from ordinary activities	(780)	(101)
Financial Position		
Total Assets	13,327	12,464
Total Liabilities	(15,690)	(14,047)
Accumulated deficit	(2,363)	(1,583)

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 29 September 2011.

Deficit from ordinary activities

The deficit from ordinary activities of the NSW WorkCover Scheme for the year ended 30 June 2011 was \$780 million. The result can be attributed to a loss on underwriting operations and a fall in estimated future risk free investment returns causing actuarially assessed claim liabilities to increase. These items were partially offset by investment returns in the current year being above the amount assumed in the prior actuarial valuation.

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 2011 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 \$2,363 million or a funding ratio of 85 percent as the WorkCover Board based on advice from the Scheme’s consulting actuaries have estimated without allowing for a risk margin that the Scheme will return to full funding by 30 June 2017.

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 2011 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

18 October 2011

Lisa Hunt
Chief Executive Officer
WorkCover Authority of NSW
Acting for the Nominal Insurer



NSW WORKERS COMPENSATION NOMINAL INSURER

Actuarial Certificate Outstanding claims liabilities at 30 June 2011

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 2011 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 \$923 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2011.

The allowance for claim handling expenses included in the WorkCover NSW Scheme liability equates to 7.5% of the gross outstanding claims liability.

*PricewaterhouseCoopers, Actuarial Pty Limited, ACN 003 562 696, ABN 29 003 562 696,
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*



Valuation Results

The PwC estimated liability for the NSW WorkCover Scheme as at 30 June 2011, net of recoveries, is \$14,268 million. This amount is made up as follows:

Table 1 - NSW WorkCover Scheme	
Outstanding Claims Liability at 30 June 2011	\$m
Gross Outstanding Claims	14,738
Less Anticipated Recoveries	-470
Net Outstanding Claims	14,268

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 29 September 2011.

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
FIAA
29 September 2011

David Wright
FIAA
29 September 2011



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 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Scheme as at 30 June 2011, and its financial performance for the year then ended in accordance with Australian Accounting Standards.

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

Directors' 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 and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control 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 control. 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 control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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.



A Oyetunji
Director, Financial Audit Services

19 October 2011
SYDNEY

NSW WorkCover Scheme Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Revenues			
Earned premiums	4	2,494,540	2,394,704
Recoveries	4	79,050	94,142
Investment income	5	921,877	1,080,331
Other income		13,012	25,918
		3,508,479	3,595,095
Expenses			
Actuarial fees		5,146	5,799
Auditor remuneration	7	1,776	2,205
Bad debts written-off		27,708	55,483
Claims incurred	4	3,597,398	3,072,534
Debt collection fees		11,418	11,739
Fund manager remuneration		14,673	21,342
Impairment of trade and other receivables	10	7,178	(5,692)
Scheme Agent remuneration		318,046	306,767
Statutory levies			
WorkCover Authority		159,123	157,843
Dust diseases		68,798	64,388
Mine safety		5,157	5,717
Increase/(decrease) in unexpired risk provision		40,600	(25,975)
Wage audit fees		14,040	3,197
Other operating expenses		17,558	20,714
		4,288,619	3,696,061
Surplus/(deficit)		(780,140)	(100,966)
Other comprehensive income			
Other comprehensive income for the year		–	–
Total comprehensive income		(780,140)	(100,966)
Surplus/(deficit) attributable to:			
Owners of the scheme		(780,140)	(100,966)
		(780,140)	(100,966)
Total comprehensive income		(780,140)	(100,966)

The accompanying notes form part of these financial statements.

NSW WorkCover Scheme Statement of Financial Position

As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	8	747,581	504,887
Recoveries receivable	9	126,388	118,685
Trade and other receivables	10	662,613	689,949
Prepayments		64,545	59,075
Financial assets	11	11,381,422	10,718,970
Total current assets		12,982,549	12,091,566
Non-current assets			
Recoveries receivable	9	343,408	371,496
Trade and other receivables	10	742	785
Total non-current assets		344,150	372,281
Total assets		13,326,699	12,463,847
Current liabilities			
Trade and other payables	13	354,090	210,609
Borrowings	8, 14	11,791	11,461
Unearned premiums	15	377,244	361,994
Outstanding claims	16	2,137,471	1,992,892
Unexpired risk premium	18	40,600	–
Security deposits	20	44,338	24,936
Financial liabilities	11	124,599	285,920
Total current liabilities		3,090,133	2,887,812
Non-current liabilities			
Outstanding claims	16	12,599,851	11,159,180
Total non-current liabilities		12,599,851	11,159,180
Total liabilities		15,689,984	14,046,992
Net assets/(liabilities)		(2,363,285)	(1,583,145)
Equity			
Accumulated (deficiency)/surplus		(2,363,285)	(1,583,145)

The accompanying notes form part of these financial statements.

NSW WorkCover Scheme Statement of Changes in Equity

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Accumulated (deficiency)/surplus			
Balance at the beginning of financial year		(1,583,145)	(1,482,179)
Surplus/(deficit) for the year		(780,140)	(100,966)
Other comprehensive income		–	–
Total comprehensive income		(780,140)	(100,966)
Transactions with owners in their capacity as owners		–	–
Balance at the end of the financial year		(2,363,285)	(1,583,145)

The accompanying notes form part of these financial statements.

NSW WorkCover Scheme Statement of Cash Flows

For the year ended 30 June 2011

	Note	Inflows (outflows) 2011 \$'000	Inflows (outflows) 2010 \$'000
Cash flows from operating activities			
Premiums received		2,710,979	2,594,589
Claims paid		(2,029,591)	(1,962,914)
		681,388	631,675
Scheme Agent management fees paid		(405,478)	(476,996)
Dividends received		77,897	73,735
Fund manager fees paid		(17,704)	(29,569)
GST paid		(192,667)	(160,929)
Interest received		346,912	278,269
Proceeds from sale of financial assets		13,678,159	20,657,990
Payments for financial assets		(13,798,228)	(21,177,440)
Recoveries received		97,532	94,166
Security deposits received		42,711	5,250
Security deposits paid		(23,309)	–
Statutory levies paid		(225,469)	(240,202)
Transfer of surplus cash from WorkCover		10,536	10,000
Other payments		(49,666)	(40,967)
Other receipts		19,750	38,206
Net cash provided by/(used in) operating activities	17	242,364	(336,812)
Cash and cash equivalents at the beginning of the financial year		493,426	830,238
Cash and cash equivalents at the end of the financial year	8	735,790	493,426

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

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 2011 were authorised for issue by the Chief Executive Officer of the WorkCover Authority acting for the Nominal Insurer on 18 October 2011.

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 and the measurement of the outstanding claims liability and recoveries at fair value.

Deficiency in Net Assets

The financial statements have been prepared on a going concern basis as the WorkCover Board, based on advice from the Scheme's consulting actuaries, have estimated without allowing for a risk margin that the Scheme will return to full funding by 30 June 2017, 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 arriving at the decision to exclude the risk margin, the Board took into account the special circumstances of the Scheme such as the legislative provisions to set and retrospectively adjust premiums and employers being required to fund any deficit as part of future premiums.

(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 2011. These are outlined in the table below.

AASB amendment	Affected standards	Operative date
AASB 9	Financial Instruments	1 January 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-6	Amendments to Australian Accounting Standards-Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters	1 July 2011
AASB 2010-10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time adopters	1 January 2013

These Standards are concerned with disclosures and will have no direct impact on the Scheme's financial results.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(c) Functional and presentation currency and rounding

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 judgments, 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.

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 judgments 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 16 – 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 judgment is required in establishing fair values. The judgments 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:

- (i) 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.

- (ii) The outstanding claims (Note 16) 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 2011 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 use appropriate risk free discount rates, consistent with Australian Accounting Standard AASB 1023 General Insurance Contracts. Details of inflation and discount rates applied are included in Note 16.

- (iii) 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.
- (iv) 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(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 represents a risk free rate derived from market yields on government bonds.

(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 Flow 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.

The Scheme includes as operating cash flows the purchase and sale of financial assets as premiums less claims cost paid to date are invested to meet future workers compensation claim costs.

(i) Investments and other financial assets

Investments are initially recognised at fair value. Investments are subsequently measured 'at fair value through profit or loss' as they are acquired principally for the purpose of trading. 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 fair value 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.

(k) Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(k) Fair value estimation (continued)

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 judgment is required in establishing fair values. The judgments 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.

(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) 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.

(m) 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 2. Summary of significant accounting policies (continued)

(n) 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 allowance 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.

(o) 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.

(p) Comparative figures

Comparative figures have been reclassified when necessary to conform with current year's classifications. A reclassification was made in the prior financial year in the Statement of Cashflows. The balances have been restated as follows:

- ▶ Interest received has been increased by \$170,469 thousand
- ▶ Proceeds from sale of financial assets has reduced by \$170,469 thousand.

A reclassification has been made in the prior financial year in the Statement of Financial Position. The balances have been restated as follows:

- ▶ Prepayments and other assets have been renamed as Prepayments and has been reduced by \$19,896 thousand
- ▶ Trade and other receivables have been increased by \$19,896 thousand.

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

	2011 \$'000	2010 \$'000
Earned premiums	2,494,540	2,394,704
Less:		
Claims incurred	(3,597,398)	(3,072,534)
Recoveries revenue	79,050	94,142
Net claims incurred (Note 6)	(3,518,348)	(2,978,392)
Underwriting result	(1,023,808)	(583,688)

Note 5. Investment income

	2011 \$'000	2010 \$'000
Dividends	153,958	107,713
Interest	372,503	125,690
Other income	2,079	4,914
Realised gain on sale of investments	337,125	107,941
Unrealised gain	56,212	734,073
Investment income	921,877	1,080,331

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 6. Net claims incurred

	Current year \$m	Prior year \$m	2011 Total \$m	2010 Total \$m
Direct business				
Gross claims incurred and related expenses – undiscounted	4,296	344	4,640	2,649
Reinsurance and other recoveries – undiscounted	(140)	66	(75)	(93)
Net claims incurred – undiscounted	4,156	410	4,565	2,556
Discount and discount movement – gross claims incurred	(1,676)	634	(1,042)	423
Discount and discount movement – reinsurance and other recoveries	22	(27)	(5)	(1)
Net discount movement	(1,654)	607	(1,047)	422
Net claims incurred (Note 4)	2,502	1,016	3,518	2,979

Explanation of material variances – prior years

Undiscounted gross claims incurred has increased primarily as a result of strengthening in the weekly and workplace injury damages payment types.

