



2013-14

the facts

the figures

the future

LETTER TO THE MINISTER

30 October 2014

The Hon. Dominic Perrottet, MP
Minister for Finance and Services
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Minister

In accordance with the *Annual Reports (Statutory Bodies) Act 1984*, we have pleasure in submitting for your information and presentation to Parliament, the Annual Report of WorkCover NSW for the financial year ended 30 June 2014.

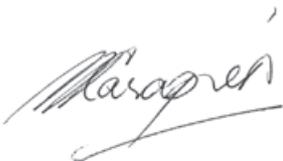
The major workers compensation legislative reforms introduced in 2012 have been implemented, successfully returning the Scheme to surplus while delivering an average premium rate reductions of 17 per cent. We would like to thank former CEO, Julie Newman, for leading our organisation during this time and for her contribution. Julie retired as CEO on 1 August 2014.

Further reforms announced on 26 June 2014 to better support injured workers are currently being implemented. These reforms will deliver increased benefits to thousands of workers with claims made before 1 October 2012. Other improvements in delivering our core objectives of rehabilitating workers, returning them to work and supporting those unable to return to work, will continue to be driven over the next year.

During 2013-14, WorkCover:

- Partnered with industry to reduce the number of fatalities and serious injuries in various high risk industries including wood manufacturing, sheep and beef cattle farming, road freight transport and residential house construction.
- Played an instrumental role in the development of the state-wide asbestos plan, a model asbestos policy and an award-winning asbestos awareness campaign.
- Implemented a number of strategies, such as providing small businesses with incentives and support to facilitate early return to work solutions for workers, and assisted businesses comply with their work health and safety obligations.
- Launched the 'Get Healthy at Work Program', a joint initiative of NSW Health and WorkCover, to prevent lifestyle-related chronic disease in workers by changing their eating practices, weight, smoking habits and alcohol consumption.

WorkCover was also the subject of three key inquiries during 2013-14, the *Statutory Review of the Workers Compensation Legislation Amendment Act 2012*, the *Review of the Exercise of the Functions of the WorkCover Authority* and the *Allegations of Bullying in WorkCover NSW*. Responses to the reports of these inquiries will substantially inform aspects of WorkCover's work in the next year, as we continue to build on workplace health, safety and support for all NSW.



Michael Carapiet
Chair
Safety, Return to Work
and Support Board



Vivek Bhatia
Chief Executive Officer
Safety, Return to Work
and Support

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The WorkCover Authority of NSW 2013-14 Annual Report has been prepared
in accordance with the *Annual Reports (Statutory Bodies) Act 1984* for the
Hon. Dominic Francis Perrottet MP.

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2013-14 AT A GLANCE

Sustainable insurance schemes

7 Scheme agents act on behalf of the Nominal Insurer (WorkCover)

In addition to the Nominal Insurer there are 68 self and specialised insurers

\$2.5 billion premiums (cash) collected including GST¹

60,969 new workers compensation claims

20,286 open claims over three years old from injury

48,476 total open workers compensation claims

272,000 employers provided workers compensation protection

118 per cent Scheme funding ratio

87 per cent Return to Work rate²

\$1.9 billion claim payments¹

\$16.9 billion total assets¹

\$1.5 billion investment income¹

\$2.2 billion operating surplus for 2013-14¹

The Scheme has an accumulated surplus of \$2.6 billion¹

2334 internal reviews of work capacity decisions lodged with insurers

1136 merit review applications lodged for a review of an insurer decision regarding a work capacity decision

8963 work capacity decision notices issued by insurers

Injury prevention and rehabilitation

103 work-related fatalities 2012-13

105,009 major workplace injuries 2012-13

6627 occupational illness claims 2012-13

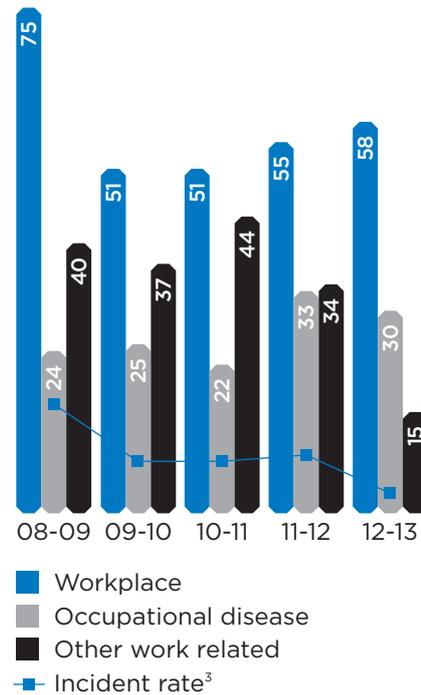
6900 notices issued by inspectors

14,544 workplace visits conducted

52 successful work health and safety prosecutions

\$2,480,000 in total amount of fines awarded by the courts for WHS breaches

EMPLOYMENT FATALITIES



Our customers

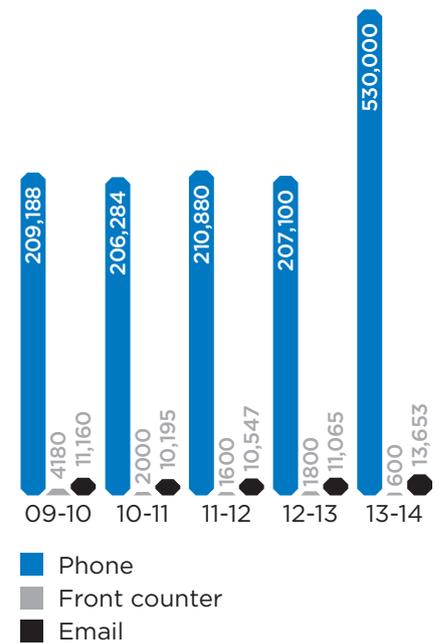
530,000 customer enquiries and requests

Over 1.4 million licence, notification and registration holders

87 per cent first call resolution rate

3342 contacts into our customer service centre about work capacity assessments

CUSTOMER SERVICE CENTRE CONTACT



1 NSW Workers Compensation Scheme

2 Based on the *Safe Work Australia - Return to Work Survey, 2013/14 Headline Measures Report (Australia and New Zealand)*

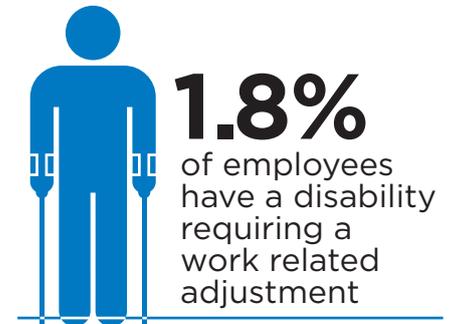
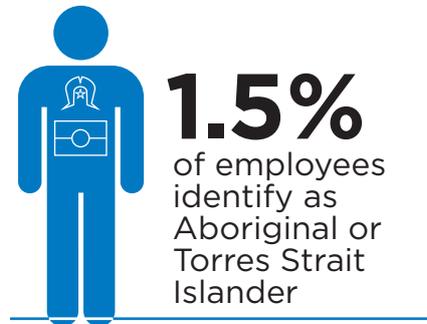
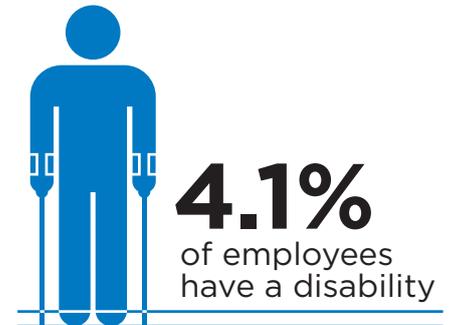
3 Incident rate is the number of fatalities per 100,000 workers

Our people

1115 staff members

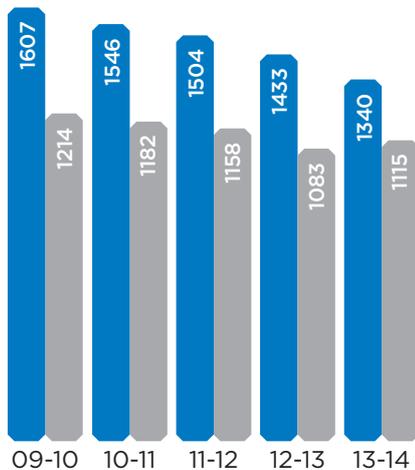
14 internal audit reviews completed

WORKFORCE DIVERSITY

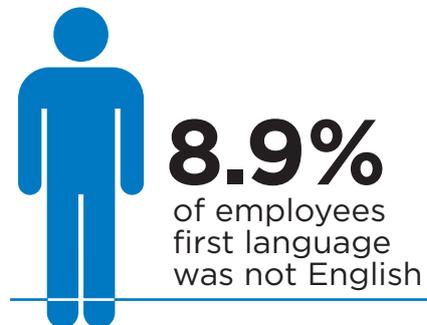


* Results are based on 58.6 per cent of respondents to the non-mandatory workforce diversity survey

OUR STAFF



■ SRWS/CASD
■ WorkCover Authority



WORKPLACE SAFETY



Lost time injury frequency rate (3.89), less than whole of public sector average (4.6)⁴

Staff are supported by SRWS Shared Services who are responsible for the provision of business services within Safety, Return to Work and Support, in the areas of Information Services, Financial Services, Human Resources, Legal, Strategy and Performance, Facilities and Support, and Corporate Governance Services.

⁴ Published by SafeWork Australia September 2014 for the 2011-12 lodgement period

ABOUT WORKCOVER

The history of WorkCover

1 July 1989

WorkCover was established, making it the first government agency in Australia to integrate injury prevention, rehabilitation and compensation into a single body with a unified mission.

July 2005

The Nominal Insurer commenced being the insurer for the NSW Workers Compensation Scheme through the Workers Compensation Insurance Fund. The Nominal Insurer is responsible for issuing workers compensation policies and managing claims. WorkCover exercises the powers of, and acts on behalf of, the Nominal Insurer.

2009

WorkCover becomes part of the Compensation Authorities Staff Division pursuant to the Public Sector Employment and Management (Departmental Amalgamations) Order 2009.

2012

WorkCover becomes part of Safety, Return to Work and Support Division (SRWSD) under the *Safety, Return to Work and Support Board Act 2012*.

2014

SRWSD becomes SRWS and forms part of the Office of Finance and Services within the Treasury and Finance cluster.

The SRWS authorities are subject to the NSW Government and ministerial control and direction under their respective legislation. The functions of SRWS are overseen by two boards:

- Safety, Return to Work and Support Board
- Workers' Compensation (Dust Diseases) Board.

Purpose and values

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

Our values underpin our interaction with each other, our stakeholders and our customers, and as such are an important part of our planning process. As a NSW Government agency trusted with public money and safety, we adhere to a strong set of values in the performance of our day-to-day work.

Our values are integrity, trust, service, accountability and respect.

Role

WorkCover's role is to assist in securing the health, safety and welfare of workers in NSW by:

- preventing work-related injuries
- promoting the development of healthy and safe workplaces
- providing prompt, effective treatment, management and rehabilitation of injuries in order to assist workers return to work
- providing effective and efficient workers compensation insurance.

How we work

Regulator

WorkCover is the regulator of the NSW workers compensation system and regulator for work, health and safety legislation in NSW.

WorkCover also acts on behalf of the Nominal Insurer to manage the Workers' Compensation Insurance Fund and appointing and overseeing the Scheme agents that issue insurance policies and manage claims.

As the NSW regulator, we:

- promote compliance with work health and safety legislation by providing information, education and assistance on work health and safety in the workplace
- promote returning injured workers to work
- licence insurers and the operation of hazardous equipment, activities and defined premises.

Insurer

The workers compensation Nominal Insurer is a not-for-profit legal entity established in 2005 to issue policies of insurance and manage workers compensation claims for NSW employers. All premiums received are paid into the Workers Compensation Insurance Fund (WCIF) to meet the cost of claims and the administration of the Scheme. The assets of the WCIF are owned by the employers of NSW, who are also responsible for meeting any shortfall.

Approximately 272,000 employers and over 3 million workers were covered by the NSW Workers Compensation Scheme in 2013-14.

The Nominal Insurer is one of Australia's largest insurance businesses, with earned premiums of over \$2.2 billion income (excluding GST) and assets of \$17 billion.

Legislative and regulatory reform

WorkCover continues to implement significant reform of its work health and safety and workers compensation regulatory regimes against a backdrop of greater inter-jurisdictional cooperation and stakeholder engagement.

The reforms have reduced the cost of regulation on businesses, while enhancing the safety of workers and improving the rehabilitation of injured workers.

Legislation

WorkCover's main statutory functions are to ensure compliance with the following legislation:

- *Associated General Contractors Insurance Company Limited Act 1980*
- *Bishopsgate Insurance Australia Limited Act 1983*
- *Dangerous Goods (Road and Rail Transport) Act 2008* (except parts, the Minister for the Environment)
- *Explosives Act 2003*
- *Rural Workers Accommodation Act 1969*
- *Safety, Return to Work and Support Board Act 2012*
- *Sporting Injuries Insurance Act 1978*
- *Work Health and Safety Act 2011*
- *Workers Compensation Act 1987*
- *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*
- *Workers' Compensation (Dust Diseases) Act 1942*
- *Workplace Injury Management and Workers Compensation Act 1998* (except part, the Attorney General)

A full list of the acts and regulations WorkCover administers is outlined in Appendix 1.

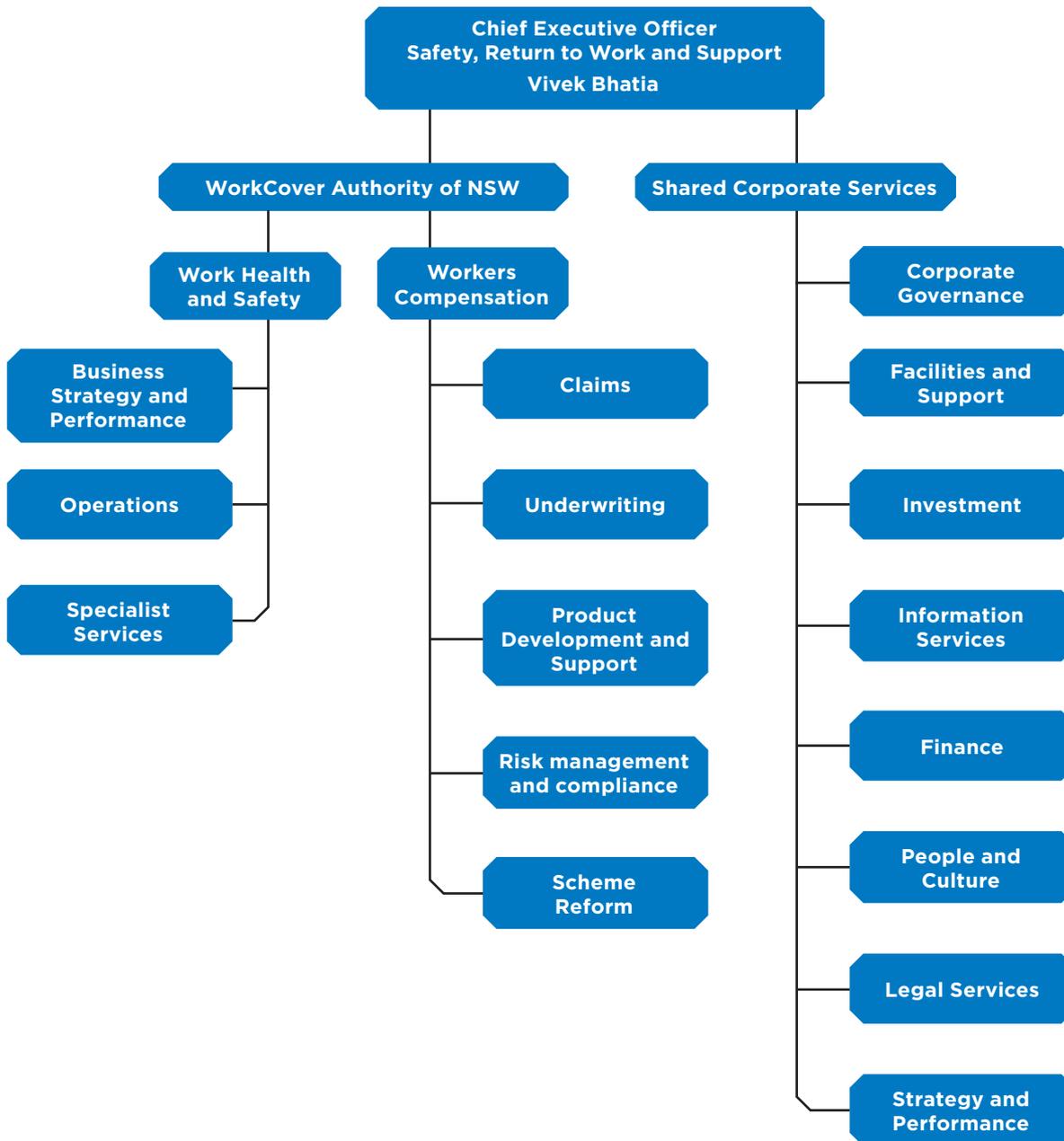
Independent review bodies

The Workers Compensation Commission (WCC) and the WorkCover Independent Review Office (WIRO) are two independent bodies that undertake dispute resolution functions in regard to the NSW workers compensation system.

The WCC provides an independent and impartial statutory tribunal for disputed workers compensation claims (limited to liability and medical disputes) in NSW.

The WIRO provides an independent review of work capacity decisions of Scheme agents and self and specialised insurers in NSW, and also deals with complaints made by workers about insurers and employers.

ABOUT WORKCOVER



CHAIR/CEO REVIEW

2013-14 was a year of achievements, challenges, and programs for continued success



Michael Carapiet,
Chair

Vivek Bhatia,
CEO

Achievements

- Achieved a 'return to work rate' equal highest in Australia - Safe Work Australia Return to Work Survey 2012-13.
- The NSW Workers Compensation Scheme improved its financial sustainability with a funding ratio of 118 per cent, and a surplus of \$2.558 billion.
- Provided premium reductions averaging 17 per cent to employers, demonstrating improved health, safety and return to work outcomes since the introduction of the 2012 reforms.
- Small business premium reform package introduced, cutting red tape for 96 per cent of the State's employers and providing premium incentives for achieving health, safety and return to work outcomes.
- Completed the transition to the new benefits regime, as provided for under the 2012 workers compensation legislative reforms.

Partnerships, programs and initiatives

- Development of claims case management capability, and provider and stakeholder engagement networks to facilitate delivery on 2012 reforms.
- Partnered with industry to reduce the number of fatalities and serious injuries in high-risk industries.
- Developed the Return 2 Recover strategy, an integrated strategy aiming to reduce the social and economic costs associated with workplace injuries and illnesses.
- Launched a small business strategy to make it easier for small businesses to improve work health and safety and return to work.
- Reduced red tape for businesses by introducing online enhancements and services to customers, such as improved registration, processes, and the reduction and removal of regulatory burden.
- Improved customer service through the development and implementation of a new Customer Feedback Framework and Customer Service Charter.
- Continued our small towns initiative by bringing advisory and assistance services to rural towns.
- Responded to the 2013 Blue Mountains bushfires by providing asbestos safety information and support.
- Created new ways of tackling safety in the workplace through the small business Mentor Program, with large businesses mentoring smaller ones to improve safety in the workplace

The Year Ahead

Challenges

- Continue development of stakeholder engagement with medical practitioners and allied health providers to optimise outcomes.
- Deliver premium reform to experience-rated employers to encourage employers to deliver strong work health and safety practices, and to actively support and implement recovery at work outcomes for workers.
- Embed the new Customer Feedback Framework and Customer Service Charter.
- Implement recruitment and employment practices under the new *Government Sector Employment Act 2014*.
- Address TestSafe's declining customer base (eg mining industry) and revenue.