Undiscounted recoveries are expected to be lower than previously expected due to lower than expected actual recovery payments.

There has been a decrease in the yield curve resulting in a lower discount applied to the outstanding claims which has resulted in this liability increasing. The decrease in the yield curve has also resulted in an increase in the value of recoveries.

Note 7. Remuneration of auditors

	2011 \$'000	2010 \$'000
The Auditor General of NSW		
Audit of the financial report	112	132
External audit of Scheme Agents and Master Custodian		
Audit or review of reports	1,250	1,909
Other non-audit services	414	164
Total	1,664	2,073
Total Audit Remuneration	1,776	2,205

The auditor for the NSW WorkCover Scheme is the Auditor General of NSW.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 8. Cash and cash equivalents

	2011 \$'000	2010 \$'000
Cash at bank	747,581	504,887

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2011 \$'000	2010 \$'000
Cash	131,126	133,081
Money market deposits	616,455	371,806
Total cash at bank	747,581	504,887
Bank overdraft	(11,791)	(11,461)
Balances as per Statement of Cash Flows	735,790	493,426

Note 9. Recoveries receivable

	2011 \$'000	2010 \$'000
Current		
Actuarially assessed recoveries	126,388	118,685
Non-current		
Actuarially assessed recoveries	343,408	371,496
Total recoveries receivable	469,796	490,181

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

	2011 \$'000	2010 \$'000
Current		
Premiums receivable	476,530	461,821
Interest, dividends and other investment income receivable	138,742	107,996
Deposits held with brokers/counter parties:		
Margin calls	74,284	146,602
Over the counter securities	6,640	6,640
Amounts legally recoverable from uninsured employers	1,965	523
Other receivables	17,960	19,896
GST receivable	13,808	6,381
	729,929	749,859
Less: Allowance for impairment loss	(67,316)	(59,910)
Total trade and other receivables	662,613	689,949
Non current		
Amounts legally recoverable from uninsured employers	3,507	3,778
Less: Allowance for impairment loss	(2,765)	(2,993)
Total trade and other receivables	742	785

(a) Status of trade receivables

	2011 \$'000	2010 \$'000
Class of financial asset		
Maximum exposure within normal terms	567,670	593,870
Past due	95,685	96,864
Impaired	70,081	62,903
Renegotiated terms	–	–
	733,436	753,637

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 10. Trade and other receivables (continued)

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.

Security deposits are held by the Scheme for future potential premiums for those employers that participate in the Retro Paid Loss Scheme. (Refer Note 20.)

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 (n) 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

	2011 \$'000	2010 \$'000
Class of financial asset		
Opening impairment account balance	62,903	68,596
Current period impairment charge (income)	7,178	(5,693)
Closing impairment account balance	70,081	62,903

Ageing of receivables

	2011		
	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
Within normal terms	567,670	–	–
Less than 3 months overdue	49,986	41,569	8,417
3 months to 6 months overdue	27,298	20,353	6,945
Greater than 6 months overdue	88,482	33,763	54,719
	733,436	95,685	70,081

	2010		
	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
Within normal terms	593,870	–	–
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	77,369	32,200	45,169
	753,637	96,864	62,903

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 11. Financial assets and liabilities

	2011 \$'000	2010 \$'000
Financial assets – current		
Indexed and interest bearing securities	7,596,529	7,037,218
Australian equities	702,459	487,044
International equities	1,473,117	1,465,023
Unit trusts	1,464,727	1,478,848
Derivatives	144,590	250,837
	11,381,422	10,718,970
Financial liabilities – current		
Derivatives	124,599	285,920
Net financial assets	11,256,823	10,433,050

Note 12. Financial instruments

The Nominal Insurer is ultimately responsible for identifying and controlling financial risks including the establishment of an overall financial risk management strategy and policy. 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 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 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 can deviate from the benchmark asset allocation at any point in time. The deviations in actual versus benchmark 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, including both assets and liabilities to market price risks.

The VaR risk measure seeks to estimate the potential loss 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 95th 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Market price risk (continued)

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 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 some 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 asset allocation, a selection committee, typically with advice from the Insurance Fund's 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 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.

The most recent VaR analysis performed by asset consultants Mercer Consulting was conducted in September 2011 based on the June 2011 Scheme valuation and showed expected VaR of \$1,063 million based on a confidence interval of 95 per cent. The VaR analysis performed by the same consultants in October 2010 based on the June 2010 Scheme valuation showed an expected VaR of \$962 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. Scheme liabilities are similarly subject directly or indirectly to changes in value as a result of interest rate fluctuations.

(ii) Risk management objective, policies and processes

The Investment Board manages the interest rate risk of the Insurance Fund by means of the asset allocation, which at 30 June 2011 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Interest rate risk (continued)

(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.

2011						
	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	
Class						
Cash	131,126	–	–	–	–	131,126
Money market deposits	616,455	–	–	–	–	616,455
Indexed and interest bearing securities	–	529,973	428,831	2,580,082	4,057,643	7,596,529
Interest rate swaps	–	–	697	4	171	872
Assets	747,581	529,973	429,528	2,580,086	4,057,814	8,344,982
Interest rate swaps	–	–	(541)	(1,128)	–	(1,669)
Liability	–	–	(541)	(1,128)	–	(1,669)

2010						
	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	
Class						
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
Assets	504,887	695,762	62,629	1,509,669	4,769,158	7,542,105

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.

(i) Exposure

The Scheme is exposed to foreign exchange risk as a result of the foreign currency denominated investments held as part of its asset allocation.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Foreign exchange risk (continued)

(ii) Risk management objective, policies and processes

Independent investment managers authorised by the Investment Board manage foreign exchange risk. The investment grade credit, commodities and property managers fully hedge their exposures. An independent investment manager has been appointed 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:

2011					
	US dollars AUD \$'000	Euro AUD \$'000	British pounds AUD \$'000	Other currencies AUD \$'000	Total AUD \$'000
International equities	654,295	216,884	128,144	473,794	1,473,117
International trusts	59,513	–	–	3,138	62,651
International listed property trusts	6,971	501	–	540	8,012
International discounted securities	4,178	–	–	–	4,178
International bonds	106,659	44,678	–	–	151,337
Foreign currency derivatives (Assets)	3,828	72	715	312	4,927
Foreign currency derivatives (Liabilities)	(354)	(234)	(13)	(550)	(1,151)
Swap derivatives (Asset)	4	–	–	–	4
Swap derivatives (Liability)	(66,201)	(32,383)	–	–	(98,584)
Foreign exchange exposure position	768,893	229,518	128,846	477,234	1,604,491
2010					
	US dollars AUD \$'000	Euro AUD \$'000	British pounds AUD \$'000	Other currencies AUD \$'000	Total AUD \$'000
International equities	637,947	151,611	160,694	514,771	1,465,023
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
Gross foreign exchange exposure position	743,368	184,177	164,586	527,175	1,619,306
Notional value of foreign currency derivatives	(478,888)	(127,556)	(78,896)	(132,073)	(817,413)
Net foreign exchange exposure position	264,480	56,621	85,690	395,102	801,893

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

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 and claims costs.

(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 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 asset allocation together with an Investment Board policy which limits exposure to illiquid investments.

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 2010.

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 for 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Credit risk (continued)

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:

	2011 %	2010 %
Rating		
AAA/aaa	83	74
AA/Aa	9	8
A/A	5	15
BBB	3	3
Total	100	100

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.

The financial assets and liabilities are classified 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

	2011			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011				
Financial assets				
Indexed and interest bearing securities	590,337	6,976,679	29,513	7,596,529
Australian equities	702,459	–	–	702,459
International equities	1,472,691	426	–	1,473,117
Unit Trusts	156,479	553,217	755,031	1,464,727
Derivatives	21,100	123,490	–	144,590
	2,943,066	7,653,812	784,544	11,381,422
Financial liabilities				
Derivatives	9,395	115,204	–	124,599

2010

Financial assets				
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
Derivatives	7,039	243,798	–	250,837
	2,459,818	7,566,454	692,698	10,718,970
Financial liabilities				
Derivatives	54,007	231,913	–	285,920

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Fair value estimation (continued)

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.

The following table presents the changes in level 3 instruments for the year ended 30 June 2011.

	2011 \$'000	2010 \$'000
Opening balance	692,698	548,531
Transfers into level 3	–	–
Purchases of securities	78,685	163,502
Other increases	–	–
Sale of securities	(20,845)	(7,482)
Transfers out of level 3	–	–
Gain/(loss) recognised in profit and loss (investment income)	34,006	(11,853)
Closing balance	784,544	692,698
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)	33,942	(11,853)

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.

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 a 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Fair value estimation (continued)

Derivatives

	2011		
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
Futures			
Share price index futures	7,068	–	539,182
Commodity futures	4,290	7,224	211,420
Interest rate futures	1,011	2,137	2,194,200
Options			
Options on bonds	8,733	34	1,055,224
Forwards			
Forward foreign exchange contracts	4,927	1,151	355,119
Swaps			
Interest rate swaps	872	1,669	190,376
Inflation swaps	3,411	13,886	1,017,200
Cross currency swaps	114,278	98,366	187,479
Credit default swaps	–	132	31,196
	144,590	124,599	5,781,396
	2010		
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
Futures			
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
Options			
Options on equity futures	–	–	–
Forwards			
Forward foreign exchange contracts	20,149	7,959	954,884
Swaps			
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
	250,837	285,920	5,230,876

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 12. Financial instruments (continued)

Fair value estimation (continued)

Liability maturity

All of the Scheme's financial liabilities relate to derivatives whose maturity is listed below:

	2011			Total \$000
	Less than 1 month \$000	2 to 12 months \$000	Greater than 12 months \$000	
Derivatives	3,239	16,015	105,345	124,599

	2010			Total \$000
	Less than 1 month \$000	2 to 12 months \$000	Greater than 12 months \$000	
Derivatives	98,455	48,432	139,033	285,920

The other Scheme liabilities are either claims related whose maturity is disclosed in Note 16 or are related to insurance operations and have a maturity of less than 12 months.

Financial assets pledged as collateral

Scheme's financial assets pledged as collateral are \$nil (2010 – nil), apart from cash held in margin accounts with the brokers/counter parties across various markets for exchange traded derivatives (refer Note 11) 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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 13. Trade and other payables

	2011 \$'000	2010 \$'000
Agent remuneration	65,356	94,752
Investment purchases	241,894	53,740
Goods and Services Tax	32,833	28,786
Other	14,007	33,331
Total payables	354,090	210,609

Note 14. Borrowings

	2011 \$'000	2010 \$'000
Current		
Bank overdrafts (unsecured)	11,791	11,461

(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 15. Unearned premiums

	2011 \$'000	2010 \$'000
Unearned premiums	377,244	361,994

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 16. 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.

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.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Outstanding claims (continued)

	2011 \$'000	2010 \$'000
(a) Expected future gross claims payments (undiscounted)	26,135,572	23,508,202
Discount to present value	(11,398,250)	(10,356,130)
Liability for outstanding claims	14,737,322	13,152,072
Current	2,137,471	1,992,892
Non-current	12,599,851	11,159,179
	14,737,322	13,152,072
(b) Expected future actuarial assessment of recoveries (undiscounted)	567,422	592,501
Discount to present value	(97,626)	(102,320)
Discounted actuarial assessment of recoveries	469,796	490,181
(c) Net outstanding claims per actuarial report	14,267,526	12,661,891

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 7.5 per cent (2010 – 8.6 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 2011 based on a probability of adequacy of 12 per cent or \$1.5 billion. 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 judgment 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 \$129 million (2010 – \$118 million) for such claims has been included in the overall outstanding claims liability.

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Outstanding claims (continued)

Movement in claim liabilities and recoveries

	2011 \$'000	2010 \$'000
Claims liabilities		
Opening balance	13,152,072	12,002,212
Adjustment arising from changes in:		
– Actuarial assumptions	829,096	401,212
– Discount/inflation rates	521,159	659,585
– Risk margins	169,848	123,199
Expected expenses on 2010/11 claim payments	(174,379)	(175,138)
Claims incurred in current year	2,263,210	2,096,781
Claims payments	(2,023,684)	(1,955,779)
Claims liabilities 30 June 2011	14,737,322	13,152,072

	2011 \$'000	2010 \$'000
Recoveries		
Opening balance	490,181	493,733
Adjustment arising from changes in:		
– Actuarial assumptions	(36,499)	(19,304)
– Discount/inflation rates	21,731	21,023
– Risk margin	(2,184)	(381)
Recoveries incurred in current year	106,661	101,295
Recoveries received (excluding GST recoveries)	(93,166)	(90,584)
GST recoveries	(16,928)	(15,601)
Recoveries receivable	469,796	490,181

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.

	2011 \$'000	2010 \$'000
Outstanding claims liabilities:		
– Prior to 10 years ago	6,906,907	5,614,807
– nine years ago	1,362,715	1,413,839
– eight years ago	1,298,282	1,371,499
– seven years ago	1,485,350	1,311,709
– six years ago	1,751,537	1,524,177
– five years ago	1,835,277	1,826,935
– four years ago	2,244,526	1,932,572
– three years ago	2,517,710	2,309,977
– two years ago	2,757,814	2,630,456
– up to one year ago	3,975,453	3,572,232
	26,135,571	23,508,202

Claims liability maturity

The maturity profile of the Scheme's claim liabilities are estimated by the consulting actuaries to mature in the following periods:

	2011 \$'000	2010 \$'000
Outstanding claims net of recoveries maturing:		
– within one year	2,011,082	1,874,207
– two to five years	4,919,714	4,344,014
– more than five years	7,336,730	6,443,669
	14,267,526	12,661,891

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 16. Outstanding claims (continued)

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 Scheme's 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:

	2011 % pa	2010 % pa
For the first succeeding year:		
Inflation rate	4	3.50
Discount rate	4.76	4.48
For subsequent years:		
Inflation rate	4.00–3.47	3.50–3.54
Discount rate	4.8–5.72	4.45–5.79

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 8.1 years (2010 – 8.2 years).

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.

Variable	Movement in variable	2011		2010	
		Impact on profit/ (loss) \$'000	Impact on liabilities \$'000	Impact on profit/ (loss) \$'000	Impact on liabilities \$'000
Inflation rate	+1%	(472,730)	472,730	(406,742)	406,742
	–1%	449,063	(449,063)	386,334	(386,334)
Discount rate	+1%	446,418	(446,418)	393,450	(393,450)
	–1%	(479,992)	479,992	(421,690)	421,690

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 17. Reconciliation of surplus/(deficit) for the year to net cash provided by operating activities

	2011 \$'000	2010 \$'000
Surplus/(deficit) from operating activities	(780,140)	(100,966)
Expenses/revenues not involving cash inflows/outflows:		
Bad debts written off	27,708	55,483
Depreciation expense	–	5
Impairment of trade receivables	7,178	(5,692)
Increase in actuarially assessed claim liabilities	1,585,249	1,149,861
Decrease/(increase) in actuarially assessed recoveries receivable	20,385	3,552
Increase/(reduction) in unearned premiums	15,250	8,623
Increase/(decrease) in unexpired risk provision	40,600	(25,975)
Unrealised loss/(gain) on investments	(56,212)	(734,073)
Decrease/(increase) in operating assets:		
Financial assets	(581,231)	(517,269)
Interest and dividends receivable	43,396	(12,760)
Premiums receivable	(43,588)	(38,973)
Trade debtors and prepayments	(10,961)	(18,506)
Property, plant and equipment	–	380
(Decrease)/increase in operating liabilities:		
Trade and other payables	(24,523)	(126,766)
Security deposits received	19,403	3,074
Collateral from brokers	(20,150)	23,190
Net cash provided by/(used in) operating activities	242,364	(336,812)

Notes to and forming part of the financial statements

For the year ended 30 June 2011

Note 18. Liability adequacy test

At 30 June 2011 the Scheme has an unearned premium provision of \$377 million (2010 – \$362 million). This unearned premium was based on policies on risk during 2010/11 but where the period of coverage extends into 2011/12.

The present value of expected future cash flows for future claims relating to the unearned premium estimated to be \$420 million (2010 – \$378 million), with this increasing to \$478 million (2010 – \$430 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 \$60 million (2010 – \$71 million) have advised that the unearned premium provision is not adequate to meet the anticipated claims. Accordingly they have advised that an additional unexpired risk provision of \$41 million is required to be made by the Scheme. This provision has been made in the financial statements. In 2010 the actuaries determined that an unexpired risk provision was not required.

Note 19. Commitments

As at the date of this report the NSW WorkCover Scheme does not have any capital or lease commitments.

As at the 30 June 2011 the NSW WorkCover Scheme was required to contribute \$173 million (2010 – \$181 million) to the WorkCover Authority Fund in monthly instalments by 30th June 2012.

As at the 30 June 2011 the NSW WorkCover Scheme was required to contribute \$71 million (2010 – \$70 million) to the Workers Compensation Dust Diseases Fund in 12 equal monthly instalments by 30th June 2012.

As at the 30 June 2011 the NSW WorkCover Scheme was required to contribute \$5.9 million (2010 – \$5.1 million) to the Mine Safety Levy in four equal quarterly instalments by 30th June 2012.

Note 20. Security deposits and bank guarantees

Since 30 June 2009 large employers may apply to have their workers compensation premium calculated under an alternative premium method, called the Retro-Paid Loss Premium Method, provided they meet specified work health and safety, injury management and financial criteria. Under this methodology employers pay a deposit premium for the insured period, with subsequent adjustments made over the next four years to reflect the actual costs of claims incurred plus a contribution to those costs such as journey claims that are shared across all employers. As the premium is not finalised till five years post the commencement of risk under the policy, the employers are required to lodge a security for the difference between the premium paid to date and the maximum amount of premium the employer may need to pay under the Retro-Paid Loss Premium Method.

Under section 172A of the *Workers Compensation Act 1987*, the NSW WorkCover Scheme administers security deposits, bank guarantees and securities lodged by employers who elect to participate in the Retro-Paid Loss Premium Method.

As at 30 June, 2011, the NSW WorkCover Scheme held deposits of \$44 million (2010 – \$24 million) and bank guarantees of \$450 million (2010 – \$236 million). These deposits are held on trust for the payment of employers' potential liability to pay workers compensation premium.

Earnings on funds deposited with the NSW WorkCover Scheme for this purpose are paid directly to the entity that lodged the Security Deposit.

End of audited Financial Statements

Contents

Appendix 1 – Legislation and Legal Change	183
Appendix 2 – Chief and Senior Executive Performance Statements	185
Appendix 3 – Government Information (Public Access)	189
Appendix 4 – Credit Card	192
Appendix 5 – Response to significant matters raised in the outgoing Audit Report	192
Appendix 6 – Account Payment Performance	193
Appendix 7 – Investment Management Performance	193
Appendix 8 – Liability Management Performance	194
Appendix 9 – Major Assets/Land – Disposals and Acquisitions	195
Appendix 10 – Works in progress	196
Appendix 11 – Price determination method	196
Appendix 12 – Consultants	196
Appendix 13 – Overseas Travel	197
Appendix 14 – Events that have a significant effect on the succeeding year after the balance date	197
Appendix 15 – Grants to non Government organisations	198
Appendix 16 – Licensed and Self-insurers	203
Appendix 17 – Scheme Agent Performance	204
Appendix 18 – Production Notes	208

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 (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 Act 2011

This Act amended the *Occupational Health and Safety Act 2000*. Its main purpose was to adopt some national work health and safety reforms pending the enactment of new legislation.

The Act commenced on 7 June 2011.

Workers Compensation (Dust Diseases) Amendment Act 2010

An Act to amend the *Workers' Compensation (Dust Diseases) Act 1942* and the *Workers Compensation Act 1987* to make further provision with respect to rates of compensation payable to dependents of deceased workers.

The Act commenced on 7 December 2010.

Workers Compensation Legislation Amendment Act 2010

An Act to amend workers compensation legislation to make further provision for determination of compensation and work injury damages, workplace rehabilitation, medical assessment, appeals and other matters.

The Act commenced on 1 February 2011.