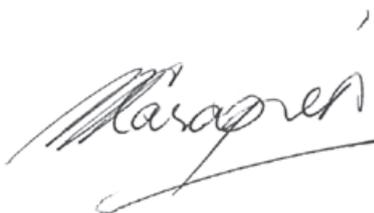
CHAIR/CEO REVIEW

Priorities

- Ensure effective implementation of the workers compensation regulatory changes to deliver improved weekly and medical benefits for those workers with claims before 1 October 2012.
- Establish a centralised expert case management team within WorkCover to deliver enhanced care and support for workers with severe and serious injuries.
- Support industry projects, such as house construction and road freight transport.
- Implement 'Get Healthy at Work Program', in partnership with the Ministry of Health.
- Implement triaging processes for complaints and incidents.
- Continue improvement of the provision of government information under the *Government Information (Public Access) Act 2009* (GIPA), including publishing customer insight reports.
- Implement the recommendations supported by Government arising out of the *Review of the Exercise of the Functions of the WorkCover Authority* conducted by the NSW Legislative Council Standing Committee on Law and Justice and the NSW Legislative Council General Purpose Standing Committee No 1 inquiry into *Allegations of Bullying in WorkCover NSW*, while building a workplace that is safe and productive.
- Respond to the recommendations in the *Statutory Review of the Workers Compensation Legislation Amendment Act 2012* report.

Our team...Our community

We take this opportunity to thank our employees, management team, customers and stakeholders for your continued support throughout the year, and look forward to building on our achievements, as we continue to serve the people of NSW.



Michael Carapiet
Chair
Safety, Return to Work and Support Board



Vivek Bhatia
Chief Executive Officer
Safety, Return to Work and Support

SAFETY, RETURN TO WORK AND SUPPORT BOARD

About Safety, Return to Work and Support

Safety Return to Work and Support (SRWS) is part of the Office of Finance and Services and the NSW Government's Treasury and Finance Cluster. The SRWS Board determines the strategic direction and oversees the performance of the WorkCover Authority of NSW, the Motor Accidents Authority (MAA) and the Lifetime Care and Support Authority. The SRWS Chief Executive Officer is a member of the SRWS Board.

SRWS agencies are supported by shared services functions in the areas of finance, information and technology services, investment, procurement, human resources, strategy and performance, communications, and legal and policy. The agencies also share governance mechanisms including the SRWS Executive, SRWS Board and its audit and risk committee, investment committee and human resource committee.

SRWS contributes to the economic growth, productivity and wellbeing of NSW by:

- enhancing business and driver confidence
- increasing competitiveness of the NSW economy
- improving workforce and community participation and
- ensuring high quality, accessible and efficient services.

The Safety, Return to Work and Support Board

The Safety Return to Work and Support Board was appointed under the *Safety, Return to Work and Support Board Act 2012* for a three-year period to 31 July 2015. Under the Act, the Board:

- determines the general policies and strategic direction of each relevant authority
- oversees the performance of each relevant authority
- advises the Minister and the CEO on any matter relating to the relevant authorities or arising under the compensation and other related legislation
- determines investment policies for certain funds, and establishes and administers one or more funds for the purpose of investment:
 - Workers Compensation Insurance Fund
 - Lifetime Care and Support Authority Fund
 - Insurers Guarantee Fund
 - Sporting Injuries Fund
 - Workers' Compensation (Dust Diseases) Fund
 - Nominal Defendant's Fund (currently nil assets)
 - Terrorism Reinsurance Fund (currently nil assets)
- reports to the Minister on the investment performance of each of the above funds.

The Board consists of seven members, including the SRWS CEO. The Board is appointed by the Governor of NSW on the recommendations of the Minister for Finance and Services. Both the Board and the CEO are subject to ministerial control and direction.

SAFETY, RETURN TO WORK AND SUPPORT BOARD



From left: Vivek Bhatia, Peeyush Gupta, Raymond Whitten, Elizabeth Carr, Gavin Bell, Michael Carapiet, Mark Lennon.

Members of the Safety, Return to Work and Support Board on 30 June 2014

Michael Carapiet, MBA – Chair

Mr Carapiet is Chair of SAS Trustee Corporation, Chair of Smartgroup Corporation Limited & Chair of Adexum Capital Limited. His is a member of the Boards of Clean Energy Finance Corporation and Infrastructure Australia. He is also on the Advisory Boards of Norton Rose Australia and Transfield Holdings. Mr Carapiet was also Chair of Workers Compensation Insurance Fund Investment Board and Chair of WorkCover Authority Board prior to their abolishment in 2012.

Mr Carapiet has more than 30 years' experience in the financial sector and has held a number of senior roles with the Macquarie Group, where he was a member of Macquarie's Executive Committee from 2005. Prior to his retirement in July 2011 he was Executive Chairman of Macquarie Capital and Macquarie Securities. Mr Carapiet has a Master of Business Administration from Macquarie University.

Raymond Whitten, BA, LLB, LLM – Deputy Chair

Mr Whitten was previously Chair of the Motor Accidents Authority, Chair of the Workers Compensation and Work Health and Safety Council, Deputy Chair of the Workers Compensation Insurance Fund Investment Board and Director of the WorkCover NSW Board. He was also Chair of the National Stock Exchange of Australia Limited (NSX).

Mr Whitten is an Accredited Specialist in Business Law, Notary Public and Responsible Officer of a Nominated Adviser to the NSX. Mr Whitten commenced practicing law in 1972 and is a Solicitor Director of Whittens and McKeough Pty Limited. He has extensive experience in property, commercial transactions and all types of dispute work.

Mr Whitten graduated from the University of Sydney with a Bachelor of Arts and a Bachelor of Laws. He also has a Master of Laws from the University of Technology, Sydney.

Gavin Bell, LLB, MBA (Exec)

Mr Bell is currently a member of the Advisory Council of the Australian School of Business and the Business Council of Australia. He was also a member of the WorkCover NSW Board and Workers Compensation Insurance Fund Investment Board.

Mr Bell commenced at Freehills in 1982 as a graduate solicitor and became a partner in 1988. Mr Bell became Freehills' Chief Executive Officer and Managing Partner on 1 July 2005, and retired in 2014.

Mr Bell completed his law degree at the University of Sydney and graduated in 1982. He undertook a Master of Business Administration (Executive) degree at the Australian Graduate School of Management and graduated in 1995.

Elizabeth Carr, BA (Hons), MPA, FAICD

Ms Carr is a Member of The Environmental Protection Authority (WA) and has a number of non-profit and education board positions including Chair of the Macular Disease Degeneration Foundation and Chair of St Catherine's Aged Care Facility (NSW). Ms Carr is also the Chair of the NSW Family and Community Services Audit and Risk Committee and was a member of both the WorkCover NSW Board and Workers Compensation Insurance Fund Investment Board prior to their abolishment in 2012.

Ms Carr's career has covered senior executive management positions in technology (IBM), finance (Macquarie Group) and government (Department of State Development WA). She has a BA (Hons) from University of Western Australia and a Master's Degree from Harvard University.

Peeyush Gupta, BA, MBA, FAICD

Mr Gupta is currently the Chair of State Super Financial Services and Charter Hall Direct Property Management Limited. He is a non-executive director of the Special Broadcasting Service Board as well as director of number of NAB entities including MLC Life and its subsidiaries, BNZ Life insurance, QuintessenceLabs and Crowe Horwath. Mr Gupta also serves on a variety of non-profit boards, including the Australian School of Business at UNSW, Ascham School and SIRCA. He is the Chair of SRWS Board's investment committee and was previously a member of the Workers Compensation Insurance Fund Investment Board. Mr Gupta was the co-founder and inaugural Chief Executive Officer of Ipac Securities, a pre-eminent wealth management firm spanning financial advice and institutional portfolio management.

Mr Gupta has a Master of Business Administration (Finance) degree from the Australian Graduate School of Management. He completed the Advanced Management Program at Harvard Business School in 2006. He is a Fellow of the Australian Institute of Company Directors.

Mark Lennon, BComm, LLB

Mr Lennon is Secretary of Unions NSW and a Director of First State Super Trustee Corporation. He was a member of the WorkCover NSW Board. He joined Unions NSW (formerly the Labor Council) in 1988, holding positions as the Occupational Health and Safety Training Officer, Industrial Officer and Assistant Secretary prior to becoming Secretary in 2008.

Vivek Bhatia, MBA, B.Engg, CFA

Mr Bhatia was appointed as CEO of SRWS in August 2014. Mr Bhatia joins SRWS from previously being the CEO at Wesfarmers Insurance, where he led the multi-brand, multi-channel insurer through a significant transformation journey. He has also held several other prominent leadership roles in strategy, operations and technology at McKinsey & Company, Wesfarmers Insurance and QBE, both domestically and abroad over the past 15 years. Prior to joining SRWS, Mr Bhatia co-led the business restructuring and transformation practice at McKinsey & Company across Asia Pacific, where he worked across resources, industrials, telecommunications, financial services, and oil and gas.

Mr Bhatia has an undergraduate degree in Engineering and has completed his MBA in strategy. He is a qualified Chartered Financial Analyst.

Julie Newman *PSM, FCPA BHSMT, MAICD* Chief Executive Officer of Safety, Return to Work and Support – retired 1 August 2014

SAFETY RETURN TO WORK AND SUPPORT EXECUTIVE

The SRWS Executive team has 13 members – seven general managers, a chief financial officer, chief human resources officer, a director of legal services, corporate governance director, company secretary and the CEO. The team is responsible for operational management of the organisation and the implementation of policies and strategic priorities determined by the SRWS Board. The Executive also makes recommendations on matters of strategic direction and policy to the CEO.

**General Manager,
Workers'
Compensation
(Dust Diseases)
Board**
Anita Anderson,
Dip-Gov-Policy

**A/General
Manager, Workers
Compensation
Insurance Division
(8 October 2013 –
30 June 2014)**
Gary Jeffery

**A/General
Manager, Work
Health and Safety
Division (29 May –
30 June 2014)**
Peter Dunphy *PSM*,
MPP (Hons), MURP,
BSc

**General Manager,
Investment**
Steve McKenna,
MA, CIMA

**Chief Executive
Officer of Safety,
Return to Work
and Support**
Vivek Bhatia,
MBA, B.Engg, CFA



**A/Chief Financial
Officer, Finance and
Services**
Megan Hancock, BBus,
Grad Dip AFI, CA

**Director,
Corporate
Governance**
Michael Saad BEC

**Company
Secretary**
Samantha
Lawrence
BA(Hons), MBA

**A/Director
Legal
Services**
Catherine
Morgan, BA
Hons LLM

**General Manager,
Strategy and
Performance**
Carmel Donnelly,
BA (Hons), MBA
(Exec), MPH,
GAICD

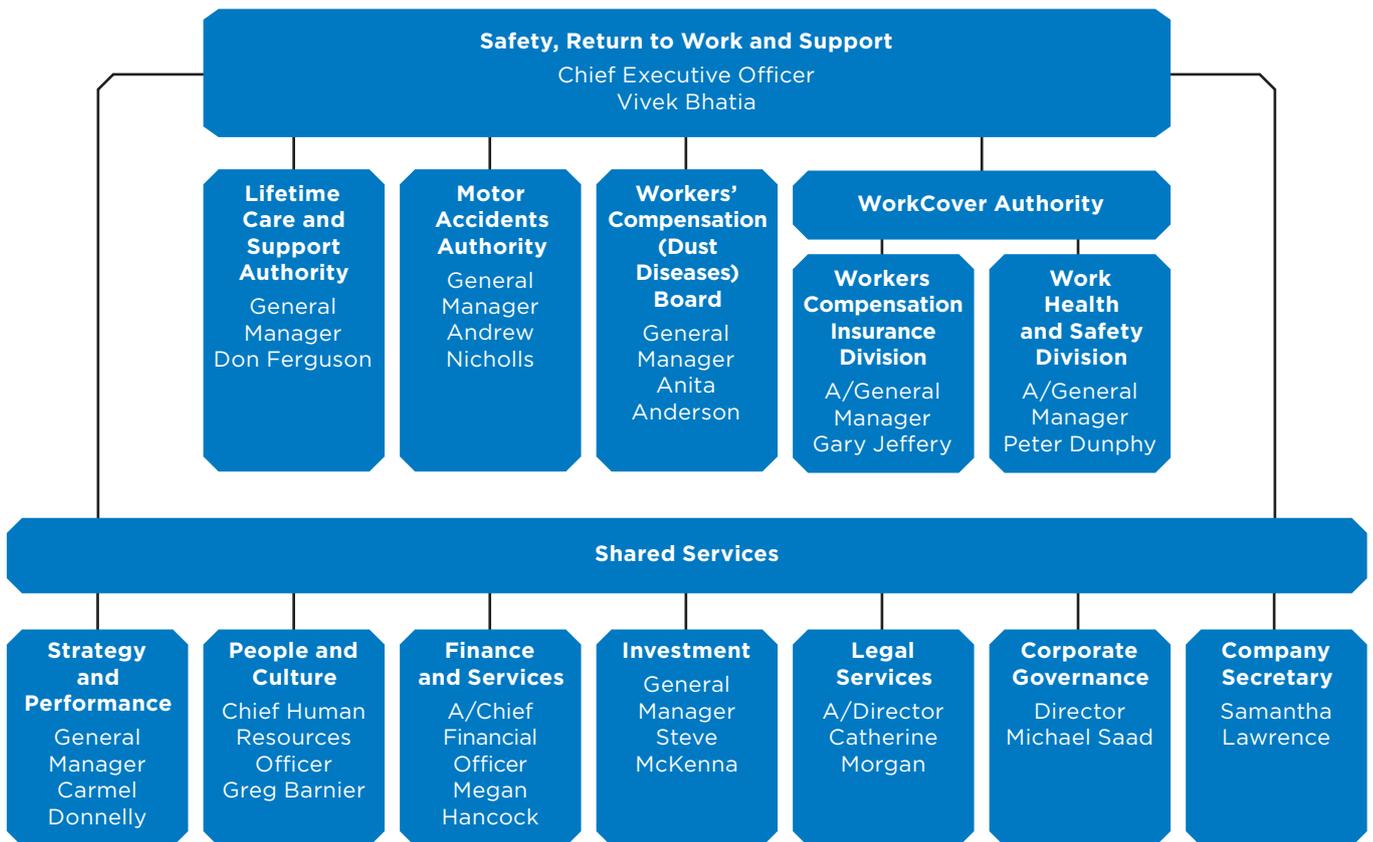
**Chief Human
Resources Officer**
Greg Barnier,
MBusCoach (Dist),
AdvDipGovt (Mgmt),
DipHRM, DipMgmt,
DipFinServ (FinPlan),
AssocDipBus (Bank&Fin),
SF Fin, FAIM, CAHRI,
MIPAA, AlnstIB

**General Manager,
Motor Accidents
Authority**
Andrew Nicholls,
BA (Hons), MMgt,
EMPA, JP

**General Manager,
Lifetime Care and
Support Authority**
Don Ferguson, MA, BA

Geniere Aplin, MBA (Exec), LLB General Manager, Workers Compensation Insurance Division – on leave 8 October 2013 to 9 November 2014
Julie Newman *PSM*, FCPA BHSMT, MAICD Chief Executive Officer of Safety, Return to Work and Support – retired 1 August 2014
John Watson *PSM*, Assoc Dip OHS, HFSIA.NSW General Manager, Work Health and Safety Division – retired 3 July 2014

Organisational structure





SUSTAINABLE
INSURANCE
SCHEMES

Workers compensation reforms

Major reforms to the NSW workers compensation laws occurred in 2012. Since the introduction of the reforms, we have:

- delivered a funding ratio of 118 per cent – i.e. total assets over total liabilities – with a surplus of \$2.558 billion as at 30 June 2014
- reduced premiums by an average 17 per cent
- increased average weekly benefits for workers unable to return to work
- reduced the average period workers remain on benefits before returning to work
- implemented a new workers compensation operating model to support and deliver the reforms and drive ongoing improvements.

WorkCover will continue to implement improvements, including:

- support to enable injured workers to recover with an early and safe return to work
- fair, transparent and predictable insurance pricing for employers
- a workers compensation insurance system that is simple and quick to navigate
- effective regulatory functions that are anchored to risk-based education.

Reviews of workers compensation reforms and WorkCover

Statutory review

In early 2014, the Office of Finance and Services commissioned the Centre for International Economics to report on the 2012 legislative reforms to workers compensation laws.

The review determined:

- there are early signs of financial success. However, it is too early to assess whether the improvements in the financial position of the Nominal Insurer are sustainable
- there are some gaps in coverage and some inconsistencies in the application of the legislative amendments, and some unintended barriers to return to work appear to have been created
- more needs to be done to address barriers to return to work, reduce the administrative burden and improve the ease of navigation through the system
- more work is required to improve the fairness and equity of benefits and the process for review.

Law and Justice Committee Review

The NSW Parliament's Law and Justice Committee conducted its first *Review of the Exercise of the Functions of the WorkCover Authority*.

The review made a number of recommendations to improve the performance of WorkCover, provide enhanced support to injured workers and preserve the ongoing financial sustainability of the scheme, including:

- considering separation of the roles of regulator and Nominal Insurer
- restoring lifetime medical benefits for hearing aids, prostheses, home and vehicle modifications for all injured workers, and reviewing the viability of restoring all medical benefit changes
- allowing legal practitioners to be paid for work in connection with a work capacity decision, subject to an analysis of its financial impact.

Recommendations from the statutory review report and the Law and Justice Committee reports are currently being considered, and subject to the Government's response will inform aspects of WorkCover's initiatives in the next year.

Enhancements to workers compensation laws

On 26 June 2014, the Minister announced a number of enhancements to workers compensation benefits to be initially introduced by regulation. The enhancements apply to workers who made a claim for compensation before 1 October 2012. The changes allow:

- for the insurer to meet the cost of any secondary surgery
- for workers to continue to receive weekly payments while a work capacity decision is being reviewed
- workers with whole person impairment of 21 to 30 per cent to have access to medical and related expenses up until retiring age
- workers to continue to receive certain medical and related expenses until retiring age
- entitlement to weekly payments for up to one year after retiring age.

The regulatory enhancements are set out in the *Workers Compensation Amendment (Existing Claims) Regulation 2014* made on 3 September 2014.

SUSTAINABLE INSURANCE SCHEMES

Workers compensation system and premium design

A design program has been established to identify strategic options for delivering fair and affordable premiums for employers while improving health and safety, and return to work and recovery outcomes for workers.

WorkCover has introduced a range of initiatives which provide incentives and support to small employers, including:

- a 10 per cent premium discount upfront for each policy period, which small employers retain if they have no injured worker off work for more than four weeks

- a return to work incentive for employers who have an injured worker, allowing them to still earn a 10 per cent reduction on their premium if the injured worker returns to work within 13 weeks
- a five per cent discount for the annual payment of premiums
- eliminating the requirement to estimate wages, increasing the time to report actual wages, and aligning all renewal dates to a calendar month end.