Changes to regulations

Regulation amendments made under the Occupational Health and Safety Act 2000

Occupational Health and Safety Amendment (Penalty Notice Offences) Regulation 2010 amends the *Occupational Health and Safety Regulation 2001* to prescribe additional offences relating to certain high-risk work as offences for which penalty notices may be served.

This Regulation is made under the *Occupational Health and Safety Act 2000*, including Part 3 (Regulations) and section 108. It commenced on 17 September 2010. *Occupational Health and Safety Amendment (Major Hazard Facilities) Regulation 2010*. Currently, a person operating a potential major hazard facility must provide a notification in the approved form to WorkCover every 12 months. The object of this Regulation is to remove that requirement and instead provide that a person operating a potential major hazard facility must notify WorkCover of any material change to the facility.

Appendix 1 – Legislation and legal change (continued)

This Regulation is made under the *Occupational Health and Safety Act 2000*, including section 33 (the general regulation-making power). It commenced on 8 October 2010.

Occupational Health and Safety Amendment (Residual Current Devices) Regulation 2011

The purpose of this Regulation is to require electrical outlet sockets and certain electrical articles at places of work to be protected by residual current devices (ie safety switches). This Regulation is made under the *Occupational Health and Safety Act 2000*, including section 33 (the general regulation-making power). It commenced on 18 February 2011.

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 2010

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 2010.

Workers Compensation Regulation 2010

The object of this Regulation is to remake, with minor amendments, the provisions of the *Workers Compensation Regulation 2003*. The regulation commenced on 1 February 2011.

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 2011.

New and Amending Subordinate Legislation under the *Workers Compensation Act 1987* and the *Workplace Injury Management and Workers Compensation Act 1998*

Nil.

Appendix 2 – Chief and senior executive performance statements SES5 and above

Name	Lisa Hunt
Position and level	Chief Executive Officer SES Level 7
Total remuneration package	\$377,250
Performance pay	Nil
Period in position	4 January 2010 to 30 June 2011

Highlights

- ▶ Initiated a Capability Review to realign strategic goals and build the capability to achieve those goals for the organisation.
- ▶ Set new direction for WorkCover with the Corporate Plan 2010–2015 through evidenced based decisions to enhance outcomes for injured workers and employers of NSW.
- ▶ Worked proactively and constructively with the Better Services and Value steering committee to undertake the Strategic Performance Review to improve value for money and customer service.
- ▶ Improved the management and containment of asbestos, closing the gaps between regulators to protect workers and the public and addressing issues arising from the Ombudsman's report to Parliament.
- ▶ Achieved a return on investment of 8 per cent in a volatile market.
- ▶ Identified short, medium and long term initiatives to address long term scheme viability.
- ▶ Developed a new cultural framework to focus on safety, wellness, learning, leadership, innovation, achievement and customer experience in response to recommendations arising from Department of Premiers' and Cabinet Independent Inquiry into Bullying in WorkCover NSW.
- ▶ Led the strategic development of the national workplace legislation in NSW to ensure WorkCover and its stakeholders are ready to operate under the new national legislative framework.
- ▶ Reduced red tape through the integration of all WorkCover licensing systems onto a single government data platform.
- ▶ Initiated a comprehensive review to increase the focus on organisational work health and safety and return to work performance.
- ▶ Implemented a range of initiatives, including the leadership program and employee achievement awards, which has led to increased communication and engagement of WorkCover employees.
- ▶ Developed a strategy to enhance the internal capability of the people and culture capability to better support the CASD agencies.
- ▶ Introduced a new improved corporate governance focusing on audit, risk and compliance.
- ▶ Strengthened the commercial and leadership capability of the WorkCover executive including the recruitment of two experienced external executives on board to manage the workers compensation system.
- ▶ Continue to increase the level of engagement of WorkCover with its customers in order to improve the ability to understand how to work with its customers and stakeholder of achieve safe, healthy and productive workplaces for NSW workers.

Hon Gregory Pearce MLC
Minister for Finance and Services

Appendix 2 – Chief and senior executive performance statements SES5 and above (continued)

Name	Robert Gray
Position and level	General Manager, Corporate Services Division SES Level 5
Total remuneration package	\$269,074
Performance pay	Nil
Period in position	3 July 2006 to 30 June 2011

Highlights

- ▶ A member of the steering committee to ensure the successful transition of the WorkCover licensing platform to the Government Licensing System, reducing the current systems from ten to one. All licence types will be migrated by December 2011 with all notification systems migrated in 2012.
- ▶ Implemented improved customer tracking system to enable live tracking of licence applications.
- ▶ Implementation of Shared Services for Information Technology and People and Culture across all agencies within the Compensation Authorities Staff Division.

Lisa Hunt
Chief Executive Officer

Name	Mary Hawkins
Position and level	A/General Manager Workers Compensation Division SES Level 5
Total remuneration package	\$241,251
Performance pay	Nil
Period in position	21 May 2010 to 30 June 2011

Highlights

- ▶ Implemented strategies to address challenges to Scheme viability such as increasing liabilities in Work Injury Damages claims and medical costs.
- ▶ Finalised a Memorandum of Understanding with the Life Time Care and Support Authority so that claimants with dual entitlements are managed in a consistent and coherent way.
- ▶ Revised the 2003 Workers Compensation Regulation and replaced it with the *Workers Compensation Regulation 2010*, which took effect on 1 February 2011.
- ▶ The improved regulatory framework for self and specialised insurers continued to produce results with over 90 per cent achieving the standards necessary to achieve three-year licences.
- ▶ The Retro Paid Loss Program for large employers continued to attract new entrants with a total of 43 employers approved for participation.
- ▶ Expanded the professional pathways program for case management.
- ▶ Involved in the strategic direction of the National agenda through the Heads of Workers Compensation Authorities and chaired the working party that finalised the National Approval Framework for Workplace Rehabilitation Providers.
- ▶ Contributed to the work of the Personal Injury Education Foundation as a member of the Board and the Education sub-committee which finalised the Australian contextualisation of the examination for Certification in Disability Management.
- ▶ Member of the Safework Australia workers compensation Strategic Interests Group and Chair of the Technical Advisory group examining the development of a nationally consistent framework for the evaluation of permanent impairment.

Lisa Hunt
Chief Executive Officer

Appendix 2 – Chief and senior executive performance statements SES5 and above (continued)

Name	John Watson PSM
	General Manager, Work Health and Safety Division
Position and level	SES Level 5
Total remuneration package	\$278,350
Performance pay	Nil
Period in position	1 April 2004 to 30 June 2011

Highlights

- ▶ Contributed to the provision of safe, healthy and productive workplaces in NSW by managing the delivery of work health and safety services to maintain a reduction in incident and fatality rates in workplaces.
- ▶ Developed and commenced implementation of work health and safety prevention programs including:
 - ▶ 10/5/5 risk based targeting
 - ▶ Occupational disease
 - ▶ High quality investigation
 - ▶ High-consequence low-frequency verification
- ▶ Represented NSW as a member of Safe Work Australia and Strategic Issues Group-OHS providing leadership in the development of the national model work health and safety legislation.
- ▶ Chaired the Heads of Workplace Safety Authorities driving the development of a harmonised approach to regulating work health and safety across Australia.
- ▶ Led the implementation of the national workplace legislation in NSW to ensure WorkCover and its stakeholders are ready to operate under the new national legislative framework.
- ▶ Contributed to the national legislative reform program in relation to explosives, major hazard facilities and mining.
- ▶ Contributed to the development of a new national work health and safety strategy ensuring NSW input and consultation with industry.
- ▶ Built the capability of the Work Health and Safety Division to evaluate the impact prevention programs have on health and safety outcomes in NSW workplaces.

Lisa Hunt
Chief Executive Officer

Name	Jerome Lander
	General Manager, Investment Division
Position and level	SES Level 5
Total remuneration package	\$278,350
Performance pay	Nil
Period in position	29 June 2009 to 30 June 2011

Highlights

- ▶ Investments provided a return of 8 per cent over the financial year.
- ▶ The Investment Division estimates that investment performance contributed around \$360 million to the reduction in the Scheme deficit over the year.
- ▶ 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.
- ▶ Developed Environmental, Social and Governance Principles, which were adopted by the Investment Board in June 2011.
- ▶ Implemented a tail risk hedging program to protect some of the downside to the funding ratio from sudden unexpected drops in bond rates, which performed well during the period.
- ▶ Eleven 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.

Lisa Hunt
Chief Executive Officer

Appendix 2 – Chief and senior executive performance statements SES5 and above (continued)

Name	Julie Newman
Position and level	Chief Financial Officer SES Level 6
Total remuneration package	\$300,000
Performance pay	Nil
Period in position	30 May 2011 to 30 June 2011

Highlights

- ▶ Established a finance shared service for CASD (since December 2010) to ensure CASD finance is on appropriate systems with more robust reporting and improved customer service outcomes and cost efficiencies.
- ▶ Led the WorkCover team for the Strategic Performance Review undertaken by NSW Treasury as part of the Better Services and Value Plan.
- ▶ Established the Finance & Services Division within WorkCover, as well as a shared services provider to all CASD agencies.
- ▶ Consolidated and strengthened the financial services across all CASD agencies.
- ▶ Worked with CEO to drive transformational change and develop a new commercial operating model.
- ▶ Implemented the consolidation of financial reporting across multiple CASD financial systems.
- ▶ Coordinated the review of options for TestSafe Australia by conducting a capability and business review.

Lisa Hunt
Chief Executive Officer

Name	Carmel Donnelly
Position and level	General Manager, Strategy and Performance Division SES Level 5
Total remuneration package	\$278,350
Performance pay	Nil
Period in position	23 May 2011 to 30 June 2011

Highlights

- ▶ Improved KPI reporting to the Executive and Board in line with the Corporate Plan.
- ▶ Lead a cross-divisional team to identify the 10/5/5 risk-based priorities using improved evidence-based decision-making methods.
- ▶ Reviewed available data and information resources, capability gaps and business intelligence requirements.
- ▶ Enhanced Ministerial, Parliamentary and regulatory affairs service delivery including support for harmonisation of work health and safety legislation, regulations and codes of practice and other National initiatives such as the proposed harmonisation of explosives legislation.
- ▶ Commenced a fundamental redesign of WorkCover's communication and customer engagement strategy.

Lisa Hunt
Chief Executive Officer

Appendix 3 – Government Information (Public Access)

Privacy management

The WorkCover Privacy Management Plan outlines the organisation's policies and practices with respect to the management of personal information. The Plan can be accessed on WorkCover's website at www.workcover.nsw.gov.au

Government Information (Public Access) statistics (2010/11)

During 2010/11 a total of 880 applications for access to documents were processed by WorkCover under the terms of the *Government Information (Public Access) Act 2009*.

Of the 880 applications received, 448 were non-personal, 34 requests were withdrawn or discontinued, 109 were granted in full, 473 were granted in part and 264 were refused. The latter included instances where no documents were located or applications were redirected to other agencies. A total of 5 access applications were refused, either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 of the Act. No Ministerial Certificates were issued, 13 formal consultations were conducted, 14 applications were reviewed 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.

Government Information (Public Access) proactive release program

Under section 7(3) of the Act, WorkCover is required to review its program for the release of government information at least every 12 months to identify the kind of information it holds that should, in the public interest, be made publicly available and can be without imposing unreasonable costs to the agency.

At the commencement of the 2010/11 financial year WorkCover undertook a review of all documents to determine whether it was in the public interest to make them proactively available. WorkCover created a policy document register, which includes hyperlinks where available, listing documents identified as policy documents under section 23 of the Act. This document captures the documents WorkCover has determined should be made publicly available.

WorkCover's website makes many of WorkCover's publications easily accessible such as forms, codes, guides, manuals, policies and reports, through the forms and publications search function. Also published on the website are the Statistics Bulletin, Insurance Premium Order, Annual Report and Workers Compensation Benefits Guide. They can also be accessed by contacting the WorkCover Assistance Service on 13 10 50.

Throughout the year the Right to Information Team looks at which information has been repeatedly released and determines whether it is in the public interest to make that information publicly available. In the 2010/11 financial year the majority of access applications related to an individual's specific injuries and incidents in the workplace. WorkCover receives very few access applications for documents not already publicly available.

Appendix 3 – Government Information (Public Access) (continued)

Government Information (Public Access) statistics (2010/11)

Table A: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	1	–	–	–	–	–	–	–
Members of Parliament	1	2	–	–	–	–	–	–
Private sector business	25	149	20	25	–	–	–	10
Not for profit organisations or community groups	5	9	1	1	–	–	–	–
Members of the public (application by legal representative)	50	194	89	91	–	–	–	18
Members of the public (other)	27	119	25	12	–	–	–	6

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	49	200	81	87	–	–	–	15
Access applications (other than personal information applications)	60	273	54	42	–	–	–	19
Access applications that are partly personal information applications and partly other	–	–	–	–	–	–	–	–

* A *personal information application* is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Appendix 3 – Government Information (Public Access) (continued)

Government Information (Public Access) statistics (2010/11) (continued)

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	34
Application is for excluded information of the agency (section 43 of the Act)	–
Application contravenes restraint order (section 110 of the Act)	–
Total number of invalid applications received	34
Invalid applications that subsequently became valid applications	–

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used*
Overriding secrecy laws	–
Cabinet information	1
Executive Council information	–
Contempt	–
Legal professional privilege	4
Excluded information	–
Documents affecting law enforcement and public safety	–
Transport safety	–
Adoption	–
Care and protection of children	–
Ministerial code of conduct	–
Aboriginal and environmental heritage	–

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	38
Law enforcement and security	97
Individual rights, judicial processes and natural justice	288
Business interests of agencies and other persons	45
Environment, culture, economy and general matters	–
Secrecy provisions	–
Exempt documents under interstate Freedom of Information legislation	–

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	846
Decided after 35 days (by agreement with applicant)	31
Not decided within time (deemed refusal)	3
Total	880

Appendix 3 – Government Information (Public Access) (continued)

Government Information (Public Access) statistics (2010/11)

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	5	6	11
Review by Information Commissioner*	1	1	2
Internal review following recommendation under section 93 of Act	–	–	–
Review by ADT	1	–	1
Total	7	7	14

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	14
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	–

Appendix 4 – Credit Card

For the 2010/11 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.

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 quarter \$	December quarter \$	March quarter \$	June quarter \$
2010/11				
Current	696,033	77,250	285,345	636,249
<30 days overdue	0	5,734	3,090	0
>30 days and <60 days overdue	0	0	0	0
>60 days and <90 days	(100)	0	(324)	0
90 days and over	(13)	(13)	(13)	(13)
Total value of accounts paid on time	29,550,386	14,153,434	10,009,322	13,308,482
Percentage paid on time	96.35%	97.34%	96.11%	88.88%
Total value of accounts paid	30,671,205	14,540,339	10,414,543	14,973,446

During 2010/11, WorkCover paid \$70.6 million in accounts of which \$67 million or 94.9 per cent of the invoices were paid within the vendor's terms. The performance compared favourably to a target of 90 per cent.

There were no instances of late payments that resulted in interest being applied.

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 2011, the allocation between the facilities was as follows:

	\$m	Percentage of total %
Investment type		
Long term growth	32.9	18.41
Medium term growth	99.9	55.90
Cash	45.9	25.69
Total	178.7	100.0

The total investment portfolio value at 30 June 2011 was \$178.7 million, with \$32.9 million allocated to the Long Term Growth Facility, \$99.9 million in the Medium Term Growth Facility and \$45.9 million held as cash. The return for the financial year for each of the facilities was 8.51 per cent for Long Term, 7.13 per cent for Medium Term and 5.37 per cent for cash.

Appendix 8 – Liability management performance

Reporting period	2010/11	2009/10	2008/09
Workers compensation			
No. of employees	1,306	1,316	1,340
No. of claims	75	55	50
No. of claims per employee	0.06	0.04	0.04
Total cost of claims	\$1,121,730	\$693,867	\$558,714
Average claim cost	\$14,956	\$12,616	\$11,174
Average cost per employee	\$859	\$527	\$417
Motor vehicle			
Vehicles	340	341	341
Number of claims	121	142	111
No. of claims per vehicle	0.36	0.42	0.33
Total cost of claims	\$295,319	\$357,980	\$237,245
Average cost per claim	\$2,441	\$2,520	\$2,137
Average cost per vehicle	\$869	\$1,049	\$696
Property			
Number of claims	3	5	4
No. of claims per employee	0.002	0.004	0.003
Total cost of claims	\$13,450	\$19,637	\$125,350
Average cost per claim	\$4,483	\$3,927	\$31,338
Average cost per employee	\$11	\$15	\$102
Liability			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil
Miscellaneous			
Number of claims	Nil	Nil	Nil
Total cost of claims	Nil	Nil	Nil
Average claim	Nil	Nil	Nil

Appendix 8 – Liability management performance (continued)

ULIS liability

WorkCover NSW also has outstanding workers compensation claims liabilities that arise under the Uninsured Liability and Indemnity Scheme, the Insurers' Guarantee Fund, the Bush Fire Fighters and Emergency and Rescue Workers Compensation Funds.

These liabilities are assessed by actuaries and for the last five years were:

Year	Uninsured Liability and Indemnity Scheme \$m	Insurers' Guarantee Fund \$m	Bush Fire Fighters Compensation Fund \$m	Emergency and Rescue Workers Compensation Fund \$m
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
2010/11	0.0	89.1	20.7	18.1

Funding of the largest liabilities is by insurers' contributions 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

Location	Item	2010/11 \$'000	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000
Disposals		Nil	Nil	Nil	Nil
Acquisitions					
Gosford Head Office	Systems to support WHS implementation	629			
Londonderry	Office accommodation upgrade	334			
Gosford Head Office	Upgrade business system technology	650	1,662		
Gosford Head Office	Information technology hardware upgrade	383	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	Fit out of new office			773	
Londonderry	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
Total		1,996	4,081	5,759	546

Appendix 10 – Works in progress

Major computer hardware and software projects

	Total cost 30/6/2011 \$m	Cost overrun \$m	Estimated date of completion	Reason for significant delay	Asset/work in progress
Systems to support WHS implementation	0.63		December 2012		WIP
Total	0.63				

Appendix 11 – 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 Finance and Budget Committee 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 12 – Consultants

Consultants equal to or greater than \$50,000

Consultant	Cost \$	Title and purpose
KPMG	2,063,993	Organisational capability review
PricewaterhouseCoopers	409,091	Inquiry into workplace bullying conducted across WorkCover
UNSW Global Pty Ltd	64,025	Investigation briefs and written opinions on Legal prosecution cases
Total	2,537,109	

Consultants less than \$50,000

During 2010/11, there were 22 consultancies with individual engagements of less than \$50,000. These engagements were in the following areas:

Consultancy area	Number of engagements	Cost \$
Media services	2	45,980
Management services	4	71,033
Advice	11	49,657
Other	5	24,890
Total		191,560

Appendix 13 – Overseas travel

July 2010 to June 2011

Person	Date	Purpose	Cost \$	Recovery \$	Net cost \$
Jeremy Allan	November–08	Residual incidental expenses from China trip in 2008 – Represent WorkCover and Standards Australia in a meeting with ISA TC 229 Nanotechnologies	728	Nil	728
John Watt	July–10	Quality Audit and Assessment of WEG, Brazil	626	626	Nil
Adrian Rietdijk	July–10	Quality Audit of Wavetrend/PEM, South Africa	3,563	3,563	Nil
James Zhao	August–10	Audit Manufacturing plant on behalf of Smith Industries Australia Pty Ltd, China	699	699	Nil
Jodie Deakes	September–10	Attend the Australasian International Evaluation Conference, Wellington NZ	1,633	Nil	1,633
Ajay Maira	October–10	Quality Audit and Assessment of IECEX, China	1,929	1,929	Nil
Gordana Manojlovic	October–10	Audit of PEC and Tait, New Zealand	2,378	2,378	Nil
Adrian Rietdijk	December–10	FM Approvals Audits, New Zealand	2,410	2,410	Nil
Geoff Fuggle	December–10	Site visit and review of Curam software system at WorkSafe British Columbia, Canada	1,833	Nil	1,833
Frank Zimmerman	December–10	Site visit and review of Curam software system at WorkSafe British Columbia, Canada	878	Nil	878
Gordana Manojlovic	January–11	Quality Audit and Assessment of CMG, Singapore and Matsushima, Japan	4,457	4,457	Nil
John Watt	February–11	Reassessment of IECEX Audit of Geann Manufacturing site, Taiwan	2,471	2,471	Nil
Russell Ashley	February–11	Audit delayed. Fee for airfare cancellation	170	170	Nil
James Zhao	March–11	IECEX Quality Audit, China	3,939	3,939	Nil
Russell Ashley	March–11	Quality Audits of CMG NZ, Auckland and FM Tait Electronics, Christchurch NZ	1,567	1,567	Nil
David Barker	May–11	Attendance at the 11th Annual International Conference of Chief Inspectors of Explosives, Salt Lake City USA	4,315	Nil	4,315
Russell Ashley	May–11	Three audits in Auckland and Christchurch NZ for the following companies: FM Bondor Christchurch, Tait FM and FM Bondor Auckland.	1,578	1,578	Nil
Total overseas travel			35,174	25,787	9,387

Appendix 14 – Events that have a significant effect on the succeeding year after the balance date

There are no significant events after balance day.