WorkCover is developing an incentive package for experience-rated employers to encourage the delivery of strong health and safety practices and to support

recovery and return to work outcomes. The package will provide experience-rated employers with a better understanding of how their premiums are calculated. The package includes:

- incentives and rewards that focus on prevention of injury strategies and behavioural change for employers
- a focus on genuine recovery at work opportunities for workers with injuries
- individual performance targets for employers at each renewal

CASE STUDY 1

In 2013-14, there was a combined average premium rate reduction of 17 per cent to NSW businesses, resulting in an estimated saving of \$447 million to the NSW economy.

There were no increases to the rates for workers compensation premium calculations in 2013-14 for any employer. The maximum reduction in premium rates received by employers in 2013-14, compared with 2012-13, was 21 per cent. Approximately 72 per cent of employers received reductions in premium rates in 2013-14.

Employer	Wages Bill	2014 estimated premium amounts (without 2012 Reforms)	2014 actual % premium reductions* (with 2012 reforms)
Transport Company - South Western Sydney	\$455,000	\$44,924	26.9%
Electrical Services Company - Western Sydney	\$851,020	\$32,147	27.2%
Café - Southern Highlands	\$800,000	\$31,692	25.5%
Grain Farmer - Central West, NSW	\$655,800	\$52,097	27.2%
Mine Remediation - Hunter/New England	\$626,576	\$45,655	23.5%

* Each example assumes the application of industry risk rated premium reductions for that business, the application of employer safety and return to work incentives, and the discount for full upfront payment of premium.

Preventing workers compensation fraud

To address fraud against the Workers Compensation Scheme, WorkCover utilises the three strategies below, aimed at all participants in the Scheme, including workers, employers, medical and other service providers:

1. education and awareness activities, aimed at preventing fraud
2. detection of fraud, using data analysis on claims, intelligence from previous fraud incidents and an assessment and referrals policy, and
3. prosecution strategy, which deals with when to prosecute, alternatives to prosecution and the impact that prosecution may have on preventing similar activities.

In 2013-14:

- WorkCover concluded a total of 10 successful fraud prosecutions involving 3 defendants in 3 matters. Of these prosecutions, the Court imposed fines, ordered custodial sentences (which were suspended on the defendant entering in to a good behaviour bond), made orders for community service and orders for financial restitution.
- a total of 2 defendants were charged with breaches of the legislation, involving 10 charges in 2 fraud matters.

As of 30 June 2014, there was one active defendant before the Courts facing a total of 8 charges in 1 matter. There were no matters under appeal.

Investment performance

The Investment Division manages the WorkCover and SRWS investment portfolios and continuously assesses ways to reduce risk and improve overall efficiency.

In March 2014, the NSW Treasurer announced the amalgamation of the funds management activities of SRWS, SAS Trustee Corporation and Treasury Corporation (TCorp) within TCorp. This initiative allows for the pooling of investment management expertise and a streamlined approach to the delivery of long-term financial and non-financial benefits to government agencies.

Responsibility for the investment objectives, risk management and strategic asset allocation of SRWS funds will remain with the SRWS Board.

Governance arrangements

The SRWS Board is responsible for setting investment strategy and reporting to the Minister on performance. The Board is advised by an Investment Committee.

During 2013-14, the Board implemented its foundation governance documents, including its Investment Beliefs Statement, Investment Policy Statement and Risk Appetite Statement.

Operational due diligence

During 2013-14, the Investment Division continued to conduct operational and risk reviews of its investment managers and products. Nine products and eight managers were reviewed during the year.

Custody arrangements

Following the introduction of the *Safety, Return to Work & Support Act 2012* and the new governance structure and oversight of other statutory funds, the Investment Division sought and was granted an extension to the existing Custody and Related Services Agreement with State Street Bank and Trust. The renegotiated agreement includes an extension of up to two years and ongoing cost savings for the funds. All funds were transitioned into custody in August 2013.

Market review

The global economy delivered a mixed performance during the 2013-14. Centred on the Eurozone economic challenges, global investment markets continue to face heightened levels of uncertainty and the importance of maintaining a diversified investment portfolio is paramount. The Investment Division maintains a prudent approach to managing the investment portfolios.

The Australian economy grew at around trend rates, with unemployment remaining stable and inflation pressures within target. Concerns remain regarding the drivers of growth in Australia, as the mining investment boom recedes and the consumer remains fairly subdued.

The Reserve Bank of Australia (RBA) eased official rates early in 2013-14 to 2.5 per cent and subsequently maintained a stable policy in the face of offsetting growth and inflationary signals. The Australian dollar traded below parity with the US dollar throughout the period, ranging between US\$0.88 and US\$0.95 for the most part.

Domestic and global market equities had a strong year, producing returns of 17 per cent and 20 per cent respectively. This level of outperformance reflects the continued unwinding of the fear of systemic financial collapse and is not considered to be sustainable over the medium term.

Emerging market equities were held back by economic concerns in some markets, but still delivered a healthy 11 per cent return in Australian dollar terms.

Strategic asset allocations and investment returns

The following tables are the strategic asset allocations and investment returns for the statutory funds that WorkCover has oversight of.

SUSTAINABLE INSURANCE SCHEMES

STRATEGIC ASSET ALLOCATION

Australian equities	11.0%
International equities	12.0%
International equities - emerging markets	5.0%
Australian unlisted property	6.0%
Australian fixed interest	19.0%
Australian inflation-linked bonds	30.0%
Credit	6.0%
Alternatives	6.0%
Infrastructure debt	4.0%
Cash	1.0%
Total fund	100.0%
Diversified growth assets	50.0%
Defensive assets	50.0%
Total fund	100.0%

WORKERS COMPENSATION INSURANCE FUND 2013-14 RETURNS

Performance	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	Since Inception* (% p.a.)
Fund	10.27	9.40	9.44	6.63
Benchmark**	9.46	8.70	8.98	6.01
Excess	0.80	0.70	0.48	0.62

* Since inception date is 30 November 2005.

** Benchmark is a composite benchmark based on the Fund's strategic asset allocation.

INSURERS' GUARANTEE FUND STRATEGIC ASSET ALLOCATION

Australian equities	15.5%
International equities	16.0%
International equities - emerging markets	3.0%
Australian unlisted property	2.5%
Listed property	3.0%
Australian fixed interest	50.0%
Cash	10.0%
Total fund	100.0%
Diversified growth assets	40.0%
Defensive assets	60.0%
Total fund	100.0%

INSURERS' GUARANTEE FUND 2013-14 RETURNS

Performance	1 Year (%)	Since Inception* (% p.a.)
Fund	10.89%	8.89%

* Since inception date is 1 July 2012.

SPORTING INJURIES FUND STRATEGIC ASSET ALLOCATION

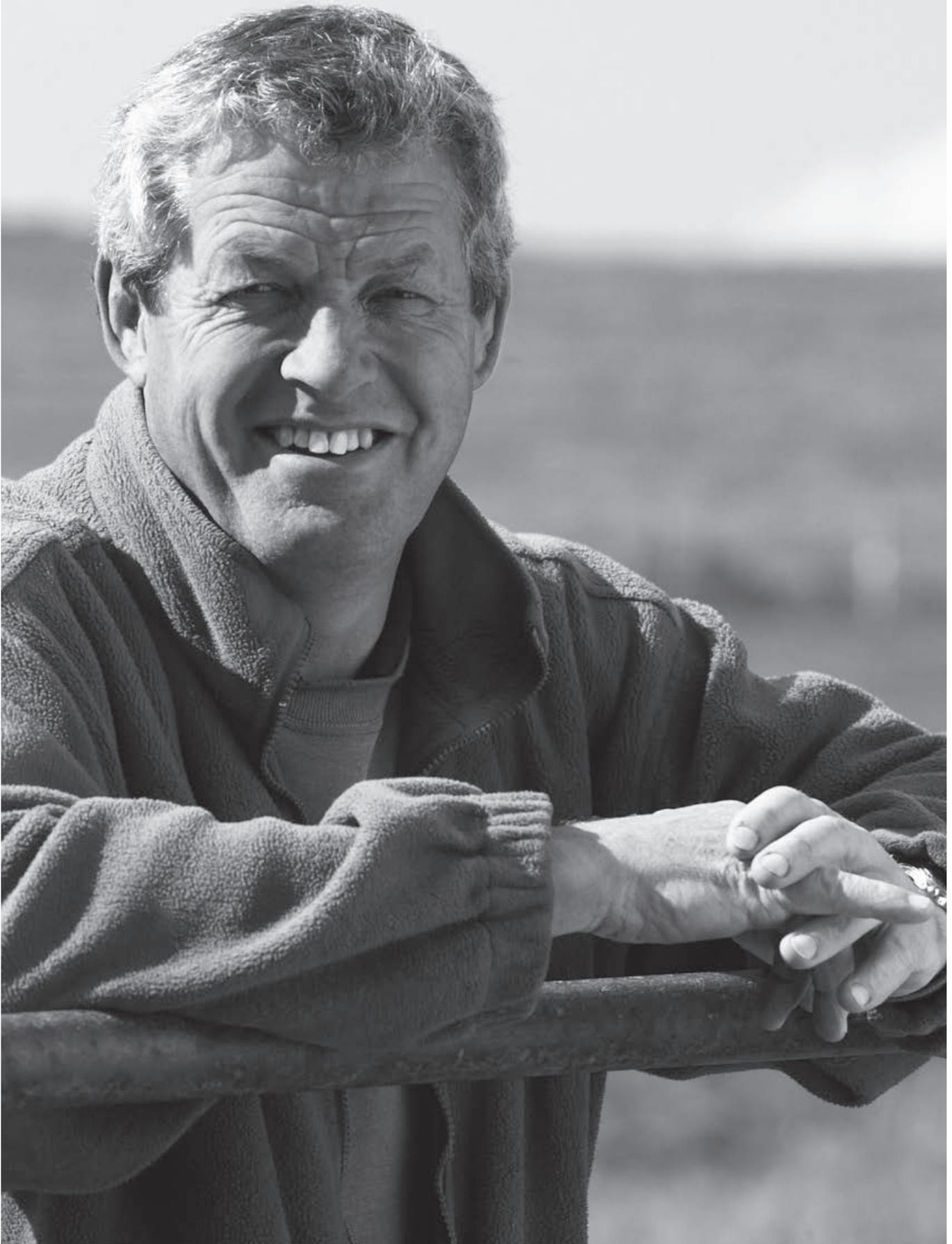
Australian equities	13.0%
International equities	12.0%
International equities - emerging markets	2.0%
Listed property	2.0%
Australian fixed interest	22.0%
Cash	49.0%
Total fund	100.0%
Diversified growth assets	29.0%
Defensive Assets	71.0%
Total fund	100.0%

SPORTING INJURIES FUND 2013-14 RETURNS

Performance	1 Year (%)	Since Inception* (% p.a.)
Fund	8.65%	7.62%

* Since inception date is 1 July 2012

INJURY PREVENTION AND REHABILITATION



WorkCover is responsible for administering the work health and safety regulatory framework to reduce the incidence of work-related injury and illness, and the economic and social costs associated with them.

WorkCover delivers frontline response and prevention services that support NSW businesses build capability to manage workplace health and safety risks.

Our risk-based operating model enables prioritisation of higher risks and strategic allocation of resources to areas of greatest need in NSW workplaces. In 2013-14, this risk-based approach included a focus on:

- high risk industries
- risks that may have a high consequence but low frequency (HCLF), such as high risk plant and chemicals
- high risk occupational health and disease issues, such as asbestos
- influencing the national agenda, national strategies and legislative issues.

A key role includes helping NSW businesses to return injured workers to suitable duties as soon as possible, through engagement with case managers, agents and regional communities.

We provide value to our customers by:

- **Cost reduction:** reducing costs to businesses and the community through effective recovery at work, workers compensation insurance coverage and safe systems of work
- **Risk reduction:** influencing health, safety and injury management norms through positive, evidence-based reinforcement, practical advice and assistance, key partnerships and customer relationships

- **Secure standards:** resolving work health and safety and injury management issues, verifying compliance with legislative standards, and investigating serious risks to identify causes, compliance issues and lessons learnt

- **Quality services:** delivering timely, reliable and consistent work health safety and recovery at work services.

High risk industries

WorkCover partners with industry to reduce the number of fatalities and serious injuries in high risk industries. We focus on industries that experience high numbers of workplace injuries and illnesses and higher than average workers compensation claims.

In 2013-14, our focus was on priority risk industries, including:

- sheep and beef cattle farming
- road freight transport
- residential house construction.

Sheep and beef cattle farming

WorkCover provided an industry rebate up to \$2000 as an incentive for farmers to invest in specific safety solutions that address the high risks in this industry including working safely with livestock and tractors, and reducing sun exposure. During the year, more than 9500 farmers received rebates.

Road freight transport

In 2013-14, an action plan was developed in consultation with the 'hire and reward' sector of the road freight transport industry, including short and long-haul general freight transport operators, and bulk freight operators. The plan addresses high risk issues in the industry, such as:

- onsite traffic management systems
- manual loading and unloading of trucks, restraining loads, handling gates and curtains on trailers, falling loads, and getting in and out of trucks
- return to work and injury management
- driver wellness, including diabetes, cardiovascular disease, obesity, sleep disorders and mental health.

Residential house construction

In February 2014, an action plan was developed for residential house construction businesses, following consultation with the Housing Industry Consultative Committee, Housing Industry Association, Master Builders Association, Cancer Council NSW and TAFE NSW. The plan addresses high risk issues in the industry, such as:

- falls through voids
- unsafe movement of people and materials onsite
- sun exposure
- delayed recovery and return to work after an injury.

INJURY PREVENTION AND REHABILITATION

Safety alliances and partnerships

WorkCover fosters relationships with industry associations, peak unions and other government agencies to build and maintain a culture of safety awareness that will lead to safer workplaces and effective recovery and return to work for injured workers.

Currently, WorkCover has 18 alliances and 12 partnership agreements across a range of industries. For example, we have a partnership with Transport for NSW and Thiess for the north-west rail link, Australia's largest public transport infrastructure project.

Our alliances and partnerships endeavour to:

- facilitate cooperative working arrangements within the alliance to promote a healthy and safe working environment, implement effective injury management programs, and expeditiously resolve health and safety risks across worksites
- provide effective communication between stakeholders and relevant government authorities to promote work health and safety and injury management outcomes, actions plans and return to work targets.

NSW bushfires

On 17 October 2013, multiple bushfires burned across the State, resulting in more than 300 homes being destroyed, with over one-third having asbestos containing material.

WorkCover warned residents of asbestos dangers after bushfires and contacted local councils in affected regions to provide support and assistance in implementing asbestos management plans.

We worked with the Ministry for Police and Emergency Services, the Environmental Protection Authority, Public Works, local councils and other relevant government agencies to assist in the development of an overall strategy.

Throughout the disaster, we provided:

- advice and assistance at a community forum in Winmalee
- information on the website about managing asbestos after bushfires
- a directory of licensed asbestos assessors and removalists in affected areas
- a hotline at the Blue Mountains City Council information centre
- a waiver of the five-day waiting period for licensed asbestos removal, so that fire damaged asbestos could be removed as soon and as safely as possible.

Inspectors conducted visits in the affected areas to ensure all asbestos removal and demolition work was carried out by licensed contractors and that all safety requirements were met.

NSW asbestos plan

The Heads of Asbestos Coordination Authorities (HACA) demonstrates how cross agency coordination and partnerships can benefit the NSW community.

The HACA is responsible for developing, implementing and monitoring the NSW State-wide asbestos plan, which aims to reduce asbestos-related diseases in NSW workplaces.

As chair of the HACA and asbestos education committee, WorkCover has played an instrumental role in the development of the NSW State-wide asbestos plan, model asbestos policy and asbestos awareness campaign.

The *NSW State-wide asbestos plan* launched on 1 July 2013, with 62 initiatives targeting four priority areas: research, risk communication, prevention and coordination. Key initiatives include:

- a model asbestos policy for NSW councils
- a comprehensive asbestos awareness campaign developed through the asbestos education committee in partnership with the Asbestos Diseases Research Institute – it focuses primarily on the safe management of asbestos during home renovations and maintenance
- mapping of naturally occurring asbestos
- development of an online gallery of asbestos containing products
- an online search facility for asbestos services, including asbestos removalists, demolition contractors and asbestos assessors.

The award winning asbestos awareness campaign includes diverse community engagement and effective awareness activities including the development of the asbestosawareness.com.au website, and the design and construction of 'Betty the Asbestos Diseases Research Institute (ADRI) House'.

'Betty - the ADRI House' is a purpose built mobile education exhibit displaying where asbestos can be found in and around the home. During the year, 'Betty - the ADRI House' travelled throughout Sydney and regional NSW, and featured at the Royal Easter Show, HIA Home Show and numerous council and agricultural show.



Photo: Karen and Geoff with Betty - The ADRI House

High Consequence Low Frequency Program

In 2013-14, as part of the HCLF Program, two projects were rolled out involving the liquefied petroleum gas (LPG) industry.

One project focused on storage and handling of bulk quantities of LPG, the other on decanting procedures. An LPG suppliers network was established, comprising the peak industry association, Gas Energy Australia, and LPG suppliers. The network meets twice a year to discuss industry risks and develop solutions. For the decanting project, the network teamed with fuel suppliers to:

- publish safety alerts
- develop an onsite verification tool
- provide lists of verification sites to be visited provided by LPG Suppliers
- train WorkCover inspectors
- develop driver observation checklists
- provide CCTV footage of an unsafe decanting incident to train operators, particularly those from non-English speaking backgrounds
- undertake self-audits to ensure correct decanting locations
- present at a number of Industry forums and safety days
- review the model LPG decanting procedure that has been adopted in the revised AS/NZ 1596 *The storage and handling LP gas: 2014*.

INJURY PREVENTION AND REHABILITATION

CASE STUDY 2 – Wood products rebate

As part of its targeted risk-based approach, WorkCover is forming partnerships with industries that face the highest risks in work health and safety, and return to work after an injury or illness. A key initiative within this Focus on Industry program was a \$1000 safety rebate to help small businesses in the wood products manufacturing sector to make sustained safety improvements across major hazard areas in their workplace. This amount could be doubled if the business participated in WorkCover's Safety Coach program being piloted in the metro Sydney region.

About \$0.2M in safety improvements have been achieved as part of this program. Businesses like Willis Cabinets in Deniliquin have reported notable cost savings and labour efficiencies as a direct result of their participation and 'focus on safety.'

Willis Cabinets were one of 400 businesses receiving assistance visits from WorkCover Inspectors, and one of 2000 policy holders who received the Wood Safety Kit and CD. A further 50 businesses received one-on-one coaching

through WorkCover's pilot Safety Coach Program.



"We are a small family business in country NSW and know the importance of protecting our workers from the high risk of injuries involved in this type of work, particularly in loading and unloading raw materials from trucks. We didn't hesitate to take up the rebate to purchase a lifting clamp and sling attachment for our existing forklift. This had an immediate impact on our business in reducing hazardous manual tasks and achieving up to 20% cost savings. Where previously it would take four workers to unload and move sheets of product 3600 x 1800 x 32 mm from the trucks into the factory this can now be done using one person setting the grab and one person operating the forklift truck. It also prevents damage to the machinery tables when lifting the product onto the tables, and does not mark or damage the product resulting in extra costs to replace stock. We would encourage other businesses to get involved in WorkCover's Focus on Industry initiatives and incentive programs."

Andrew Willis, business owner, of Willis Cabinets, Deniliquin.

Work health and safety performance

WorkCover monitors and measures the changes in workers compensation claim numbers and incidence rates for major workplace injuries and workplace fatalities. Workers compensation claims data provides information about the causes and effects of workers compensation claims and can be used to inform planning and help prevent future workplace injury and disease.

In addition, WorkCover inspects workplaces, investigates incidents

and complaints, mediates on workers compensation disputes and, when necessary, issues penalties and undertakes prosecutions.

The most current workers compensation data for 2012-13 and a summary of the State's performance is outlined below.

Note: In June 2012, the NSW Government introduced reforms to workers compensation legislation that redefined the definitions for 'major claim' and 'lost time claim'. This has caused a break in the series and therefore no trend analysis has

been reported except for comments relating to all claims. Trend analysis reporting will resume in the next edition using 2012-13 data as the baseline.

Employment fatalities

There were 103 employment fatalities in 2012-13, including:

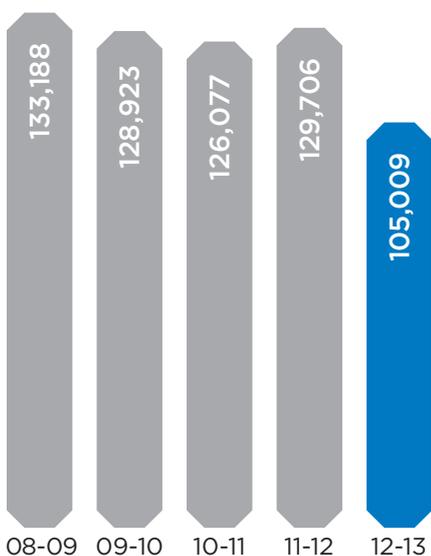
- 58 that occurred as a result of traumatic injury while the person was at work
- 30 that resulted from diseases contracted or aggravated as a result of employment

- 15 that were ‘other work related’ (occurred away from the workplace when the worker is considered on duty).

Employment injuries

Employment injuries are defined as injuries resulting from work-related incidents and occupational diseases contracted or aggravated out of, or in the course of, a worker’s employment. This includes major claims where the result of the injury or disease is death, permanent disability or temporary disability.

In 2012-13, there were 105,009 employment injuries, comprising 84 per cent workplace injuries, 14 per cent occupational diseases, and one per cent other work-related injuries.



Workplace injuries

Workplace injuries are defined as injuries 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.

In 2012-13, the agriculture, forestry and fishing industry had the highest incidence rate of major workplace injuries with 22.2 per 1000 employees. The industry with the

highest number of major workplace injury claims was the manufacturing industry with 3669. The highest number of workplace injury fatalities was recorded in the transport, postal and warehousing industry with 11, followed by construction with nine and manufacturing with eight. Together, these three industries accounted for over 48 per cent of all workplace injury fatalities.

Manual handling was the major cause of major workplace injuries, with 7916 injuries being 30 per cent of the 26,558 workplace injuries across all industries. Soft tissue injury was the most common injury, with 11,220 claims recorded for 2012-13.

Occupation and age

Labourers and related occupations had the highest incidence rate with 20.9 major workplace injuries per 1000 workers. The occupations with the joint highest number of workplace fatalities with 16 each was machinery operators and drivers, followed by labourers followed by technicians and trades workers with nine.

The age range with the highest number of major workplace injuries was the 50-54 year age bracket with 3388 injuries and an incidence rate of 10.2. The age bracket with the highest number of fatalities was 55-59 year age range with 12. The lowest incidence rate by age bracket belonged to the 15 to 19 year range with 5.7 injuries per 1000 employees, followed by the 65 and over year bracket (6.5) and the 30 to 34 year bracket (6.9).

Occupational disease

In 2012-13, there were 6627 major occupational disease claims. The major contributor was mental disease, representing 2235 of total occupational disease claims.

The manufacturing industry had the highest number of occupational disease claims with 16 per cent, followed by health care, social assistance and community services with 13 per cent, public administration with 11 per cent, and construction with 9 per cent. Combined, these four industries contribute 49 per cent of major claims within occupational disease.

Diseases of the nervous system and sense organs (this category includes industrial deafness) had 1796 major claims.

The health care and social assistance industry was the major contributor for mental disorder claims, representing almost 20 per cent of all reported mental disorders.

Work health and safety prosecutions

As the regulator for work health and safety in NSW, WorkCover undertakes strategic prosecutions for non-compliance with work health and safety legislation. In 2013-14, there were 82 defendants charged with breaches of the legislation. There were 59 completed prosecutions against 46 defendants in 33 matters.

Of these completed prosecutions, 52 were successful, involving 41 defendants in 30 matters, including one charge (involving one defendant in one matter) where a Work Health Safety Undertaking was ordered by the District Court. Total fines awarded by the courts were over \$2,480,000.

As at 30 June 2014, there were 181 defendants before the courts facing a total of 210 charges commenced under the *Work Health & Safety Act 2011* and a further 90 matters commenced under its predecessor, the *Occupational Health & Safety Act 2001*. There were no work health and safety matters under appeal as at 30 June 2014.

INJURY PREVENTION AND REHABILITATION

Investigation, enforcement and follow up of safety risks

WorkCover assists businesses in improving their workplace safety, while also meeting community expectations regarding enforcement. Evidence based processes are applied to determine the most appropriate advisory and compliance approach for each safety issue. The approach is consistent with the National Compliance and Enforcement Policy.

During 2013-14, inspectors conducted 14,544 visits to workplaces in NSW.

As part of the nationally harmonised approach to compliance and enforcement, WorkCover commenced issuing inspection reports from 1 January 2012 to align with the commencement of the new work health and safety legislation. In 2013-14, there were 6729 inspection reports issued that documented advice provided onsite during workplace visits.

During 2013-14, WorkCover inspectors issued 6900 notices, including 69 penalty notices, 496 prohibition notices and 5091 improvement notices.

WorkCover remains committed to the National Compliance and Enforcement Policy and will continue to provide advice and support to businesses throughout every interaction.

Return to work

WorkCover's Return 2 Recover strategy is an integrated recover at work strategy which aims to reduce the social and economic costs associated with workplace injuries and illnesses. By aligning prevention, response and recovery initiatives to the highest risks in the community, the strategy aims to reduce injuries, illnesses and improve recovery.

The strategy considers workers, businesses, insurers, medical and allied health practitioners, workplace rehabilitation providers and the regulator – allowing for a targeted approach to be designed in high risk sectors. Other elements include community leadership and engagement initiatives, incentive models, communication strategies and, information products and services.

Return 2 Recover has four primary outcomes. It will:

- reduce the number of workplace injuries in targeted areas
- reduce the time a worker is away from work in the event of an injury
- increase the number of workers who return to suitable work
- reduce the duration of workers compensation insurance claims through timely return to work.

Return 2 Recover is guided by three key messages which are:

- Connecting – communicating and staying connected with the workplace to achieve safe and early recovery at work.
- Planning – establishing capacity, identifying suitable work options and setting goals.
- Working – recovering at work speeds healing, reduces symptoms, promotes an active lifestyle, and fosters connection with the workplace and community.

The focus during 2013-14 was on developing capable people, processes and systems to support the strategy.

WorkCover has recruited return to work inspectors who play a major role in coaching, mentoring and developing the general inspectorate to engage in return to work

interventions and build capability across the inspectorate.

In January 2014, WorkCover began providing return to work advice and assistance as part of workplace visits. Inspectors are now required when entering a workplace to undertake a return to work check, which includes:

- checking the business has a workers compensation policy
- checking the business has a return to work program
- discussing the status of any injured worker's return to work plan.

Between January and June 2014, inspectors conducted 3328 return to work interactions during workplace visits.

Workers compensation claims design strategy

Further to the 2012 workers compensation reforms, the primary claims strategies in 2013-14 include:

- improving the return to work rates and health recovery outcomes of less seriously injured workers, and helping them regain their financial independence
- providing effective injury and health care management and financial support for seriously injured workers.

These strategies involve innovative claims management approaches and capability building. Programs and initiatives undertaken during the year include:

- Revised work capacity guidance materials for insurers and injured workers. Work continues on building capability and establishing robust evidence-based decision-making models for work capacity assessments and decisions.

-
- Planned centralised management of serious injury claims in WorkCover, which will represent current best practice injury management, reduce variances in ongoing long term medical costs, and deliver better health and support outcomes for workers with serious injuries.
 - Built expert medical provider networks and established evidence-based injury treatment protocols.
 - Published new Fees Orders for private and public hospitals, and ambulances.
 - Consulted with Australian Society of Orthopaedic Surgeons (ASOS), Australian Medical Association (AMA), Royal Australian College of General Practitioners (RACGP) and Australian Rehabilitation Provider Association (ARPA) to influence culture, promote capacity for work and recovery at work principles, and improve outcomes-based performance and evidence-based claims decision making among case managers. Reviewed the Allied Health Provider Management Framework to progress a single request-for-service protocol for physiotherapists, osteopaths, chiropractors, psychologists, exercise physiologists, counsellors and remedial massage therapists.
 - Coordinated a committee of medical specialists to revise the *Permanent impairment guidelines*.
 - Implemented return to work assistance programs for micro employers (those with fewer than five workers).
 - Recruited and trained return to work inspectors.
 - Completed qualitative research with the NSW Business Chamber, small business employers and return to work coordinators to gain insight into and evaluate experiences, knowledge and perceptions of the claims management process and return to work outcomes.

OUR CUSTOMERS



Customer Service Charter

We engage with a wide range of customers and stakeholders from NSW businesses, the community, other government agencies and departments and third party service providers. This engagement involves:

- providing information, advice and assistance about prevention, mitigation and insurance of personal injury risks
- designing, implementing and assessing coordinated strategies, policies and initiatives
- providing recovery and support services for injured workers.

In 2013-14, WorkCover implemented a new Customer Feedback Framework, which adheres to the NSW Ombudsman guidelines, Australian Standard for complaints handling and Australian Securities and Investment Commission's requirements for financial institutions.

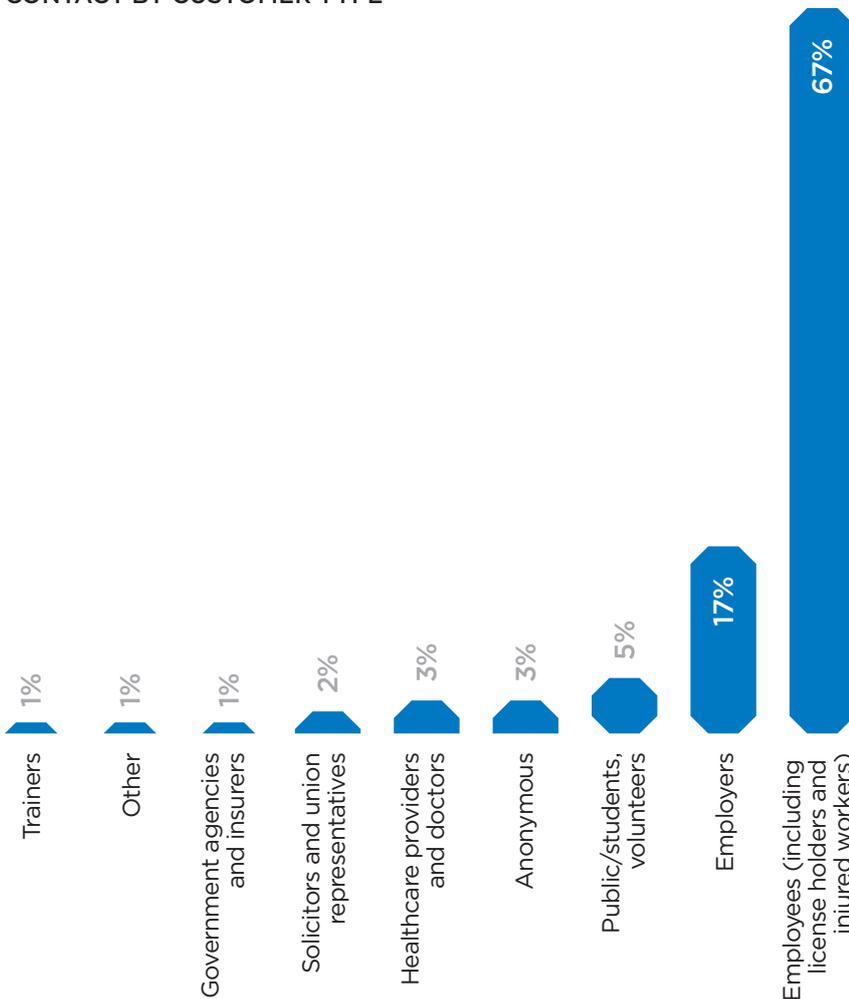
The new framework includes a customer care team responsible for individual case management and a revamped Customer Service Centre. The framework also includes dedicated hotlines and a complaints handling team. It places a greater emphasis on Scheme agents and insurers resolving complaints directly with complainants. A new Customer Service Charter outlines the standards of service that customers

can expect from WorkCover. These initiatives have resulted in improved customer experience.

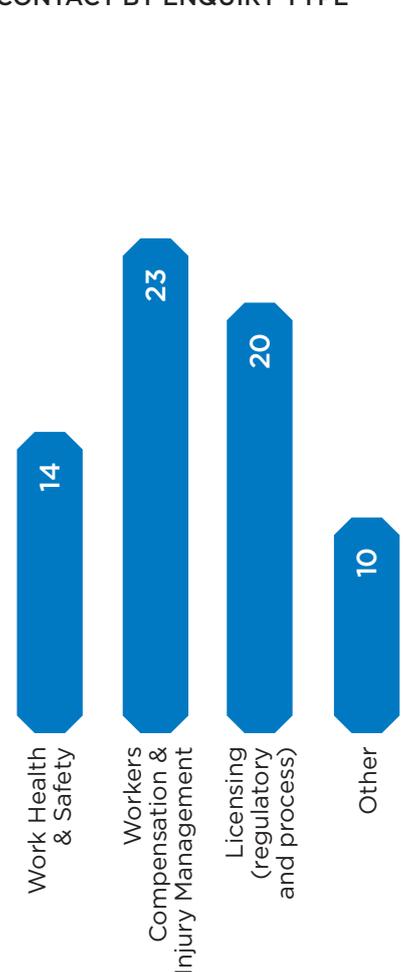
If an injured worker cannot resolve an issue directly with their Scheme agent or insurer, WorkCover provides advice about the dispute resolution process, including referral to the WorkCover Merit Review Service, WorkCover Independent Review Office (WIRO) or the Workers Compensation Commission.

WorkCover's new complaints handling framework was developed in consultation with the WIRO and provides a greater transparency of the review process that supports the WIRO's statutory functions.

CONTACT BY CUSTOMER TYPE



CONTACT BY ENQUIRY TYPE



OUR CUSTOMERS

Our performance

In 2013-14:

- The Customer Service Centre handled over 530,000 contacts, 60 per cent by phone
- Customers waited an average of 36 seconds to speak to a consultant
- First call resolution increased to 87 per cent
- 64 per cent of all licensing transactions were processed automatically – manual processing took 17 days
- 67 per cent of callers are workers, the majority injured workers with enquiries about claims or complaints about workplace safety issues
- 53 per cent of employer contacts are from small businesses – and this number is growing following the implementation of a small business hotline
- 7000 calls were work health and safety incident notifications
- Top five call drivers are licensing, legislation changes, enquiries and requests employers, lodging a claim and workplace complaints
- 3342 contacts about work capacity
- The new framework resulted in a 45 per cent reduction in escalated workers compensation complaints
- 86 per cent of escalated complaints were closed within the 20 day service standard
 - 68 complaints were received about the delivery of WorkCover services
 - 48 formal compliments were received for staff across WorkCover.

Reducing red tape

WorkCover is continuing to identify and realise further operational efficiencies, including simplifying service protocols with allied health providers for injured workers. The 2012 workers compensation reforms have saved small employers an estimated \$21 million in administrative costs and have saved NSW businesses about \$89.5 million in operational efficiencies.

Small employers with a basic tariff premium of \$30,000 or less have benefited from streamlined insurance policy procedures, such as:

- renewal dates aligned to a calendar month to allow easier calculation and reporting of actual wages at the end of each policy period
- four months to report actual wages, rather than two
- premiums calculated and 'pre-set' by the Scheme agent, based on most recent wage data – and employer advised four to six weeks before their policy expires.

Merit Review Service

The Merit Review Service (MRS) was established in January 2013 to enable workers to dispute decisions about work capacity decisions made by insurers by seeking a review with WorkCover's MRS.

In 2013-14, 1136 applications were lodged with the MRS via the online application form – 97 per cent of applications were about claims made before 1 October 2012 and 70 per cent were for claims lodged with Scheme agents. Of these, 911 applications were finalised, with the vast majority (82 per cent) requiring a full merit review.

A full merit review is not required if:

- the worker has not yet sought an internal review
- the worker withdraws the application because the claim or dispute is resolved
- the insurer withdraws the application
- the insurer is no longer relying on the work capacity decision
- the application is frivolous or vexatious
- the application does not relate to a work capacity decision
- the application is lodged outside the 30-day time limit.

Nominal insurer		
scheme agent insurers	795	70%
Treasury managed		
fund insurers	136	12%
Self insurers	85	7%
Group self insurers	80	7%
Specialised insurers	40	4%
Total applications	1,136	100%

Assisting small business

Small business strategy

On 30 September 2013, the Minister for Finance and Services and the Minister for Small Business announced a new WorkCover strategy designed to make it easier for small businesses to comply with their work health and safety obligations.

The strategy, titled 'Small business and WorkCover: making it easier', is designed to help small businesses embed a risk-based approach to their everyday operations through a series of initiatives such as rebates, advisory programs, mentoring and regional support officers. A small business hotline was also established by WorkCover to provide service and support to industry.

Small towns initiative

WorkCover supports economic growth in regional NSW by providing remote businesses greater access to advisory and assistance services. Our Safer Small Towns Program takes our community stakeholder

relationship officers into remote businesses to provide face-to-face workplace health and safety advice. During 2013-14, community officers visited businesses from Kandos to Coonabarabran, from Helensburgh to Hay.

Mentor Program

The WorkCover Mentor Program has been running for six years and involves large businesses (mentors) pairing with smaller businesses (mentees) to create new ways of tackling safety in the workplace. Some of Australia's best safety leaders give freely of their time and expertise to serve as mentors on this program.

["The resources we had available to us through the Mentor Program were great."](#)

Rachael Miller,
North Shore Vascular Laboratory

["It's a great way to network, get involved and share your experiences."](#)

Phuc Tran, Wormald

["It's a win-win situation – you can take as much from this program as you wish."](#)

Stephen Clarke,
Caterpillar Global Mining

["I enjoy showing others that safety is not as hard or expensive as people believe."](#)

Maria Hooker, Allied Mills

["The depth of knowledge and expertise demonstrated by our mentor was remarkable. I cannot salute her talents and efforts enough."](#)

Craig Murray, Sydney Fish Market

The Mentor Program has, and will continue to have, a very influential effect on building productive and profitable relationships in business communities across the State. These mentoring experiences are captured in an anthology of stories showcasing the success of the program in *Mentoring – Safety at its Best* which is available on www.workcover.nsw.gov.au.