Appendix 15 – Grants to non Government organisations

Organisation name	Amount \$	Description	Start and finish dates
2010 WorkCover Assist WHS legislation training grants			
ErgoFit Pty Ltd with Bryan Bottomley & Associates	118,000.00	Development of training materials on WHS legislation for employer associations and group training organisations.	January 2011 – June 2012
National Safety Council of Australia Ltd (NSCA)	112,440.00	Development of training materials on WHS legislation for registered trade unions.	January 2011 – June 2012
Aged and Community Services Association	183,452.00	Deliver training to two representatives from each service in a train the trainer format. These trainers will then be sent back into the workplace with the WorkCover-developed resources, to deliver the significant changes to the WHS Act and Regulations to all employees in the industry.	March 2011 – June 2012
Aged Care Association	121,400.00	Deliver training to assist business owners and senior managers within the aged care industry across NSW and the ACT understand their responsibilities under the new <i>Model Work Health and Safety Act 2010</i> and Regulations.	March 2011 – June 2012
AMIEU NSW	106,500.00	Conduct four workshops – 2 x Sydney metro area and 2 x rural areas – providing WHS training to as many key personnel as possible.	March 2011 – June 2012
AMWU	234,392.00	To provide a comprehensive training and education program on the new Work Health and Safety legislation.	March 2011 – June 2012
Association of Consulting Surveyors	43,380.00	Provide training on WHS legislation to member firms using a number of different delivery methods such as road shows, seminars and online presentations.	March 2011 – June 2012
Association of Independent Schools of NSW	191,300.00	<ul style="list-style-type: none"> ▶ Disseminate the OHS legislation information at presentations, and network meetings to Board members, heads and senior school executives in metropolitan and regional areas ▶ Train teams of senior school executives to conduct in-school training for staff, contractors and volunteers ▶ Provide ongoing telephone advice and support for schools 	March 2011 – June 2012
Australian Business Industrial	171,850.00	Deliver an education program to assist NSW businesses to better understand and comply with the requirements arising from the Work Health and Safety legislation.	March 2011 – June 2012
Australian Convenience and Petroleum Marketers Association (ACAPMA)	39,181.00	Provide detailed, industry specific information on the changes to the operation of work health and safety legislation to the downstream petroleum industry in NSW.	March 2011 – June 2012
Australian Hotels Association	78,015.36	The AHA will conduct seminars in metropolitan and regional NSW for hospitality employers to educate them on the new model WHS legislation to ensure there is increased knowledge and awareness within the NSW hospitality industry.	March 2011 – June 2012
Australian Meat Industry Council	83,670.00	Provision of training to meet industry enterprises in partnership with MINTRAC. Twenty dissemination sessions will be held across NSW between July 2011 and January 2012, with a follow-up evaluation to be conducted in May/June 2012.	March 2011 – June 2012

Appendix 15 – Grants to non Government organisations (continued)

Organisation name	Amount \$	Description	Start and finish dates
Australian Retailers Association	214,930.00	Provide education and information to assist retailers to understand the new legislation. The programs will be varied in delivery to accommodate the long working hours of this industry.	March 2011 – June 2012
Boating Industry Association of NSW	63,503.00	The BIA will partner with the National Safety Council of Australia to deliver 20 sessions across various locations within NSW.	March 2011 – June 2012
BusWay NSW	55,998.00	BusNSW will undertake a series of seminars and training workshops in the Sydney metropolitan region and 11 regional centres where bus companies are centred in NSW.	March 2011 – June 2012
Central West Group Apprentices	135,563.45	This project will target all employers of group training organisation apprentices west of the Great Dividing Range and provide clear and concise training about the WHS Act and Regulations.	March 2011 – June 2012
CFMEU (NSW Branch)	73,418.67	The program will provide training on the WHS legislation to union organisers, delegates and members, including current safety committee members and workers who will potentially be health and safety representatives under the new regime.	March 2011 – June 2012
Electro Group	40,143.00	Deliver high quality, relevant and practical industry based training on the new WHS legislation. Training will be classroom based, lecture style programs targeted to electro-technology apprentices and staff employed by Electro Group Training.	March 2011 – June 2012
Flight Attendants Association	80,658.00	Skilling up of the FAAA OHS delegates in the detail of the new legislation in order to provide them with the knowledge and skills to work strategically and cooperatively through the structure of the existing OHS Committee.	March 2011 – June 2012
Furnishing Industry Association	230,655.00	Deliver interactive workshops and presentations across 19 locations throughout NSW.	March 2011 – June 2012
Group Training Association of NSW	89,265.90	In partnership with Youthsafe, deliver workshops on the WHS legislation for management and field officers of the 26 member Group Training Organisations in NSW.	March 2011 – June 2012
Health Services Union East	175,861.00	Deliver an education and training campaign to address the key changes between the current OHS legislation in NSW and the model WHS legislation. Training will target health workers in the public and private health sectors, NSW ambulance service and aged care industry employees.	March 2011 – June 2012
Housing Industry Association	161,000.00	Regional and metropolitan group training sessions to educate residential construction industry participants on the changes to NSW legislation resulting from the introduction of the National Model WHS legislation.	March 2011 – June 2012
Maritime Union of Australia	146,449.00	The project will deliver quality, easily understood and practical education to MUA members and staff on the new WHS laws and regulations. A particular focus will be to provide accessibility to seafarers and off shore workers by way of a combination of workshops interactive website training modules and worksite resource kits.	March 2011 – June 2012
Master Builders Association of NSW	280,400.00	The MBA will deliver two day training tailored specifically to the building industry in the form of workshops and seminars.	March 2011 – June 2012

Appendix 15 – Grants to non Government organisations (continued)

Organisation name	Amount \$	Description	Start and finish dates
Master Grocers Australia	151,450.00	The MGA will disseminate information in a credible and informative manner to an extensive audience of business operators throughout NSW.	March 2011 – June 2012
Master Plumbers Association of NSW	98,491.00	Deliver of a series of 28 seminars that will address the changes and implementation of the model WHS Act and Regulations. Each seminar will be designed to focus on the new legislation and regulations and implementation strategies for workplace compliance.	March 2011 – June 2012
Motor Traders Association of NSW	94,814.00	The MTA, in consultation with interested key automotive industry organisations, will provide key information on the WHS legislation to regional and metropolitan employers and other interested industry participants in the NSW Retail Motor Industry.	March 2011 – June 2012
National Disability Services	100,530.00	NDS will conduct face to face seminars with members to communicate the major changes to the legislation and to workshop the implications and actions required.	March 2011 – June 2012
NSW Farmers Industrial Association	151,240.24	Deliver a comprehensive education and training program to members, non-members and other stakeholders in agriculture and in regional areas. Target audiences include farm owners and their employees, advisors/consultants to farmers, and general public in rural and regional centres.	March 2011 – June 2012
NSW Nurses Association	138,660.00	<ul style="list-style-type: none"> ► Update an existing OHS resource for nurses ► Tailor general training package ► Produce a DVD and on-line learning resources in modular format which will be provided to members and branches. 	
NSW/ACT Independent Education Union	97,888.00	This program will use a series of seminars to assist key target groups within the non-government education sector to understand and adopt requirements arising from the new Work Health and Safety legislation. Seminars will be held on both the Act and the Regulations.	March 2011 – June 2012
Nursery and Garden Industry Association	97,932.00	<ul style="list-style-type: none"> ► 10 Seminars across the state. ► Site visits to 30 small businesses to mentor them with the new WHS Act and Regulations. ► Disseminate documentation on the WHS Act and Regulations to 300 members. 	March 2011 – June 2012
Outdoor Media Association	119,900.00	Provision of high quality, flexible, tailored information and education to the 678 staff of OMA members in NSW, covering operational staff, management teams, front line staff, and office using a variety of training approaches such as e-learning, workshops, and seminars.	March 2011 – June 2012
Pharmacy Guild Australia	114,480.00	<ul style="list-style-type: none"> ► Deliver face to face information workshops delivered across 21 metropolitan and regional areas in NSW. ► Develop and upload podcasts on WHS legislation to the Guild's website. ► Develop a WHS Educational and Advisory Guide tailored to the pharmacy industry. 	March 2011 – June 2012

Appendix 15 – Grants to non Government organisations (continued)