CASE STUDY 3 – Small Business Mentor Program

Sean Redmond is the National Business Improvement Manager at TOT Transport, a small, privately-owned transport business.

Mr Redmond is an unabashed fan of the WorkCover Mentor Program.

"Having Aristocrat Technologies mentor, Jen Ringor, on hand for the duration of the program was like having your own personal safety encyclopaedia," says Mr Redmond.

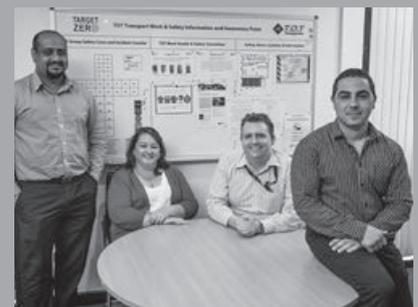
TOT began its safety journey a couple of years ago, but the mentor program led to a rethinking of their risk assessment

methodology, in-house ergonomic assessments and incident reviews. The rewards have been felt in every corner of the business.

A key achievement for TOT was to communicate safety obligations to its owner-driver fleet, suppliers, service partners and customers. General Manager, Andrew Sedrak, says the program "has opened everyone's eyes and changed the business permanently."

TOT continues to win new business, and Mr Redmond has no doubt it's because they now highlight safety as their point of difference.

TOT's efforts to improve safety have drawn public recognition. It was a finalist in the small business category at the 2013 Safe Work Awards and Mr Redmond won the best individual contribution to work health and safety.



OUR CUSTOMERS

Videos

In 2013-14, WorkCover launched a series of videos to deliver practical safety advice in a format that best meets the information needs of our customers.

The videos focus on high risk industries and activities, particularly those with high or growing rates of serious injuries or fatalities. They document a specific incident, or number of incidents, and demonstrate a series of simple steps employers, managers and business owners can take to keep themselves and their workers safe.

The videos are filmed in workplaces across NSW to best demonstrate the practical issues and safety measures undertaken by those in the industry.

The videos produced during the year included:

- voids in house construction
- forklifts hitting pedestrians
- split rims and multi-piece wheels.

LICENCE, NOTIFICATION AND REGISTRATION HOLDERS

Licence/notification/registration type	Total number
Asbestos Demolition	2020
Assessor	280
Blasting Explosive Users Licence	1953
Construction Induction Card	1,136,171
Fireworks - single use	156
Health Safety Representative	1852
High Risk Work	307,761
Import Export Explosives	47
Licence Asbestos Assessor	161
Manufacture Explosives	37
Nominated Trainer	2101
Notification Export of Explosives	133
Notification Fireworks Display	8992
Notification Import Explosives	753
Notification of Dangerous Goods on Premises	3561
Pest and Fumigation	3999
Notification of transport of explosives	27
Pyrotechnicians	397
Registered Training Organisation	451
Store Explosives	175
Supply Explosives	21
Transport Explosives	34
Unsupervised Handling Licence	7358
Use SSDS	14
Grand total	1,478,454

Note: Plant item/design statistics unavailable at time of reporting.
Licences were migrated to GLS system between 2011 and 2012

OUR PEOPLE



OUR PEOPLE

As part of SRWS, WorkCover participated in ongoing actions and initiatives aligned with the GROWing Our Culture Framework (GROW), which is designed to support sustainable cultural change and improved capability across SRWS through the creation of a constructive, empowered, productive and safe workplace. GROW includes seven key focus areas: wellness, safety, achievement, capability, leadership, customer experience and innovation. The major GROW activities for 2013-14 included:

- Implementation of the leadership development strategy designed to build both leadership and management capability. The program includes strategic leadership forums, development centres, an Executive Development Program, continuous leadership development points, SRWS management practices training (mandatory for all managers), and targeted leadership training programs.
- Implementing the Public Service Commission Performance Management Framework and introducing a single online performance management system across all SRWS agencies. This is supported by ongoing coaching and advice to managers about having authentic performance discussions and understanding how progress and performance is measured to enable a constructive and productive workplace. At 30 June 2014, 95 per cent of eligible SRWS employees had agreed performance objectives in place.
- Completion of four new SRWS mandatory training programs related to compliance and health, safety and wellbeing, with 97 per cent of WorkCover employees completing assessments for all four modules.
- 165 core voluntary training programs aligned to the Public Sector Capability Framework

offered to WorkCover. Satisfaction was rated at 96 per cent with 97 per cent of employees indicating they would apply what they had learnt in the workplace.

- Development and implementation of the Wellness Program to provide staff with education, skills and experiences aligned to physical, social, emotional and financial wellness. The Early Detection Program resulted in a number of staff reporting successful early detection of chronic illness and health conditions. These initiatives complement the range of support services already available to employees.
- Creation of a single SRWS intranet platform, with improved visibility, clarity and access to policies, corporate systems and information, employee communications, and shared services resources.
- Enhancements to the rigour and transparency of recruitment and selection processes, with a focus on building the capability of hiring managers and employing the best person for a role.
- Development of a recruitment strategy to improve access to employment for diversity groups.
- Early intervention and support for SRWS employees who have concerns in the workplace with working relationships and personal issues.

Work health and safety performance and employee wellbeing

WorkCover's performance in the area of work health safety and employee wellbeing continued to focus on early intervention approaches. There is an overarching SRWS Health and Safety Committee providing strategic direction on matters of health and safety.

WorkCover has 21 workgroups represented by 31 Health and Safety Representatives, a Health and Safety Committee, or other agreed consultation arrangements consistent with the work health and safety legislation.

There has been an ongoing focus on continuous improvement across the SRWS health and safety management system, including the adoption of revised health and safety policies and procedures across all SRWS agencies.

In 2013-14, there were 21 workers compensation claims lodged by WorkCover staff, a continued decrease in the number of claims for the previous years (24 claims in 2012-13, 53 claims in 2011-12 and 75 claims in 2010-11).

WorkCover continues to support staff through non-work related illness and injury concerns and there is a continued focus on early intervention, pro-active case management, timely return to work strategies and wellbeing strategies in the workplace.

Recruitment

In mid-2013, WorkCover embarked on a major bulk recruitment campaign with the introduction of a contemporary and highly successful model attracting quality candidates. This model was a leading-edge example for the government sector, as demonstrated by similar whole-of-sector recruitment principles introduced by the Public Service Commission in early 2014.

Rewards and recognition

SRWS holds an annual Employee Awards Program to recognise individuals and teams delivering services to the NSW community that are meeting the goals in the corporate plan, and to reward employees who display the values of integrity, trust, service and accountability. In 2013-14, there were

88 WorkCover employees and 26 teams nominated for awards with winners in customer experience, pursuit of excellence, outstanding achievement by a team or individual, leadership excellence and the CEO commendation.

Workforce diversity and inclusion

WorkCover is committed to building a workplace culture that values and understands the benefits of a diverse workforce, reflective of the wider community. In 2013-14, a 'diversity and inclusion' intranet page was published, with a diversity events calendar, and the Diversity Council of Australia provided the keynote address at the Annual SRWS Employee Awards.

Disability

WorkCover is committed to reducing barriers for people with disabilities to access services and facilities, obtain and maintain employment, and engage, work and participate with our organisation. In 2013-14, SRWS:

- attended events and discussions on disability issues and employment
- sponsored a university student with a disability with six weeks paid work experience. SRWS is a gold-level member of the Australian Network on Disability (AND)
- provided pre-screening questions in recruitment advertisements to ensure necessary adjustments were identified and offered for all workers as required
- conducted a pilot program on 'disability confidence for people leaders'
- implemented targeted recruitment.

Indigenous employees

In 2013-14, SRWS:

- participated in NAIDOC Week celebrations
- sponsored an indigenous student through the University of Newcastle's IBIS Scholarship Program
- advertised in indigenous publications for new inspectors.

Employees from a multicultural background

In 2013-14, SRWS:

- participated in Harmony Day events
- encouraged applicants from diverse cultural backgrounds in all SRWS job advertisements and provided multicultural awareness information in induction packs
- Included information on diversity in leadership, recruitment and development programs.

Women

In 2013-14, SRWS:

- participated in the Lifeline Steel Magnolia Awards and sponsored the Young Achiever Award
- attended the United Nations women's breakfast
- sponsored women across all SRWS agencies to attend the Australian Women in Leadership Conference, the Committee for Economic Development of Australia (CEDA) Women in Leadership Conference, the Drive Your Career Program and the Public Sector Women in Leadership NSW Summit.

Young workers

In 2013-14, SRWS:

- continued the Scholarship Scheme with the universities of NSW, Newcastle and Western Sydney, including work experience for students.

FAST FACTS

- Safety Return to Work and Support (SRWS) were recognised for best practice approaches to health, safety and injury management and rewarded as finalists for the TMF Risk Management Awards for Leadership Excellence and two employees were finalists in the Individual Achievement in Return to Work.
- A continued focus on early intervention, effective case management and increasing manager capability to facilitate recovery at work resulted in a further reduction in claims across SRWS. Our annual lost time injury frequency rate (LTIFR) was 3.89, less than the whole of public sector rate of 4.8*. There was also a 45 per cent reduction in the cost of deposit premiums for the next financial year.

* Published by Safework Australia Sept 2014 for the 2011-12 lodgement period

OUR PEOPLE

MANDATORY TRAINING AND PERFORMANCE MANAGEMENT PROGRAMS

Item	Target	Completion rates
Mandatory training		
Code of conduct and ethics	95%	97%
Public interest disclosures and reporting corrupt conduct	95%	97%
Safety in our workplaces	95%	98%
Hazardous manual tasks	95%	97%
Performance Management		
Non-executive employee with performance objectives in place	95%	90%
Executives with agreed performance objectives	95%	100%

Employees in WorkCover met targets for executives with a performance management agreement in place and for the completion of all mandatory training programs. Although below the target, 90 per cent of employees have a performance management agreement in place as outlined above.

Workforce diversity and inclusion - 2014-15

In 2014-15, WorkCover will participate in a number of activities across all diversity groups, including young workers, such as:

- targeted recruitment and support for managers to remove unconscious bias
- targeted learning and development programs
- participation in targeted events and celebrations, such as NAIDOC, Harmony Day and International Women's Day
- sponsorship programs
- enhancements to recruitment advertising to encourage applications from people from all diverse backgrounds
- continuing to embed diversity into Induction as well as leadership and recruitment learning and development programs.

Workforce diversity statistics

Providing diversity information is not compulsory for employees. Before June 2014, diversity statistics for WorkCover were based on estimates. For example, if 50 per cent of the workforce provided diversity information, the result would be doubled to estimate the results as if all employees had responded.

From June 2014, this method will continue if an organisation has at least 65 per cent of employees providing diversity information. If the response rate is below this, the Public Service Commission will only report actual results as a ratio of the organisation's total number of 'non-casual' employees.

As WorkCover's response rate was below 65 per cent (58.6 per cent), actual results have been reported for 2014. As a result, diversity data from 2012 and 2013 has been adjusted to also reflect actual results, where results previously reported were based on the ratio of actual respondents only.

Although providing diversity information is not mandatory, WorkCover continues to provide this data.

Multicultural Policies and Services Program

WorkCover recognises and supports multiculturalism in NSW. We are committed to supporting our multicultural society by ensuring that all our services are easily accessible to people from diverse linguistic, religious and cultural backgrounds.

Our multicultural plan aims to support the NSW Government's principles of multiculturalism. Embracing a multicultural focus, the plan aligns with our corporate objectives and is integrated into our business plans for 2014-15.

The *WorkCover NSW multicultural plan 2012-2016* was launched in 2012 and has been a fundamental tool for guiding our strategic approach in planning and implementing policies and programs. Originally endorsed by the Community Relations Committee (CRC), the plan provides the framework and guides the development and introduction of services to support multiculturalism across our organisation and community. With a focus on improving our services, we have continued to raise awareness by

embedding diversity through our leadership, recruitment and development programs. Our results, achievements and challenges will be reported to the CRC in late 2014.

Initiatives undertaken during 2013-14 included:

- launching a Diversity and Inclusion intranet page along with a diversity events calendar

- raising multicultural awareness in recruitment and induction packs
- celebrating Harmony Day on 21 March 2014, with employees participating in 'a taste of harmony' (sharing cultural food) or wearing orange in support for Australia's diverse community

Collaborating with others, we also:

- engaged the Diversity Council of Australia to provide a keynote address for the 2013-14 Annual SRWS Employee Awards
- participated in the Office of Finance and Services (OFS) working group, contributing to the development of the OFS Diversity and Inclusion Strategy.

WORKCOVER NSW - TRENDS IN THE REPRESENTATION OF WORKFORCE DIVERSITY GROUPS*

Workforce Diversity Group	Benchmark/Target	2012	2013	2014
Women	50%	55%	55.2%	57.1%
Aboriginal People and Torres Strait Islanders	2.6%	1.8%	1.5%	1.5%
People whose first language spoken as a child was not English	19%	8.8%	8.1%	8.9%
People with a disability	N/A	4.4%	4%	4.1%
People with a disability requiring work-related adjustment	1.5%	2.5%	2.1%	1.8%

WORKCOVER NSW - TRENDS IN THE DISTRIBUTION OF WORKFORCE DIVERSITY GROUPS

Workforce Diversity Group	Benchmark/Target	2012	2013	2014
Women	100	92	93	92
Aboriginal People and Torres Strait Islanders	100	96	N/A	N/A
People whose first language spoken as a child was not English	100	102	102	100
People with a disability	100	101	100	97
People with a disability requiring work-related adjustment	100	97	98	96

Note 1: A Distribution Index of 100 indicates that the centre of the distribution of the Workforce Diversity group across salary levels is equivalent to that of other staff. Values less than 100 mean that the Workforce Diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the Workforce Diversity group is less concentrated at lower salary levels.

Note 2: The Distribution Index is not calculated where Workforce Diversity group or Non-Workforce Diversity group numbers are less than 20.

* Based on a response rate of 58.6%

KRA	KPI	2013-14	
		Target	result
Capabilities (Growing our culture framework)	Lost time injury frequency rate to not exceed public sector average	<4.6	3.89%
	10% improvement in engagement results in the Public Service Commission <i>People Matters Survey</i> in 2012-2014	65%	61%
	10% improvement in leadership results in the Public Service Commission <i>People Matters Survey</i> in 2012-2014	39%	53%
	10% improvement in performance management results in the Public Service Commission <i>People Matters Survey</i> in 2012-2014	64%	74%
	10% improvement in health and wellbeing results in the Public Service Commission <i>People Matters Survey</i> in 2012-2014	76%	75%

OUR PEOPLE

WORKCOVER HUMAN RESOURCES STATISTICS

	2013-14		2012-13		2011-12		2010-11		2009-10	
	SRWS ⁶	WCA	SRWSD ⁴	WCA ³	CASD	WCA	CASD ²	WCA	CASD ¹	WCA
Administration and clerical	920	721	965	680	1046	757	1061	760	1094	745
Associates/ Ministerial	-	-	0	-	-	-	-	-	-	-
Cadets	-	-	0	-	-	-	8	5	17	15
Departmental professional officers	25	16	29	20	32	23	34	25	32	23
Engineers	10	10	13	13	11	11	12	12	12	12
General division	-	-	0	-	-	-	-	-	-	-
Graduates	-	-	0	-	-	-	-	-	15	15
Legal officers	24	21	42	26	37	26	38	27	37	26
Safety inspectors	290	290	281	281	280	280	293	293	310	310
Senior management (Senior Executive Service)	34	30	33	28	11	9	13	9	15	9
Senior officers	29	20	37	25	56	45	55	43	59	48
Technical officers	7	7	10	10	7	7	8	8	11	11
Trainees	-	-	0	-	-	-	-	-	-	-
Statutory and other officers including arbitrators	1	0	23	0	24	-	24	-	5	-
Total	1340	1115	1433	1083	1504	1158	1546	1182	1607	1214

Note: The HR Statistics quoted for 2013/14 are headcount figures as at 19 June 2014 (being the census date for the PSC 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 (LTCSA) and the Workers Compensation Commission (WCC) have become employees of the Compensation Authorities Staff Division (CASD)
- 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)
- There were 25 vacant inspector positions as at 19 June 2014
- Compensation Authorities Staff Division (CASD) retitled to Safety Return to Work and Support Division (SRWSD) in August 2012.
- From 1 October 2012, The WorkCover Independent Review Office (WIRO) was established.
- From 24 February 2014, the Safety Return to Work and Support Division was retitled to Safety Return to Work and Support (SRWS). SRWS figures for 2013-14 include DDB, LTCSA, MAA and WCA

Corporate governance

Risk management

WorkCover has an integrated whole-of-SRWS risk management strategy that incorporates the SRWS Enterprise Risk Management (ERM) Framework.

The ERM Framework is consistent with AS/NZS standards (31000) and the *NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP09-05). Further, the framework is appropriate for WorkCover as it reflects the Safety, Return to Work and Support Board and the Workers' Compensation (Dust Diseases) Board responsibilities following the formation of SRWS under the *Safety, Return to Work and Support Board Act 2012* in August 2012.

During 2013-14, the SRWS Board approved the:

- Risk Management Policy, which provides the mandate and commitment for implementing the risk strategy across the WorkCover; and for aligning the roles and responsibilities of all staff in respect of addressing risk
- Risk Appetite Statement, which provides staff at all levels of WorkCover's business operations with a clear understanding of the risks limits that apply to various categories of risk.

SRWS continued with the program of strategic risk reviews and operational risk reviews at the agency and division levels. A suite of tools are available to staff and an ongoing program of works will continue to enhance the risk maturity across SRWS.

The risk strategy informs corporate and business planning, governance and assurance activities.

Internal Audit Unit

The SRWS 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 SRWS agencies, including WorkCover. In 2013-14, 14 reviews were completed across SRWS that had an effect on WorkCover. These reviews raised 40 audit issues and made 55 audit recommendations to strengthen the organisation's internal controls.

The following internal audit reports were issued in 2013-14:

- SRWS Shared Service Delivery*
- SRWS Project Management*
- SRWS Board and Treasury Reporting
- SRWS Payroll
- SRWS Fleet Management
- SRWS IT Security
- SRWS Litigation Branch
- SRWS Organisational and Staff Development
- SRWS Purchasing & Credit Card Compliance
- WorkCover TestSafe
- WorkCover Regional South Office Review
- WorkCover Workers Compensation Insurance Fund (WCIF)*
- Investment Division Investment Management
- Investment Division Performance Reporting to Management and Stakeholders*

The following internal audits were in progress as at 30 June 2014:

- WorkCover Workers Compensation Insurance Division (WCID) Provider Management
- SRWS Complaints Management Process.

The IAU also undertakes a range of fraud and corruption prevention activities. In 2013-14, a SRWS-wide fraud health check survey was undertaken to identify flaws in our fraud strategy. IAU staff act as public interest disclosure officers to whom staff can report allegations of corrupt conduct within the *Public Interest Disclosure Act 1994*. IAU also manages investigations into alleged corrupt conduct liaising, where appropriate, with the Independent Commission Against Corruption (ICAC).

The Director of Corporate Governance acts as the Chief Audit Executive and reports directly to the SRWS audit and risk committee for strategic direction and accountability purposes, and reports administratively to the Chief Executive Officer to facilitate day to day operations.

Public interest disclosures (PIDs)

WorkCover has an internal reporting policy that was updated and re-issued by the Chief Executive Officer to all WorkCover staff in September 2013.

Department heads make staff aware of their rights and responsibilities under the *Public Interest Disclosure Act 1994*. Induction training, refresher training, intranet communications and fact sheets were completed in 2013-14.

OUR PEOPLE

STATISTICAL INFORMATION ON PUBLIC INTEREST DISCLOSURES (PIDS)

	Made by public officials performing their day to day functions	Under a statutory or other legal obligation	All other PIDs
Number of public officials who made PIDs directly	0	0	4
Number of PIDs received	0	0	4
Of PIDs received, number primarily about:			
Corrupt conduct	0	0	4
Maladministration	0	0	0
Serious and substantial waste	0	0	0
Government information contravention	0	0	0
Local government pecuniary interest contravention	0	0	0
Number of PIDs received since 1 January 2012, that have been finalised in 2013-14		5	

Energy performance and waste reduction

WorkCover is committed to achieving savings in energy usage and maintaining sustainable energy management principles. During 2013-14, WorkCover occupied 23 sites, which purchased electricity through State contracts and generated six per cent of their power from renewable energy sources. Electricity to the remaining leased sites was supplied through shared metering and managed by the building owners.

WorkCover initiatives included:

- energy-efficient automated lighting and the use of motion-detection control technology
- Installation of infra-red security cameras to allow reduced external lighting
- timed air conditioning to optimise energy usage
- continued use of UniFLOW print management system and consolidation of printers to reduce paper and toner usage

- 100 per cent recycling of used toner cartridges in an environmentally-friendly manner
- recycling of IT equipment through approved providers
- procurement of more environmentally-friendly vehicles
- increased publication of online materials.

WorkCover will continue to review and implement cost-effective strategies to reduce energy consumption, and is committed to reducing its operational and environmental impact in the areas of recycling and waste reduction.

Information services

SRWS Information Services is responsible for the support and maintenance of existing infrastructure and applications within the SRWS technology stack. It is also tasked with planning and implementing the SRWS Information and Communications Technology (ICT) Strategic Plan which sets the direction for use of technology by SRWS between 2013

and 2018. The ICT strategy includes consolidation, standardisation, improved connectivity, reliability and availability of business systems and business continuity, value-driven sourcing and overall alignment with the NSW Government direction for information technology.

Information Services works across SRWS to ensure IT planning across all modes of health and safety are fully integrated. This allows the operational agencies to focus solely on delivering quality service to customers and not on duplicating their efforts in IT planning and purchasing. The strategy enables SRWS to operate as a coordinated set of brands with each brand maintaining some autonomy while utilising cross-agency synergy in information, services, and infrastructure.

Delivery of the ICT Strategic Plan

The ICT strategy delivers the objectives of the enterprise architecture and establishes a platform for the future that is responsive to changing business demands. It also balances the functionality, maintainability and

cost effectiveness of the ICT infrastructure.

The ICT strategy ensures that SRWS is an organisation that uses information to achieve its outcomes, enabling the progression from data in its raw form to information that has reached its full potential.

The single case management system is currently being implemented for People and Culture, the WorkCover Claims Management Branch and the Dust Diseases Board. Other business processes are also being considered for consolidation under the same technology.

INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT

Internal Audit and Risk Management Statement for the 2013-2014 Financial Year for the WorkCover Authority

I, Michael Carapiet, Chair of the Safety, Return to Work, and Support Board, am of the opinion that the WorkCover Authority has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Michael Carapiet, Chair of the Safety, Return to Work, and Support 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 is implementing 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
<p>Core Requirement 3:</p> <p>The Audit and Risk Committee has an independent chair and a majority of independent members. The Audit and Risk Committee has at least three members, and no more than five members.</p> <p>3.3.2 The department head or governing board of the statutory body must select all independent chairs and members of the Audit and Risk Committee from the panel of pre-qualified individuals maintained by the Department of Finance and Services through the <i>Pre-qualification Scheme: Audit and Risk Committee Independent Chairs and Members</i>. The panel of pre-qualified individuals, and the scheme conditions, are available at the NSW Procurement website.</p>	<ul style="list-style-type: none"> • One of the members was not prequalified at the time of appointment and it was a condition of appointment to become prequalified. • The Member has now submitted an application and this is being considered by the Scheme administrators.

I, Michael Carapiet, Chair of the Safety, Return to Work, and Support Board, am of the opinion that the Safety, Return to Work and Support 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:

- Independent Chair, Raymond Whitten, 31 October 2012, 30 October 2016
- Independent Member, Raymond Petty, 31 October 2012, 30 October 2015
- Independent Member, Elizabeth Carr, 31 October 2012, 30 October 2016
- Independent Member, Mark Lennon, 31 October 2012, 30 October 2016

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

As required by the policy, I have submitted an Attestation Statement outlining compliance with exceptions with the policy, to the Treasurer on behalf of the Treasurer.



Michael Carapiet
Chair

Dated this 25th day of August 2014

DIGITAL INFORMATION SECURITY ATTESTATION STATEMENT

Digital Information Security Annual Attestation and Evidence of Certification Statement for the 2013-14 Financial Year for Safety, Return to Work and Support

I, Vivek Bhatia, Chief Executive Officer of the Safety, Return to Work and Support, am of the opinion that the Safety, Return to Work and Support have implemented an Information Security Management System during the financial year being reported on which is compliant with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Vivek Bhatia, Chief Executive Officer of the Safety, Return to Work and Support, am of the opinion that the security controls in place, to mitigate identified risks to the digital information and digital information systems of the Safety, Return to Work and Support are adequate for the foreseeable future.

I, Vivek Bhatia, Chief Executive Officer of the Safety, Return to Work and Support, am of the opinion that all Public Sector Agencies, or part thereof, under the control of the Safety, Return to Work and Support with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector

I, Vivek Bhatia am of the opinion that, in accordance with the *Digital Information Security Policy for the NSW Public Sector*, certified compliance with *AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements*, is not required by Safety, Return to Work and Support.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Statement by the Chief Executive Officer and Chairman

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* I state that in my opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the WorkCover Authority of NSW as at 30 June 2014 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.



Michael Carapet
Chairman
Safety, Return to Work and Support Board

16 September 2014



Vivek Bhatia
Chief Executive Officer
Safety, Return to Work and Support

16 September 2014



WORKCOVER AUTHORITY of NSW
Actuarial Certificate
Outstanding claims liabilities at 30 June 2014

PricewaterhouseCoopers (PwC) has been contracted by the WorkCover Authority of NSW (WorkCover Authority) to make estimates of the outstanding claims liabilities as at 30 June 2014 of the following funds:

- Emergency and Rescue Workers Compensation Fund (ERWCF);
- Bushfire Fighters Compensation Fund (BFFCF); and
- Insurers' Guarantee Fund (IGF), covering the pre-WorkCover liabilities of the following failed insurers: National Employers Mutual, Bishopsgate, AGCI, Greatlands, HIH, and Rural & General.

Data

PwC has relied on historical data and other quantitative and qualitative information supplied by the WorkCover Authority 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;
- Claims handling expenses; and
- Future expected recoveries.

We have relied on the WorkCover Authority's interpretation of the AASB 137 standard, and have not included a risk margin.

Valuation Results

The PwC estimated liability for the above funds, net of recoveries, is \$146.351 million. This amount is made up as follows:

Net Outstanding Claims Liability at 30 June 2014	\$M
ERWCF	15.192
BFFCF	19.760
IGF - Non-HIH	86.147
IGF-HIH	25.252
Total Net Outstanding Claims Liability	146.351

It is a decision for the WorkCover Authority as to the amount adopted in the accounts.

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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*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Actuarial Certificate



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 volunteers lodging claims under the funds, 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 above funds are set out in two separate reports dated 15 July 2014 for ERWCF/BFFCF and 16 July 2014 IGF.

Relevant Standards

Our estimates and reports for the WorkCover Authority are prepared in accordance with the Australian Accounting Standard AASB137 and the Institute of Actuaries of Australia's Professional Standard 300, which relates to estimation of outstanding claims liabilities.

A handwritten signature in black ink that reads 'Michael Playford'.

Michael Playford
FIAA
19 September 2014



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 statement of financial position as at 30 June 2014, 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 Authority as at 30 June 2014, and of its financial performance and its cash flows 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 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 Board determines is necessary to enable the preparation of financial statements that give a true and fair view and 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 Authority's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Independent Auditor's Report

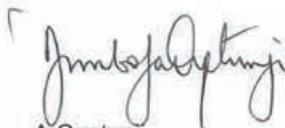
My opinion does *not* provide assurance:

- about the future viability of the Authority
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about 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 roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

18 September 2014
SYDNEY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	Actual 2014 \$ '000	Budget 2014 \$ '000	Actual 2013 \$ '000
Expenses excluding losses				
Operating expenses				
Personnel services	2(a)	129,077	145,683	98,132
Other operating expenses	2(b)	75,493	76,563	55,768
Depreciation and amortisation	2(c)	2,898	12,741	5,005
Grants and subsidies	2(d)	158	6,400	2,734
Finance costs	2(e)	4,015	-	4,406
Other expenses	2(f)	72,980	90,858	36,135
Total expenses excluding losses		284,621	332,245	202,180
Revenue				
Retained taxes, fees and fines	3(a)	240,172	299,205	229,780
Investment revenue	3(b)	18,807	12,532	19,443
Sale of goods and services	3(c)	14,501	16,608	14,123
Other revenue	3(d)	16,673	5,890	1,306
Total revenue		290,153	334,235	264,652
Loss on disposal	4	(5)	-	(1,777)
Other losses	5	(561)	(1,990)	(1,023)
Net result		4,966	-	59,672
Other comprehensive income				
Items that will not be reclassified to net result				
Net decrease in property, plant and equipment revaluation surplus		(56)	-	(2,454)
Total other comprehensive income		(56)	-	(2,454)
Total comprehensive income		4,910	-	57,218

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Statement of Financial Position as at 30 June 2014

	Notes	Actual 2014 \$ '000	Budget 2014 \$ '000	Actual 2013 \$ '000	1 July 2012 \$ '000
Assets					
Current assets					
Cash and cash equivalents	6	108,033	82,880	80,748	72,025
Receivables	7	20,064	16,916	22,579	16,932
Total current assets		128,097	99,796	103,327	88,957
Non-current assets					
Receivables	7	27,362	25,533	24,528	24,054
Financial assets at fair value	8	151,644	122,249	144,025	130,651
Property, plant and equipment	9				
Land and buildings		13,496	16,605	13,860	16,650
Plant and equipment		5,688	3,136	6,392	9,248
Total property, plant and equipment		19,184	19,741	20,252	25,898
Intangible assets	10	3,993	6,207	4,476	6,140
Total non-current assets		202,183	173,730	193,281	186,743
Total assets		330,280	273,526	296,608	275,700
Liabilities					
Current liabilities					
Payables	12	15,518	9,856	13,445	12,951
Provisions	13	46,209	57,457	43,742	48,269
Other	14	17,643	14,842	14,755	16,814
Total current liabilities		79,370	82,155	71,942	78,034
Non-current liabilities					
Payables	12	67,969	41,589	45,917	32,001
Provisions	13	127,762	151,116	133,530	176,364
Other	14	131,617	113,992	126,567	128,857
Total non-current liabilities		327,348	306,697	306,014	337,222
Total liabilities		406,718	388,852	377,956	415,256
Net assets		(76,438)	(115,326)	(81,348)	(139,556)
Equity					
Reserves		13,972	16,483	14,028	16,482
Accumulated funds		(90,410)	(131,809)	(95,376)	(156,038)
Total equity		(76,438)	(115,326)	(81,348)	(139,556)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Statement of Changes in Equity for the year ended 30 June 2014

Notes	Accumulated funds \$ '000	Asset Revaluation reserve \$ '000	Total \$ '000
Balance at 1 July 2013	(78,130)	14,028	(64,102)
Changes in accounting policy	(17,246)	-	(17,246)
Restated total equity at 1 July 2013	(95,376)	14,028	(81,348)
Net result for the year	4,966	-	4,966
Net decrease in property, plant and equipment	-	(56)	(56)
Total other comprehensive income	-	(56)	(56)
Total comprehensive income for the year	4,966	(56)	4,910
Transactions with owners in their capacity as owners	-	-	-
Balance at 30 June 2014	(90,410)	13,972	(76,438)
Balance at 1 July 2012	(132,797)	16,482	(116,315)
Changes in accounting policy	(23,241)	-	(23,241)
Restated total equity at 1 July 2012	(156,038)	16,482	(139,556)
Net result for the year	59,672	-	59,672
Net decrease in property, plant and equipment	-	(2,454)	(2,454)
Total other comprehensive income	-	(2,454)	(2,454)
Total comprehensive income for the year	59,672	(2,454)	57,218
Transactions with owners in their capacity as owners	990	-	990
Balance at 30 June 2013	(95,376)	14,028	(81,348)

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Statement of Cash Flows for the year ended 30 June 2014

	Notes	Actual 2014 \$ '000	Budget 2014 \$ '000	Actual 2013 \$ '000
Cash flows from operating activities				
Payments				
Personnel services		(132,964)	(143,180)	(142,315)
Grants and subsidies		(158)	(6,300)	(2,734)
Other		(149,903)	(179,110)	(116,527)
Total payments		(283,025)	(328,590)	(261,576)
Receipts				
Sale of goods and services		14,789	17,357	5,780
Retained taxes, fees and fines		261,984	297,500	244,265
Interest received		13,556	2,633	2,257
Other		23,910	12,475	18,974
Total receipts		314,239	329,965	271,276
Net cash flows from operating activities	15	31,214	1,375	9,700
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		12	-	22
Purchases of property, plant and equipment		(1,573)	(11,000)	(1,769)
Purchases of investments		(2,856)	-	-
Proceeds from sale of investments		488	13,189	6,000
Net cash flows from investing activities		(3,929)	2,189	4,253
Net increase in cash		27,285	3,564	13,953
Opening cash and cash equivalents		80,748	79,316	65,688
Cash transferred in as a result of administrative restructure		-	-	1,107
Closing cash and cash equivalents	6	108,033	82,880	80,748

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies

a. Reporting entity

The WorkCover Authority of NSW is a NSW government entity. The WorkCover Authority is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

Under the *Safety Return to Work and Support Board Act 2012*, the SRWS Board determines WorkCover's general policies and strategic direction. Additionally it oversees WorkCover's performance including ensuring that its activities are carried out properly/efficiently and provides advice to the Minister/CEO on WorkCover. Additionally the Chief Executive Officer of the Safety Return to Work and Support is the Chief Executive Officer of the WorkCover Authority of NSW.

These financial statements for the year ended 30 June 2014 have been authorised for issued by the Chief Executive Officer on 16 September 2014.

b. Constitution and functions of the WorkCover Authority

The WorkCover Authority is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. WorkCover has responsibility for the direction, control and management of a range of funds as outlined in Note 19. A reference in these financial statements to WorkCover refers to all of those funds.

c. Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, and
- the Financial Reporting Directions published in the Financial Reporting Code for General Government Sector Entities or issued by the Treasurer.

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

d. Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

e. Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit general government sector entities.

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. (Refer to Note 14)

f. Insurance

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

g. Accounting for the Goods and Services Tax (GST)

Income, 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 statement of financial position.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

h. 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. Retained Taxes and Fines

Retained Taxes

Retained taxes (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 specialised 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.

Contributions to the Supplementary Sporting Injuries Benefits Scheme (SSIBS) are met by NSW Treasury pursuant to notices served under Section 11B(2) of the *Sporting Injuries Insurance Act 1978*. Pending recoupment from NSW Treasury, the Act provides for the use of funds from the Sporting Injuries Insurance Scheme which is repayable with interest.

Injury Prevention Levies are paid by sporting organisations that have applied for, and been granted, under the *Sporting Injuries Insurance Act 1978* an insurance exemption for a private scheme rather than participate in the Sporting Injuries Insurance Scheme. An annual levy is paid for the insurance exemption and the revenue from all such levies is used to fund the sports injury prevention and reduction programs.

Fines

Worker Health Safety (WHS) prosecution fines are issued by the Industrial Relations Commission and the Chief Industrial Magistrates Court but are collected by the Office of State Revenue once the matter has been referred by the Courts to them. Infringement notices are issued by WorkCover and collected by the Office of State Revenue.

WorkCover recognises the WHS prosecution fines after the appeal period has finished and infringement notices upon receipt from the Office of State Revenue.

ii. Sale of goods

Revenue from the sale of goods is recognised as revenue when the entity transfers the significant risks and rewards of ownership of the assets.

iii. Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date). Specific items included under fees for services are:

- Premium Income comprise amounts charged to sporting organisations declared to be members of the Sporting Injuries Insurance Scheme. Premiums are assessed on an estimate of the number of participants expected to register for the sporting period and on completion of that period adjustments are made in accordance with actual registrations. Premium income is treated as earned from the date of attachment of risk. The earned portion of premiums received or receivable relating to the financial year is recognised as revenue.

iv. Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

v. Other gains/(losses)

Gains represent other items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of WorkCover. Gains represent increases in economic benefits and as such are no different in nature from revenue. Gains include, for example, those arising on the disposal of non-current assets.

Losses are the opposite of gains which represent decreases in economic benefits and as such are no different in nature from expenses.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

i. Assets

i. Acquisition of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash and 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 price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, the cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted at an asset-specific rate.

ii. Capitalisation thresholds

The capitalisation threshold for property, plant and equipment is \$5,000 and above individually (or forming part of a network costing more than \$5,000) while that for intangible assets is \$100,000 and above (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 14-01). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

Property, plant and equipment is measured as the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property, plant and equipment is based on a market participants' perspective using valuation techniques (market approach, cost approach, income approach) that maximises relevant observable inputs and minimise unobservable inputs. Also refer Note 9 and Note 11 for further information regarding fair value.

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 in the class does not differ materially from its fair value at reporting date. Details of the latest revaluation are given in Note 9.

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

When revaluing non-current assets using the cost approach, the gross amount and the restated accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, 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 net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited directly to the 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 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, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

i. 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:

Categories	2013-14
	%
Buildings	3.0-7.0
Furniture and fittings	10
Library	10
Scientific equipment	4.0-50.0
Technical equipment	4.0-20.0
Office machines and equipment	20.0-100.0
Computer hardware	20.0-33.3

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

vi. Restoration costs

The estimated cost of dismantling and removing an asset and restoring the office sites is included in the cost of an asset, to the extent it is recognised as a liability.

vii. 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.

viii. 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 assets, 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. The corresponding liability is established at the same amount. 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.

ix. Intangible assets

WorkCover recognises intangible assets only if it is probable that 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 at the date of acquisition.

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

Intangible assets are software and recorded at cost less accumulated amortisation and impairments, if any. Amortisation has not been charged against assets that are still at work-in-progress (WIP) status because they are not ready for utilisation.

The useful lives of intangible assets are assessed to be finite.

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:

Categories	2013-14
	%
Computer Software	7.70-33.0

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 recoverable amount and the reduction is recognised as an impairment loss.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

i. Assets (continued)

x. Receivables

Receivables comprise 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 net result 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.

xi. Investments

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

Fair value through profit or loss - WorkCover subsequently measures investments classified as "held for trading" or designated upon initial recognition "at fair value through profit or loss" at fair value. Financial assets are classified as "held for trading" if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading. Gains or losses on these assets are recognised in the net result 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 WorkCover's key management personnel.