Organisation name	Amount \$	Description	Start and finish dates
Police Association of NSW	144,442.80	One day workshops (x 20) for approximately 600 members of the Police Force. The target will be the WHS committees at the 80 Local Area Commands (LAC) as well as branch officials, activists and delegates that are LAC-based.	March 2011 – June 2012
Public Service Association	205,926.40	<ul style="list-style-type: none"> ▶ Two online e-learning modules covering the WHS ACT and Regulation ▶ A one-hour lunch'n'learn as an introductory session to the new legislation and to the e-learning module ▶ Two one-day face to face training courses with course book and resources CD 	March 2011 – June 2012
Rail Tram and Bus Union	115,700.00	Deliver education and training on WHS legislation to OHS and workplace representatives across key workplaces in each of the RTBU Divisions. Developed materials will be tailored to accommodate Rail Safety Act and industry specific requirements.	March 2011 – June 2012
Restaurant and Catering Industry Association of NSW	99,016.00	Restaurant and Catering NSW will provide a combination of face-to-face seminars and online training to deliver education and information on the introduction of the Work Health and Safety legislation.	March 2011 – June 2012
Surf Lifesaving NSW	123,300.00	The project will roll out workshops and resources explaining the WHS legislation to 129 surf clubs across NSW.	March 2011 – June 2012
Textile Clothing and Footwear Union NSW/SA/TAS	162,154.25	The Union will engage with 200 PCBU's (persons conducting a business undertaking) on the new WHS legislation, focusing particularly on culturally and linguistically diverse PCBU's who are not covered by an employer organisation.	March 2011 – June 2012
Textile Rental and Laundry Association of NSW	77,912.00	The TRLA will partner with the National Safety Council of Australia (NSCA) to customise the educational material and deliver training. Information will also be posted on the TRLA website allowing members from remote and regional areas access and assistance.	March 2011 – June 2012
Timber and Building Materials Association	79,580.00	TABMA will conduct a series of 10 information seminars on the WHS legislation. This will be supported by two e-learning training courses and an on-line learning portal that will provide additional and more depth coverage of the training materials.	March 2011 – June 2012
Unions NSW	233,918.00	<p>Unions NSW will tailor and deliver training to affiliated unions' officials and members. The project will:</p> <ul style="list-style-type: none"> ▶ Focus on resourcing unions that have not secured a grant ▶ Provide training to meet needs identified in consultation with unions ▶ Incorporate a short training module into existing union training 	March 2011 – June 2012

Appendix 15 – Grants to non Government organisations (continued)

Organisation name	Amount \$	Description	Start and finish dates
2010 WorkCover Assist high risk focus area grants			
Australian Industry Group	35,700.00	Developing effective return to work programs The proposed project is to develop and deliver a sound, well structured educational program using the WorkCover publication <i>Guidelines for workplace return to work programs</i> .	June 2011 – July 2012
Funeral Industry Association	139,210.00	Safe handling in the funeral industry Develop training resources (workshop, DVD, guidebook) for persons engaged in transferring the deceased to the funeral home, preparing the deceased for interment or burial, conducting the funeral or service, and working at the prepared graveside or crematoria.	June 2011 – June 2012
Maritime Union of Australia	82,492.00	Safety from falls – the maritime industry Deliver training to maritime workers in: <ul style="list-style-type: none"> ▶ importance of safety ▶ overview of new WHS Act and Reg requirements ▶ how WHS apply specifically when working at heights 	April 2011 – August 2012
National Disability Service	46,680.00	Injury management in the disability sector A one day awareness training program aimed at middle and senior managers with the aim of ensuring that managers of individual sites within participating organisations have sufficient knowledge of early intervention activities to promote early and successful commencement of suitable duties.	May 2011 – July 2012
Roofing Industry Association	89,405.00	Work Safely at Heights The program will be delivered specifically in regional NSW, and courses will provide training in working safely at heights for both the roofing industry in particular and the construction industry in general.	April 2011 – June 2012

Appendix 16 – Licensed and Self-insurers

Self-insurers

- ▶ Ausgrid (formerly Energy Australia)
- ▶ 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
- ▶ Endeavour Energy (formerly Integral 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
- ▶ 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
- ▶ UGL Rail Services Limited (formerly 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
- ▶ Idamenco (No. 789) Ltd
- ▶ McDonald's Australia Holdings Limited
- ▶ Myer Holdings 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 17 – Scheme Agent Performance

This appendix contains data on the individual performance of the seven WorkCover Scheme Insurance Agents.

The results are based on data submitted by Scheme Insurance 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 Agents' claim and policy portfolios. For example, some 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 Insurance Agents.

The information is provided to inform employers and the public on aspects of the performance of Scheme Insurance 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.

Some Measures used in this Report

Measure	Definition
Claims Assistance Service (CAS) cases	The number of matters in the preceding 12 months that involved Claims Assistance Service contact with Scheme Agents to resolve.
Claims liability relative performance	<p>The relative difference between the value of an Agent's claim liability under management, using their recent performance, compared to Scheme Average performance.</p> <p>A score of less than 100% indicates the Agent performed better than the Scheme average for their portfolio type.</p> <p>Note – these results are as at (31 December 2010).</p>
Duration – average days of incapacity	<p>This measure is produced separately for small employers (\leq\$10,000 tariff premium), medium sized employers (\$10,000–\$50, 000 , \$50,000–\$100, 000 and \$100,000–\$500, 000 tariff premium) and large employers (\geq\$500,000 tariff premium).</p> <p>It describes the average number of days of incapacity for which weekly benefits were paid during certain periods post injury (26, 52, 78, and 104 weeks). Only claims that incur more than five days worth of weekly benefit payments are included.</p> <p>It considers the number of days of incapacity for each measure over the claim handling period from 1 June 2010 to 31 May 2011.</p>

Insurance Scheme Agents Offering Claim and Policy Services for the NSW WorkCover Scheme

Agent	Full description
Allianz	Allianz Australia Workers' Compensation (NSW) Limited
CGU	CGU Workers' Compensation (NSW) Limited
CTX	Cambridge Integrated Services Australia Pty Ltd (trading as Xchanging from 1 October 2010)
EML	Employers Mutual Workers' Compensation (NSW) Limited
GBS	Gallagher Bassett Services Pty Ltd
GIO	GIO General Limited
QBE	QBE Workers' Compensation (NSW) Limited

Appendix 17 – Scheme Agent Performance (continued)

WorkCover Scheme Claim and Policy Market Share as at 30 June 2011

Agent	% of Policies ⁽¹⁾	% Wages ⁽²⁾	% of Premium ⁽³⁾	% of Claims ⁽⁴⁾
Allianz	19%	24%	22%	24%
CGU	15%	17%	16%	15%
CTX	6%	5%	4%	5%
EML	9%	10%	10%	12%
GBS	7%	5%	5%	7%
GIO	22%	16%	16%	14%
QBE	23%	24%	27%	24%
Scheme ⁽⁵⁾	100%	100%	100%	100%

Notes:

(1) Number of policies refers to the number of employers with policies managed by each Agent.

(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 2011.

(3) Refers to the premium payable for the 12 months to 30 June 2011 calculated based on IPO (Insurance Premiums Order) rates in force at the commencement of the calendar year.

(4) Refers to the number of open claims as at 30 June 2011

(5) Due to rounding, market share may not equate to 100%.

Customer Service

Agent	Number of CAS cases	Average number of active claims	Cases / active claims
QBE	943	21,754	0.04
Allianz	986	20,294	0.05
CGU	673	12,327	0.05
EML	513	9,067	0.06
CTX	248	3,910	0.06
GIO	791	11,433	0.07
GBS	589	5,576	0.11
Scheme	4,743	84,359	0.06

Claim Management and Return to Work

Agent	Timeliness of employer notification to Scheme Insurance Agent	
EML	66.6%	81.2%
GBS	62.4%	78.8%
Allianz	62.1%	78.8%
QBE	62.0%	78.6%
CGU	61.5%	77.6%
GIO	59.9%	75.5%
CTX	57.8%	75.6%
Scheme	62.0%	78.2%

Higher percentages indicate better results

Agent	Claims liability relative performance
EML	92%
Allianz	96%
QBE	100%
CGU	102%
CTX	103%
GBS	104%
GIO	106%
Scheme	100%

Lower percentages indicate better results

Appendix 17 – Scheme Agent Performance (continued)

Agent	Policies with annual premium <\$10,000 Duration – average days of incapacity at			
	0-26 weeks	26-52 weeks	52-78 weeks	52-104 weeks
Allianz	44.9	24.9	18.3	30.4
CGU	47.1	24.5	17.7	33.2
CTX	52.3	25.9	20.8	37.4
EML	45.5	19.3	11.2	24.3
GBS	47.8	27.5	20.2	35.6
GIO	46.1	25.3	18.6	35.0
QBE	47.2	24.0	17.7	32.7
Scheme	46.8	24.7	18.0	32.9
No of claims	5,751	6,058	6,141	6,274

Notes:

Lower numbers indicate better return to work performance.

Scheme Agents may have a small number of policies in some of the above categories. Where the number of policies in a premium category is low, fluctuations in performance could have a disproportionate effect on the result.

Agent	Policies with annual premium between \$10,000 and \$50,000 Duration – average days of incapacity at			
	0-26 weeks	26-52 weeks	52-78 weeks	52-104 weeks
Allianz	37.2	19.6	15.2	27.3
CGU	37.8	17.7	15.2	28.8
CTX	45.4	21.0	16.0	29.7
EML	37.8	16.8	11.4	21.3
GBS	37.2	17.1	15.8	28.4
GIO	37.8	19.8	15.5	28.6
QBE	40.5	19.9	16.0	28.2
Scheme	38.7	19.0	15.1	27.6
No of claims	5,331	5,560	5,628	5,731

Notes:

Lower numbers indicate better return to work performance.

Scheme Agents may have a small number of policies in some of the above categories. Where the number of policies in a premium category is low, fluctuations in performance could have a disproportionate effect on the result.

Appendix 17 – Scheme Agent Performance (continued)

Agent	Policies with annual premium between \$50,000 and \$100,000			
	Duration – average days of incapacity at			
	0-26 weeks	26-52 weeks	52-78 weeks	52-104 weeks
Allianz	36.1	19.0	13.3	25.2
CGU	34.3	17.8	14.1	25.1
CTX	42.1	17.9	16.6	32.1
EML	34.1	16.7	14.0	24.8
GBS	37.8	17.7	15.7	28.4
GIO	33.8	17.5	14.3	26.0
QBE	35.0	16.3	13.1	23.8
Scheme	35.3	17.5	14.0	25.4
No of claims	3,037	3,187	3,211	3,295

Notes:

Lower numbers indicate better return to work performance.

Scheme Agents may have a small number of policies in some of the above categories. Where the number of policies in a premium category is low, fluctuations in performance could have a disproportionate effect on the result.

Agent	Policies with annual premium between \$100,000 and \$500,000			
	Duration – average days of incapacity at			
	0-26 weeks	26-52 weeks	52-78 weeks	52-104 weeks
Allianz	30.6	14.5	12.0	24.2
CGU	33.2	17.1	11.1	22.3
CTX	36.2	15.9	12.0	20.5
EML	31.8	13.0	10.6	21.0
GBS	31.9	15.1	11.8	22.5
GIO	32.5	15.2	11.4	20.9
QBE	31.4	18.1	13.4	24.8
Scheme	31.9	16.0	12.1	23.1
No of claims	6,014	6,359	6,355	6,527

Notes:

Lower numbers indicate better return to work performance.

Scheme Agents may have a small number of policies in some of the above categories. Where the number of policies in a premium category is low, fluctuations in performance could have a disproportionate effect on the result.

Appendix 17 – Scheme Agent Performance (continued)

Agent	Policies with annual premium >\$500,000 Duration – average days of incapacity at			
	0-26 weeks	26-52 weeks	52-78 weeks	52-104 weeks
Allianz	30.3	15.2	11.0	20.5
CGU	32.0	14.8	10.1	19.4
CTX	26.8	11.7	8.7	13.0
EML	29.6	12.2	9.2	16.8
GBS	28.4	12.3	7.8	19.5
GIO	30.6	16.2	11.0	19.1
QBE	33.1	18.3	13.5	23.7
Scheme	31.2	15.6	11.1	20.3
No of claims	5,548	5,988	5,954	6,039

Notes:

Lower numbers indicate better return to work performance.

Scheme Agents may have a small number of policies in some of the above categories. Where the number of policies in a premium category is low, fluctuations in performance could have a disproportionate effect on the result.

Appendix 18 – Production Notes

Production Notes

The WorkCover NSW Annual Report 2010/11 is a publicly available document and can be accessed on the WorkCover website www.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 2010/11 Annual Report was \$29,200 (ex GST).

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Project Management by WorkCover NSW – Planning Performance and Research Unit, and Communities and Communications Branch, Strategy and Performance Division

Designed by Impress Design

Copy write by Julie Harders, Message Matters

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Index

A

Aboriginal and Torres Strait Islander development strategies	48
About WorkCover NSW	9
– History	9
– Role	9
– Legislation	9
– New corporate plan	9
– Funding	9
– Reporting requirements	10
– Workers Compensation Insurance Fund	10
– Workers Compensation Commission	10
– Compensation Authorities Staff Division	10
– Organisational structure	10–11
Account payment performance	193
Appendices	182–208
Attestation Certificate	58
Audit and Risk Committee attendance	14

B

Board of directors and senior management	12–14
Business framework	7

C

Chief Executive Officer's report	4–5
Consultants	196
Corporate Plan 2010–2015	6–8
– Achievements detailed under the corporate plan	8
Cost and efficiency	54
– Energy performance and waste reduction	55
Customer focused approach	56
– Customer service	56
– Customer feedback	56
– Paralympian Speakers Program	56
– 2010 Safety Show and Conference	57
– SafeWork Awards 2010	57
– WorkCover Assist Program	57
– Working Together Strategy	57
– Risk management	58
– Internal Audit Unit	58
Credit card use	192

D

Director's meetings	14
---------------------	----

E

Energy performance and waste reduction	55
Equal employment opportunity	48
Events that have significant effect on the succeeding year after the balance date	197
Exemplar organisation – WorkCover NSW	44
– Exceeding public and comparable private sector organisations	44
– Occupational health and safety and workers compensation performance	44
– Improving our performance	45
– An empowered, productive and supportive workplace	45
– Promoting equity and diversity	45
– Equity and diversity	45
– Accessibility for people with a disability	46
– Local purchasing	46
– Multicultural policies and services program	47
– Disability action plan	47
– Equal employment opportunity	48
– Spokeswomen's program	48
– Aboriginal and Torres Strait Islander development strategies	48
– WATSIN (WorkCover's Aboriginal and Torres Strait Islander Network)	48
– Raising workplace safety awareness for Aboriginal businesses	49
– WorkCover Aboriginal Services Unit	49
– Trends in the representation of equal employment opportunity groups on 30 June	49
– Trends in the distribution of equal employment opportunity groups on 30 June	49
– Human Resource statistics	50
– Workforce planning	51
– e-Recruitment	51
– Workforce planning	51
– Age Profile	51
– Scholars	52
– Leadership in the community	52
– Working with the Chinese community	52
– Korea Occupational Safety and Health Agency (KOSHA) delegation	52
– Cyclone Yasi	53
Exemplar organisation – Workers Compensation Commission	46
– Interpreters	46
– Cultural sensitivity	46

F

Financial Statements – WorkCover Authority	60–105
Additional Background Information	61
Statement by Directors	63
Actuarial Certificate	64
Independent Auditor's Report	66
Statement of Comprehensive Income	68
Balance Sheet	69
Statement of Cash Flows	70
Statement of Changes in Equity	71
Notes to and forming part of the financial statements	72–105
Financial Statements – Workers Compensation Commission	106–127
Statement by Commission	107
Independent Auditors Report	108
Statement of Comprehensive Income	110
Balance Sheet	111
Statement of Cash Flow	112
Statement of Changes in Equity	113
Notes to and forming part of the financial statements	114–127
Financial Statements – Compensation Authorities Staff Division	128–147
Statement by Department Head	129
Independent Auditors Report	130
Statement of Comprehensive Income	132
Balance Sheet	133
Statement of Cash Flows	134
Statement of Changes in Equity	135
Notes to and forming part of the financial statements	136–147
Financial Statements – NSW WorkCover Scheme	148
Overview of the NSW WorkCover Scheme Financial Performance	149
Directors Declaration	150
Actuarial Certificate	151
Independent Auditors Certificate	153
Statement of Comprehensive Income	155
Statement of Financial Position	156
Statement of Changes in Equity	157
Statement of Cash Flows	158
Notes to and forming part of the financial statements	159–181

G

Government Information (Public Access)	189–192
Grants to non-government organisations	198
I	
Injury and Illness – Prevention of workplace injury and illness	18–31
– Targeted risks	18
– Occupational Disease and Wellbeing Strategy	18
– Partnerships and alliances	18
– Alliances	18
– Long Distance Truck Driver Fatigue	19
– Working with the service station industry	19
– WorkCover and AMIC partnership	19
– A modern safety approach to an age-old industry practice	20
– Scaffolders Safety	21
– Wind farm industry	21
– Rural Safety Improvement Program	21
– Regional alliances	21
– Paying it forward – from mentee to mentor	22
– Safety Ambassadors Program	23
– Solutions Rebate Program	23
– Advisory Services	23
– Joint NSW Police/WorkCover Fireworks Taskforce	23
– Surgical instrument transport cases	23
– Bullying Prevention Program	23
– International Electrotechnical Commission Award	24
– Bullying Support Service	24
– Review of health and safety legislation	24
– Work Health and Safety Legislation 2010/11	24
– Taking 'the message' to regional New South Wales	25
– Regional workshops	25
– Webinar Program	25
– Work health and safety performance	26
– Workplace injuries	26
– Major workplace injuries	26
– Highest number of workplace injury claims in 2009/10 by industry	26
– Five most common injury types	26
– Workplace fatalities	27
– Industries with the highest number of workplace fatalities	27
– Employment injuries	27
– Major employment injuries	27–28
– Number of mental disorder claims by industry	28

– Employment fatalities	28	P	
– Use investigation, enforcement and follow-up safety risks	29	Performance Statements (SES5 and above)	184
– Notices Issued	29	Premiums	32
– OHS prosecutions	29	– Accurate and timely premium collection	32
– High Quality Investigations Priority Program	29	– Premium compliance	32
– WorkCover at the Sydney Shows	29	– Premium appeals	32
– Authorisation	30	– Premium appeals determined in 2010/11	32
– Asbestos Co-Regulators Working Group	30	– Managing Scheme costs	32
– Prevention and enforcement strategies for high consequence, low frequency risk	30	– Premium rates reduced	32
– Industry Solutions Program	30	– Target premium collection rate	32
– New test for isocyanates developed	31	– Retro-Paid Loss Premium Method	32
K		Price determination method	195
Key result areas	6	Purpose Statement	3
L		R	
Legislation and legal change	183	Risk Management Framework	58
Letter to the Minister	Inside cover	S	
Liability management performance	194	Senior Executive positions	51
Licensed and self-insurers	203	V	
M		Values	7
Major assets and land	195	Value of recreation and long service leave	179
– Disposals / acquisitions	195	W	
O		WorkCover Executive	14
<i>Occupational Health and Safety Act 2000</i>	9, 183	Workers Compensation Act 1987	9, 101, 102, 159, 181, 183
<i>Occupational Health and Safety Regulation 2001</i>	183	Workers Compensation Act 1998	9, 10, 12, 183, 184
<i>Occupational Health and Safety Amendment Act 2011</i>	183	Workers Compensation Commission	10, 44, 46, 61, 62 and Financial Statements
Occupational Health and Safety prosecutions	29	Workers Compensation Insurance Fund	4, 9, 10, 15, 36, 61 and Financial Statements
Our working environment	15–17	Workers Compensation Insurance Fund Investment Board	10, 12, 13, 36, 39, 79 and Financial Statements
– Our new plan	15		
– Independent review	15		
– Our customers	15		
– Call centre award	16		
– National model legislation	16		
– Our inspectorate at work	16		
– Working through the NSW Economic Environment 2010/11	16		
– Using the economy to drive workplace safety performance	17		
– Scheme performance and the economy	17		
Overseas travel	196		

Workers Compensation – Sound fund management and system financial viability	33–43
– WorkCover Scheme Valuation at 30 June 2011	33
– WorkCover Scheme Medical Costs	33
– Ensure long-term workers compensation Scheme and system viability	34
– Scheme Insurance Agents	34
– Management of Scheme Agent performance	34
– Scheme Agent Performance	35
– Workers compensation fraud	35
– Review of the Workers Compensation Regulation 2003	35
– Austraclear	35
– Interaction with self and specialised insurers	35
– Performance of the self and specialised insurers	36
– Number and type of licence breaches by self and specialised insurers	36
– Number of insurers on non-standard licence	36
– Sound fund management	36
– Workers Compensation Insurance Fund (WCIF)	36
– Investment performance and market information	37
– Asset Allocation	38
– Fund enhancements	39
– Fund Investment Managers	40
– Fund costs	40
– Sustainable return to employment	41
– Set clear return to work targets	41
– Professional Pathways Program	41
– WorkCover Scheme return to work (RTW) performance	41
– Surgery costs	42
– Improve assistance to injured workers	42
– Vocational rehabilitation programs	42
– Shared claims	42
– NSW Bush Fire, Emergency and Rescue Services Volunteers	42
 Y	
Year in review	2–3