WorkCover seeks to manage exposure to investment risk so that it can generate sufficient returns to meet the current and future liabilities of the Sporting Injuries and Insurers' Guarantee Funds and mitigate the risk that the assets will be insufficient to meet their liabilities. Designation of investments at fair value through profit or loss is consistent with this risk management strategy as it allows for these investments to be recorded at fair value and for any gains or losses in the movement in their fair value to be recognised in the net result for the year.

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'.

The fair value of investments that are traded at fair value in an active market is determined by reference to quoted current bid prices at the close of business on the statement of financial position date.

xii. Impairment of financial assets

All financial assets, except those measured at fair value through profit or 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.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence. However, reversals of impairment losses on an investment in an equity instrument classified as 'available-for-sale' must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

xiii. Derecognition of financial assets and financial liabilities

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

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

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

j. Liabilities

i. Payables

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

ii. Personnel services and other provisions

WorkCover received personnel services from the Safety, Return to Work and Support Division (SRWSD) up until 23 February 2014. Under the Administrative Arrangements Order 2014 SRWSD was abolished from 23 February 2014 and all staff transferred to the Office of Finance and Services (OFS). From 24 February 2014 OFS has been responsible for providing staff to WorkCover.

a. Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by NSW Treasury has confirmed that the nominal value of annual leave increased to reflect the annual leave accrued whilst on annual leave (calculated as 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. WorkCover has assessed the actuarial advice based on its circumstances and has determined that the effect of discounting is immaterial on its annual leave liability and will measure annual leave at its nominal value increased by 7.9% to reflect the value of annual leave accrued whilst on annual leave.

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.

b. Long service leave and superannuation

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

The liability for long service leave is recognised in the provision for personnel services and measured as the present value of expected future payments to be made in respect of personnel services received up to the reporting date. Consideration is given to salary levels, long service leave balance, assumed rates of taking leave in service, rates of death, disablement, retirement, and resignation, and rates of salary escalation.

Expected future payments (over twelve months) are discounted using markets yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The calculation is performed by a qualified actuary. The discount rate used is 3.50% (2013: 3.75%).

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.

c. Consequential on-costs

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

iii. Restoration provision (building leases)

Restoration provision is recognised for the estimate of future payments for restoration upon the termination of the leases of the current office premises.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

k. Fair value hierarchy

A number of WorkCover's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, WorkCover categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets/liabilities that WorkCover can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

WorkCover recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to Note 11 and Note 21 for further disclosures regarding fair value measurements of financial and non-financial assets.

l. 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 in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for the majority of WorkCover's compensation schemes to determine the central estimate of that liability which is brought to account.

However, the Sporting Injuries Insurance Scheme is valued in accordance with AASB 1023: *General Insurance Contracts* and has a risk margin applied to the net central estimate to bring the liability for this Scheme up to an acceptable level of probability of adequacy of 75%. The 75% level of probability of adequacy is in compliance with the Australian Prudential Regulation Authority's prudential standard GPS 310 for commercial insurers.

m. 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 and the prevention of serious sporting injuries. 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.

n. Other expenses

Other expenses include the cost of funding the Workers Compensation Commission and the WorkCover Independent Review Officer.

Workers Compensation Commission

The Workers Compensation Commission was constituted on 1 January 2002 pursuant to the *Workplace Injury Management and Workers Compensation Act 1998*. The WorkCover Authority is responsible for funding the Commission and has to provide to the Commission:

- a. facilities (including registry facilities), and
- 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.

WorkCover Independent Review Officer

The WorkCover Independent Review Officer (WIRO) was established on 1 September 2012 pursuant to the *Workplace Injury Management and Workers Compensation Act 1998* and commenced operations on 1 October 2012. The functions of WIRO are:

- To deal with complaints made to the Independent Review Officer under Division 2 of Schedule 10 of the *Workers Compensation Legislation Amendment Act 2012 No. 53*
- To review work capacity decisions of insurers under Division 2 (Weekly compensation by way of income support) of Part 3 of the 1987 Act
- To inquire into and report to the Minister on such matters arising in connection with the operation of the Workers Compensation Acts as the Independent Review Officer considers appropriate or as may be referred to the Independent Review Officer for inquiry and report by the Minister.
- To encourage the establishment by insurers and employers of complaint resolution processes for complaints arising under the Workers Compensation Acts
- Such other functions as may be conferred on the Independent Review Officer by or under the Workers Compensation Acts or any other Act.

The WorkCover Authority Fund is responsible for funding the remuneration of the WorkCover Independent Review Officer and staff of the WorkCover Independent Review Officer and costs incurred in connection with the exercise of the functions of the WorkCover Independent Review Officer.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

n. Other expenses (continued)

Independent Legal Assistance and Review Service (ILARS)

The Minister established the Independent Legal Assistance and Review Service (ILARS) to facilitate the provision of legal services at no cost to injured workers, in respect to their claims for compensation.

ILARS considers the merits of any application for legal assistance in deciding to provide funding. If legal assistance is approved ILARS will make a determination as to an appropriate level of funding that will be provided for the legal assistance.

The legal service providers submit invoices for their costs and expenses at certain times during the course of a claim. The costs incurred by ILARS are recognised upon submission of the invoice.

WorkCover has delegated this function to WIRO to administer.

o. Equity and reserves

i. Accumulated funds

The category 'Accumulated funds' includes all current and prior period retained funds.

ii. Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with WorkCover's policy on the revaluation of property, plant and equipment as discussed in note 1(i)(iii).

p. Budgeted amount

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period, as adjusted for section 24 of the PFAA where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

q. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative data has been reclassified when necessary to enhance comparability in respect of changes in the current year.

r. Application of new and revised Accounting Standards

- i. Except for the changes described below, WorkCover has consistently applied the accounting policies set out at Note 1 to all periods presented in these financial statements.

AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119.

The Office of Finance and Services which provides personnel services to Workcover, has adopted the revised AASB 119 *Employee Benefits* with an application date of 1 July 2013.

The superannuation payable to OFS provision in Workcover's Statement of Financial position has been restated for prior years. This adjustment reflects a change in value of the superannuation payable to OFS provision as a result of retrospective changes to accounting for defined benefit plans under AASB 119 *Employee Benefits* (applicable from 1 July 2013) by OFS. The impact of the restatement of prior year superannuation payable to OFS and personnel Service Expense, as well as the impact of the change in accounting standard on current year are summarised below.

Impact on total comprehensive income for the year ended 30 June 2013 as a result of AASB 119

	30 June 2013 previously reported \$'000	30 June 2013 adjustments \$'000	30 June 2013 as restated \$'000
Expenses excluding losses			
Personnel Services	103,933	(5,801)	98,132
Other Expenses	36,329	(194)	36,135
Total expenses excluding losses	140,262	(5,995)	134,267
Net result	53,677	5,995	59,672
Total comprehensive income	51,223	5,995	57,218

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

r. Application of new and revised Accounting Standards (continued)

Impact on total comprehensive income for the year ended 30 June 2014 as a result of AASB 119

	Adjustments \$'000
Expenses excluding losses	
Personnel Services	(775)
Other Expenses	(119)
Total expenses excluding losses	(894)
Net result	894
Total comprehensive income	894

Impact on assets, liabilities and equity as at 1 July 2012 as a result of AASB 119

	As at 1 July 2012 as previously reported \$'000	Adjustments \$'000	As at 1 July 2012 as restated \$'000
Non-current liabilities			
Payables	31,217	784	32,001
Provisions	153,907	22,457	176,364
Total non-current liabilities	313,981	23,241	337,222
Total liabilities	392,015	23,241	415,256
Net assets	(116,315)	(23,241)	(139,556)
Equity			
Accumulated funds	(132,797)	(23,241)	(156,038)
Total equity	(116,315)	(23,241)	(139,556)

Impact on assets, liabilities and equity as at 30 June 2013 as a result of AASB 119

	As at 30 June 2013 as previously reported \$'000	Adjustments \$'000	As at 30 June 2013 as restated \$'000
Non-current liabilities			
Payables	45,327	590	45,917
Provisions	116,874	16,656	133,530
Total non-current liabilities	288,768	17,246	306,014
Total liabilities	360,710	17,246	377,956
Net assets	(64,102)	(17,246)	(81,348)
Equity			
Accumulated funds	(78,130)	(17,246)	(95,376)
Total equity	(64,102)	(17,246)	(81,348)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

1. Summary of Significant Accounting Policies (continued)

r. Application of new and revised Accounting Standards (continued)

Impact on assets, liabilities and equity as at 30 June 2014 as a result of AASB 119

	Adjustments \$'000
Non-current liabilities	
Payables	471
Provisions	15,881
Total non-current liabilities	16,352
Total liabilities	16,352
Net assets	(16,352)
Equity	
Accumulated funds	(16,352)
Total equity	(16,352)

ii. Application of new and revised Accounting Standards issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Australian Accounting Standards have not been applied and are not yet effective. These new Standards will not have any direct impact on the financial performance or position of WorkCover.

- AASB 9 Financial Instruments
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transitional Disclosures.
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

s. Deficiencies in Net assets

The Statement of Financial Position shows a deficiency of \$60.1m for Net Assets. The Chief Executive Officer and the Board of Directors have 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.

2. Expenses Excluding Losses

	2014 \$'000	2013 \$'000
a. Personnel services		
Salaries and wages (including recreation leave)	106,567	112,178
Superannuation – defined contribution plans	7,806	7,543
Superannuation – defined benefit plans (including actuarial (gains)/losses)	(3,075)	(36,773)
Long service leave	5,658	1,709
Workers' compensation insurance	1,783	1,891
Payroll tax and fringe benefit tax	7,250	7,611
Agency short-term staff	3,088	3,973
	129,077	98,132

Included in the superannuation expense item is an actuarial assessed superannuation gain of \$5.5m (gain of \$39.7m- 2013).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

2. Expenses Excluding Losses (continued)

	2014 \$'000	2013 \$'000
b. Other operating expenses include the following:		
Auditor's remuneration		
audit of the financial statements	247	229
internal audit and reviews	307	377
Operating lease rental expense		
minimum lease payments	9,314	9,505
other related expenses	3,358	3,682
Maintenance	6,496	7,153
Insurance	112	146
Fees	9,686	9,129
Advertising, promotion and publicity	810	607
Board and committee fees	690	652
Contributions to external organisations (mainly Safe Work Australia)	3,342	3,197
Compensation court	1,163	(930)
Consultants - actuarial fees	687	1,006
Consultants - other	862	804
Contractors	5,346	5,685
Travel and vehicle expenses	4,223	4,327
Communication expenses	1,709	1,716
Printing	1,651	1,657
Rebates	18,287	200
Stores	1,442	1,196
Training	1,105	976
Legal aid and rehabilitation	1,560	1,671
Bad debts	311	82
Other miscellaneous	2,785	2,701
	75,493	55,768

Payments to Board members are made in accordance with Premier's Guidelines and cover the Safety, Return to Work and Support Board.

c. Depreciation and amortisation expense

Depreciation		
Buildings	308	248
Leasehold improvements and restoration	770	1,219
Office machines and equipment	53	34
Furniture and fittings (incl. Library)	36	2
Computer hardware	893	1,019
Scientific and technical equipment	110	371
Motor vehicles	-	1
	2,170	2,894
Amortisation		
Computer software developed	444	1,441
Computer software purchased	284	670
	728	2,111
Total Depreciation and Amortisation	2,898	5,005

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

2. Expenses Excluding Losses (continued)

	2014 \$'000	2013 \$'000
d. Grants and subsidies		
Injury prevention, education and research grants	100	5
WorkCover Assistance	(2)	2,463
Research – Sporting Injuries Scheme	60	106
Other	-	160
	158	2,734
e. Finance costs		
Unwinding of discount rate – Judges pension	600	500
Unwinding of discount rate – Claims	3,415	3,906
	4,015	4,406
f. Other expenses		
Net claims incurred (excluding Finance costs)	15,604	925
Workers Compensation Commission	31,626	31,134
WorkCover Independent Review Officer	25,750	4,076
	72,980	36,135
Net claims Incurred		
Finance costs – Claims (Note 2(e))	3,415	3,906
Net claims incurred (excluding Finance costs) (Note 2(f))	15,604	925
	19,019	4,831

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

	Claims Paid 2014 \$'000	Finance Costs 2014 \$'000	Movement in claims liability 2014 \$'000	Net claims incurred 2014 \$'000	2013 \$'000
Insurers' Guarantee Fund	4,780	2,656	146	7,582	538
Bush Fire Fighters Compensation Fund	2,999	416	1,715	5,130	3,770
Emergency and Rescue Workers Compensation Fund	3,217	279	2,114	5,610	616
Sporting Injuries Insurance Scheme	85	64	480	629	(6)
Supplementary Sporting Injuries Benefit scheme	-	-	68	68	(87)
	11,081	3,415	4,523	19,019	4,831

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

2. Expenses Excluding Losses (continued)

f. Other expenses (continued)

Details of expenses incurred by the Workers Compensation Commission are:

	2014 \$'000	2013 \$'000
Personnel Services		
Salaries and allowances (including recreation leave)	11,042	11,885
Other	1,736	1,344
Total personnel service costs	12,778	13,229
Other operating expenses		
Operating lease rental expenses	1,631	1,726
Consultants	10	-
Contractors	-	5
Payments to arbitrators	3,537	2,381
Payments to approved medical specialists (AMS)	6,893	7,315
Payments for Medical Appeals panels	1,210	1,349
Payments for mediators	1,145	1,132
Arbitrators and AMS superannuation payments	1,199	916
Other	3,074	3,012
Total other operating expenses	18,699	17,836
Depreciation and amortisation	149	69
Total Workers Compensation Commission	31,626	31,134

Details of expenses incurred by the WorkCover Independent Review Officer are:

Personnel Services		
Salaries and allowances (including recreation leave)	3,155	1,058
Other	1,489	1,321
Total personnel service costs	4,644	2,379
Other operating expenses		
Operating lease rental expenses	272	42
Consultants	13	18
Contractors	131	19
ILARS	19,832	929
Other	857	689
Total other operating expenses	21,105	1,697
Total WorkCover Independent Review Officer	25,749	4,076

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

3. Revenue

	2014 \$'000	2013 \$'000
a. Retained taxes, fees and fines		
Retained taxes		
WorkCover Authority Fund		
Nominal Insurer, self and specialised insurers	230,413	217,059
Insurers' Guarantee Fund	(20,082)	(14,935)
Bush Fire Fighters Compensation Fund	5,710	4,193
Emergency and Rescue Workers Compensation Fund	6,399	1,280
Supplementary Sporting Injuries Fund	136	13
Injury prevention levies	57	52
	222,633	207,662
Fees		
Certificates of competency	5,900	5,096
Registration of plant	1,482	1,094
Demolition and pest control licences	612	509
Construction Induction Training	1,499	1,435
Dangerous goods licensing activities	2,548	2,602
Asbestos licences and removal permits	575	590
Accreditation	221	552
Other	41	113
	12,878	11,991
Fines		
WHS prosecution fines	1,244	4,054
Professional costs recoveries	1,936	2,502
Workers compensation S156 recoveries	1,349	3,359
Infringement notices	132	212
	4,661	10,127
Total Retained taxes, fees and fines	240,172	229,780
b. Investment revenue		
Interest revenue from financial assets not at fair value through profit or loss	3,452	2,257
TCorp Hour-Glass investment facilities designated at fair value through profit or loss	15,355	17,186
	18,807	19,443
c. Sale of goods and services		
Testsafe Australia testing fees	3,498	3,461
Biological monitoring	1,108	1,296
Consultancy and training	98	175
Premium Income (Sporting Injuries Insurance Scheme)	755	656
Fees for Services rendered to other Agencies	8,903	8,400
Other	139	135
	14,501	14,123

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

3. Revenue (continued)

	2014 \$'000	2013 \$'000
d. Other revenue		
Distribution from liquidator – IGF	13,625	21
Other	3,048	1,285
	16,673	1,306

4. Loss on disposal

Net gain/(loss) on disposal of property, plant and equipment and intangibles	(5)	(1,777)
	(5)	(1,777)

5. Other losses

Allowance for impairment of receivables	(561)	(1,023)
	(561)	(1,023)

6. Current assets – cash and cash equivalents

Cash at bank and on hand	90,414	8,393
Short-term deposits:		
TCorp Hour-Glass investment – Cash facility	17,619	72,355
	108,033	80,748

For the purposes of the Statement of cash flows, cash and cash equivalents includes cash at bank and on hand and highly liquid investments.

Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

Cash and cash equivalent assets (per Statement of financial position)	108,033	80,748
Closing cash and cash equivalents (per Statement of cash flows)	108,033	80,748

Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

7. Current/Non-Current Assets - Receivables

	2014 \$'000	2013 \$'000
Current		
Receivables	22,359	26,124
Less allowance for impairment	(3,757)	(4,138)
Prepayments	1,462	593
	20,064	22,579
Non Current		
Receivables	26,637	24,528
Prepayments	725	-
	27,362	24,528
Total Receivables	47,426	47,107
Movement in the allowance for impairment		
Balance at 1 July	(4,138)	(4,274)
Amounts written off during year	942	1,159
Amounts recovered during the year	-	-
(Increase)/decrease in allowance recognised in profit or loss	(561)	(1,023)
Balance at 30 June	(3,757)	(4,138)

Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

8. Non-Current Assets - Financial Assets at Fair Value

TCorp investments:		
Hour-Glass investment - Medium and long-term growth facility	151,644	144,025
	151,644	144,025

These assets relate to the Insurers' Guarantee Fund or the Sporting Injuries Fund and their availability for use by the WorkCover is "restricted". They can only be used for purposes set out in the legislation that established those funds. Note 19 provides more details on this.

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.

Refer to Note 21 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

9. Non-current assets – property, plant and equipment

	At 1 July 2013 – fair value			At 30 June 2014 – fair value		
	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000	Gross carrying amount \$'000	Accumulated depreciation and impairment \$'000	Net carrying amount \$'000
Land and Buildings	14,140	(280)	13,860	14,090	(594)	13,496
Leasehold improvements and restoration	32,260	(29,309)	2,951	32,200	(29,969)	2,231
Office machines and equipment	561	(502)	59	608	(520)	88
Furniture and fittings (incl. Library)	202	(45)	157	202	(81)	121
Computer hardware	8,202	(6,027)	2,175	7,339	(5,707)	1,632
Scientific and technical equipment	1,078	(28)	1,050	1,153	(137)	1,016
Motor vehicles	208	(208)	-	208	(208)	-
Work in progress	-	-	-	600	-	600
Total	56,651	(36,399)	20,252	56,400	(37,216)	19,184

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Net carrying amount at start of financial year \$'000	Additions and transfers \$'000	Disposals \$'000	Write-back of depreciation on disposal \$'000	Net revaluation movement \$'000	Depreciation expense \$'000	Net carrying amount at end of financial year \$'000
Land and Buildings	13,860	-	-	-	(56)	(308)	13,496
Leasehold improvements and restoration	2,951	50	(110)	110	-	(770)	2,231
Office machines and equipment	59	82	(35)	35	-	(53)	88
Furniture and fittings (incl. Library)	157	-	-	-	-	(36)	121
Computer hardware	2,175	367	(1,230)	1,213	-	(893)	1,632
Scientific and technical equipment	1,050	76	-	-	-	(110)	1,016
Work in progress	-	600	-	-	-	-	600
Total	20,252	1,175	(1,375)	1,358	(56)	(2,170)	19,184

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 11.

- 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 and scientific and technical equipment were re-valued in 2013. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 30 June 2013 were carried out by:

Land and buildings	Nicholas Brady AAPI – Hymans Asset Management
Scientific and technical equipment	Nirav Shah – Hymans Asset Management

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

10. Intangible Assets

	Internally generated computer software \$'000	Computer Software purchased \$'000	Software WIP \$'000	Total \$'000
At 1 July 2013 – fair value				
Cost (gross carrying amount)	21,613	3,792	1,728	27,133
Accumulated amortisation and impairment	(19,793)	(2,864)	-	(22,657)
Net carrying amount	1,820	928	1,728	4,476
At 30 June 2014 – fair value				
Cost (gross carrying amount)	20,780	3,792	1,973	26,545
Accumulated amortisation and impairment	(19,382)	(3,170)	-	(22,552)
Net carrying amount	1,398	622	1,973	3,993

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the current reporting period is set out below:

Net carrying amount at start of financial year	1,820	928	1,728	4,476
Additions/Transfers	22	(22)	245	245
Disposals	(833)	-	-	(833)
Write back of amortisation on disposal	833	-	-	833
Amortisation expense	(444)	(284)	-	(728)
Net carrying amount at end of financial year	1,398	622	1,973	3,993

At 1 July 2012 – fair value

Cost (gross carrying amount)	31,444	6,312	1,546	39,302
Accumulated amortisation and impairment	(30,011)	(3,151)	-	(33,162)
Net carrying amount	1,433	3,161	1,546	6,140

At 30 June 2013 – fair value

Cost (gross carrying amount)	21,613	3,792	1,728	27,133
Accumulated amortisation and impairment	(19,793)	(2,864)	-	(22,657)
Net carrying amount	1,820	928	1,728	4,476

Reconciliation

A reconciliation of the carrying amount of each class of intangible assets at the beginning and end of the prior reporting period is set out below:

Net carrying amount at start of financial year	1,433	3,161	1,546	6,140
Additions/Transfers	1,828	(1,563)	1,270	1,535
Disposals	(13,218)	(957)	(1,088)	(15,263)
Write back of amortisation on disposal	13,218	957	-	14,175
Amortisation expense	(1,441)	(670)	-	(2,111)
Net carrying amount at end of financial year	1,820	928	1,728	4,476

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

11. Fair value measurement of non-financial assets

a. Fair value hierarchy

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair value \$'000
Property, plant and equipment (Note 9)				
Land and buildings	-	13,496	-	13,496
	-	13,496	-	13,496

There were no transfers between Level 1 or 2 during the period.

Valuation techniques, inputs and processes

Land and buildings are measured using the market approach. The valuation model is based on market data of similar assets.

All of WorkCover's other assets are non specialised and are measured using the market approach. NSW Treasury Policy paper 14-01 *Valuation of Physical Non-Current Assets at Fair Value* allows non-specialised assets with short useful lives to be recognised at depreciated historical cost as a surrogate for fair value. Depreciated historical cost is an appropriate surrogate for fair value because any difference between fair value and depreciated historical cost is unlikely to be material and the benefit of ascertaining a more accurate fair value does not justify the additional cost of obtaining it.

NSW Treasury have advised that assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13 *Fair Value Measurement*.

12. Current/Non current liabilities - Payables

	2014 \$'000	2013 \$'000
Current		
Accrued salaries, wages and on-costs (Refer Note 13)	3,628	4,564
Creditors	11,427	8,435
Premium Income received in advance	435	418
Premium Liability deficiency	-	-
Injury Prevention Levies Income received in advance	28	28
	15,518	13,445
Non Current		
Creditors	67,241	45,917
Income received in advance	728	-
	67,969	45,917
Total payables	83,487	59,362

Details regarding credit risk, liquidity risk, and market risk, including a maturity analysis of the above payables are disclosed in Note 21.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

12. Current/Non Current Liabilities - Payables (continued)

a. Sporting Injuries Insurance Scheme Premium liability deficiency reserve

	2014 \$'000	2013 \$'000
Unexpired risk liability as at 1 July	-	-
Movement in the unexpired risk liability recognised in the Statement of Comprehensive Income	-	-
Premium liability deficiency reserve as at 30 June	-	-

b. Calculation of Premium liability deficiency

Unearned premium liability relating to contracts issued under the Sporting Injuries Insurance Scheme (A)	435	418
Central estimate of the present value of expected future cash flows arising from future claims issued under the Sporting Injuries Insurance Scheme	261	262
Risk Margin (75% Probability of Sufficiency)	131	131
(B)	392	393
Deficiency (B)-(A) (zero minimum)	-	-

The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in Note 14(f). As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

13. Current/non-current liabilities – provisions

Current

Personnel services and related on-costs		
Annual leave entitlements including oncosts	10,945	10,411
Long service leave entitlements including oncosts	33,184	31,291
Other		
Compensation Court Judges pension	2,080	2,040
	46,209	43,742

Non-current

Long service leave entitlements including oncosts	1,594	1,437
Superannuation payable to OFS	110,981	116,516
Compensation Court Judges pension	13,460	13,900
Restoration costs – Leased buildings	1,727	1,677
	127,762	133,530
Total provisions	173,971	177,272

Aggregate employee benefits and related on-costs

Provisions – current	44,129	41,702
Provisions – non-current	112,575	117,953
Accrued salaries, wages and on-costs (Note 12)	3,628	4,564
	160,332	164,219

Provisions include amounts due to the Office of Financial Services (OFS) for staff entitlements for leave and associated on-costs and superannuation. (Refer Note 1(j)(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 the liability for at least 12 months after the reporting date. The entitlement to long service leave once 7 years service has been reached by OFS employees is unconditional and accordingly all of this leave and associated on-costs have been classified as current. Long service leave is recognised after 5 years and as the taking of this leave is conditional until 7 years service is reached this leave and associated on-costs have been classified as non-current.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

13. Current/non-current liabilities - provisions (continued)

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

	2014 \$'000	2013 \$'000
Expected to be settled no more than twelve months		
Annual leave and related on-costs	10,945	10,411
Long service leave and related on-costs	3,953	5,949
	14,898	16,360
Expected to be settled after more than twelve months		
Long service leave and related on-costs	29,231	25,342

Movements in the provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Judges pension \$'000	Restoration on leased premises \$'000	Total \$'000
2014			
Carrying amount at the beginning of financial year	15,940	1,677	17,617
Amount used	(2,000)	-	(2,000)
Unwinding/change in the discount rate	600	-	600
Change in discount rate	200	-	200
Additional provisions recognised	-	50	50
Changes in other actuarial assumptions	800	-	800
Carrying amount at end of financial year	15,540	1,727	17,267

Judges Pensions

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.

As WorkCover was responsible for funding the costs of the former Compensation Court it became responsible for funding the pension costs of retired judges of the former Compensation Court.

The key economic assumptions used in the valuation of the Judges Pension are:

	2014 %	2013 %
Discount Rate	3.50	3.75
Future salary growth	3.00	3.00

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

14. Current/Non-current liabilities – Other (Outstanding claims)

a. Details of the nature of outstanding claims are provided in Note 19.

The liability brought to account is the amount recommended by consulting actuaries determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* for all schemes except for the Sporting injuries Insurance Scheme which is determined in accordance with AASB 1023 *General Insurance Contracts* and has a risk margin applied. Statutory provisions provides assurances for the funding of the total liability.

The dissection of the total liability by Scheme is:

	2014 \$'000	2013 \$'000
Bush Fire Fighters Compensation Fund	19,760	17,629
Emergency and Rescue Workers Compensation Fund	15,193	12,800
Insurer's Guarantee Fund comprising:		
Non HIH	86,147	83,096
HIH Insurance Co. Ltd.	25,252	25,501
Total Insurer's Guarantee Fund	111,399	108,597
Supplementary Sporting Injuries Benefit Scheme	632	564
Total outstanding claims valued under AASB 137	146,984	139,590
Sporting Injuries Insurance Scheme	2,276	1,732
Total outstanding claims valued under AASB 1023	2,276	1,732
Total outstanding claims	149,260	141,322
Expected future claims payments	204,057	202,585
Claims handling expenses	48,429	49,018
Discount to present value	(103,226)	(110,281)
Liability for outstanding claims	149,260	141,322
Current	17,643	14,755
Non-current	131,617	126,567
Liability for outstanding claims	149,260	141,322
Outstanding claims valued in accordance with AASB 137		
Carrying amount at start of year	139,590	145,671
Amounts used	(10,996)	(11,567)
Finance cost- unwinding of the discount rate	3,351	3,838
Change in discount rate	6,278	(11,617)
Increase/(Decrease) in amounts provided	8,761	13,265
Carrying amount at end of year	146,984	139,590
Outstanding claims valued in accordance with AASB 1023		
Sporting Injuries Insurance Scheme		
Central Estimate	1,552	1,053
Claims handling costs	310	274
Risk margin	557	493
Outstanding claims liability- undiscounted	2,419	1,820
Discount to present value	(143)	(88)
Liability for Outstanding Claims discounted	2,276	1,732

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

14. Current/Non-current liabilities – Other (Outstanding claims) (continued)

b. The weighted average expected term to settlement for the reporting date of the outstanding claims for each scheme is:

	2014 Years	2013 Years
Bush Fire Fighters Compensation Fund	7.4	7.7
Emergency and Rescue Workers Compensation Fund	5.5	4.1
Insurer's Guarantee Fund	11.6	11.6
Sporting Injuries Insurance Scheme	2.0	2.0
Supplementary Sporting Injuries Benefit Scheme	2.0	2.0

c. The following average inflation and discount rates were used in measuring the liability for outstanding claims expected to be paid not later than one year:

	2014 %	2013 %
Inflation rate	3.50	3.50
Discount rate	2.47-2.8	2.54-2.8

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

	2014	2013
Inflation rate	2.63-3.5	3.06-3.5
Discount rate	2.62-5.03	2.61-5.41

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:

- The actual model and method may not exactly match the claims process.
- Past claim fluctuations may create uncertainty in the estimated model parameters.
- Undetected errors in the data may result in errors in the model parameters.
- Future economic and environmental conditions may be different to those assumed.
- Future claims fluctuations result in uncertainty of the projected liability, even if the model and its parameters were perfect.

f. Risk margin – Sporting Injuries Insurance Scheme

The overall risk margin was determined allowing for the relative uncertainty of the outstanding claims estimate. Uncertainty was analysed using stochastic modelling and also taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, the underlying characteristics of business written and the impact of legislative reform.

The estimate of uncertainty is greater for long tailed classes when compared to short tailed classes due to the longer time until settlement of the outstanding claims.

The assumptions regarding uncertainty were applied to the central estimates of the liability for the Sporting Injuries Insurance Scheme only and are intended to result in a 75% probability of adequacy.

	2014 %	2013 %
Risk margin applied	30.0	37.0

Risk margin – Insurers' Guarantee Fund

If the Insurers' Guarantee Fund was an insurer (which it is not), then under Australian Accounting Standard AASB 1023 it would be required to add a risk margin to its liabilities. Based on the minimum level required by APRA of a 75% probability of Sufficiency this would result in the IGF liabilities increasing by \$46.788m and reduce its current overfunded position to \$7.939m.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

14. Current/Non-current liabilities – Other (Outstanding claims) (continued)

g. Reconciliation of movement in discounted outstanding claims liability for the Sporting Injuries Insurance Schemes

	2014 \$'000	2013 \$'000
Brought forward	2,296	2,617
Reconciliation of discounted risk margin under AIFRS	54	(45)
Effect of changes in experience and assumptions on claims occurring in prior years	(309)	(496)
Increase in claims incurred arising from claims occurring in current year	952	448
Claims payments during the year	(85)	(228)
Carried forward	2,908	2,296

h. Claims development table

The following table shows the development of undiscounted outstanding claims relative to the ultimate expected claims for the most recent accident years for the Sporting injuries Schemes.

Accident year	2004-2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	Total \$'000
Estimate of ultimate claims cost								
At end of accident year	3,307	506	598	509	537	509	856	6,822
One year later	3,228	363	541	305	404	522	-	5,363
Two years later	2,931	278	426	300	440	-	-	4,375
Three years later	2,732	383	504	248	-	-	-	3,867
Four years later	2,684	262	390	-	-	-	-	3,336
Five years later	2,811	254	-	-	-	-	-	3,065
Six years later	2,669	-	-	-	-	-	-	2,669
Seven years later	2,164	-	-	-	-	-	-	2,164
Eight years later	1,690	-	-	-	-	-	-	1,690
Nine years later	1,063	-	-	-	-	-	-	1,063
Ten years and later	433	-	-	-	-	-	-	433
Current estimate of cumulative claims cost	2,575	254	390	248	440	522	856	5,285
Cumulative payments	(2,452)	(127)	(243)	(44)	(157)	(180)	-	(3,203)
Outstanding claims-undiscounted	123	127	147	204	283	342	856	2,082
Discount								(120)
2003 and prior								25
Claims handling expenses								397
Outstanding claims as per Statement of Financial position								2,384
Risk Margin (SIIS only)								524
Final Outstanding claims including risk margin								2,908

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

15. Reconciliation of cash flows from operating activities to net result

	2014 \$'000	2013 \$'000
Net cash used on operating activities	31,214	9,700
Depreciation and amortisation	(2,898)	(5,005)
Loss on disposal of non-current assets	(5)	(1,777)
Unrealised investment income	5,252	17,186
Change in assets and liabilities		
Decrease in receivables: current	(2,515)	(1,658)
Increase in receivables: non-current	2,834	474
Decrease/(Increase) in payables: current	(2,220)	256
Increase in payables: non-current	(22,052)	(13,916)
Decrease/(Increase) in provisions: current	(2,467)	4,603
Decrease in provisions: non-current	5,768	42,843
Decrease/(Increase) in other liabilities: current	(2,888)	3,080
Decrease/(Increase) in other liabilities: non-current	(5,057)	3,886
Net result	4,966	59,672

16. Commitments for Expenditure

Operating lease commitments

Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	9,790	9,288
Later than one year but not later than five years	17,601	22,918
Later than five years	1,465	1,393
Total (including GST)	28,856	33,599

Expenditure commitments for WorkCover include input tax credits of \$2.623M (2013: \$3.054M) which are expected to be recoverable from the Australian Taxation Office.

17. 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 2014, WorkCover held deposits and bank guarantees to the value of \$1,575m (\$1,739m - 2013). These deposits and guarantees are held for the payment of all accrued, continuing, future and contingent claims 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 term deposits with Australian owned banks or authorised securities, which are issued or guaranteed by State or Commonwealth. The interest on such investments is paid 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 2014 was \$Nil (\$2k - 2013).

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

	2014 \$m	2013 \$m
Balance at 1 July	1,739	1,727
Deposits and guarantees lodged	926	671
Deposits and guarantees returned	(1,090)	(659)
Balance at 30 June	1,575	1,739

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

18. Contingent liabilities and contingent assets

A contingent liability is a possible liability that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of WorkCover. WorkCover does not recognise contingent liability but discloses its existence where outflows of economic benefits are probable, but not virtually certain. A contingent asset is the opposite of a contingent liability.

WorkCover does not have any known contingent liabilities or assets at reporting date (2013: nil).

19. Restricted assets and liabilities (funds)

WorkCover has direction 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 WorkCover 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.

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, Associated General Contractors Insurance Co Ltd and Rural & General Insurance Limited.

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 by an annual contribution from the State Emergency Services through the 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.

f. Sporting Injuries Fund

The Sporting Injuries Fund has been established as required by Section 11 of the *Sporting Injuries Insurance Act 1978*, to facilitate administration of the Sporting Injuries Insurance Scheme. The Scheme covers registered participants of sporting organisations for injury while engaged in specific activities or events. The Scheme provides capital lump sum benefits for injuries that lead to a prescribed percentage of permanent loss of use or fatality.

g. Supplementary Sporting Injuries Fund

The Supplementary Sporting Injuries Fund has been established, as required by Section 11A of the *Sporting Injuries Insurance Act 1978*, to facilitate administration of the Supplementary Sporting Injuries Benefits Scheme.

The Supplementary Scheme is a non-contributory scheme funded by the NSW Government. The Supplementary Scheme provides capital lump sum benefits for injuries that lead to a prescribed percentage of permanent loss of use or fatality to (a) children who are seriously injured while participating in organised school sport or athletic activities and (b) persons likewise injured while participating in certain programs of activity conducted or sanctioned by NSW Sport and Recreation.

Details of the operations of these funds are disclosed in the comparative financial statements following these notes (page 88).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

20. Budget Review

Net result

The net result is \$5.0m favourable to the budget mainly due to:

- favourable superannuation actuarial gains of \$6.4m as a result of strong investment returns on the financial assets funding the superannuation liability

Assets and liabilities

Total assets were \$56.8m favourable to budget mainly due to:

- favourable increase in financial assets of \$29.3m as a result of stronger than expected investment returns in 2013-14
- favourable increase in cash balances of \$27.3m. (refer to cash flows explanations below)

Total liabilities were \$17.9m unfavourable to budget primarily due to the overall improved funding position of the Insurer's Guarantee Fund (IGF) due to receipts from the liquidator.

Cash flows

Total cash flows were \$23.7m favourable to budget mainly due to:

favourable operating cash flows of \$29.8m predominately due to lower than expected expenditure in the Independent Legal Assistance and Review Service (ILARS) within the WorkCover Independent Review Officer (WIRO) in relation to the provision of legal services at no cost, to injured workers in respect to their claims for compensation.

21. 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 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 risk faced by WorkCover to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee on a continual basis.

a. Financial instrument categories

Notes Category			Carrying Amount 2014 \$'000	Carrying Amount 2013 \$'000
Financial assets				
Class:				
Cash and cash equivalents	6	N/A	108,033	80,748
Receivables ¹	7	At amortised cost	4,493	8,970
Financial assets at fair value	8	At fair value through profit or loss - designated as such upon initial recognition	151,644	144,025
Financial liabilities				
Class:				
Payables ²	12	Financial liabilities (at amortised cost)	15,803	12,977

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 scope of AASB 7).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

b. Credit risk

Credit risk arises when 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 is generally represented by the carrying amount of the financial assets (net of any allowance for impairment, if applicable).

Credit risk arises from the financial assets of WorkCover, including cash, receivables and Authority Deposits. 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 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. All cash and investments are held in Australian banks or NSW Treasury Corporation (TCorp) and therefore the credit risk associated with these assets is considered minimal.

Cash

Cash comprises cash on hand and bank balances held at private financial institutions. Interest is earned on daily bank balances in accordance with the NSW Treasury banking contract. The TCorp Hour-Glass Cash Facility is discussed in paragraph (d) below.

Receivable – trade debtors

All trade debtors are recognised as amounts receivable as at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known as uncollectible are written off. An allowance for impairment is raised when there is objective evidence that WorkCover will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions. There is no independently assessed rating of the clients other than past experience and their compliance with credit terms, these credit terms are monitored by management on a monthly basis. No interest is earned on trade debtors. Sales are made on 14 day terms.

Details of WorkCover's past due debtors follows:

	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2014			
< 3 months overdue	591	562	29
3 months–6 months overdue	103	81	22
> 6 months overdue	691	673	18
2013			
< 3 months overdue	795	795	-
3 months–6 months overdue	87	87	-
> 6 months overdue	702	695	7

Note: Excludes statutory receivables as they are not within the scope of ASSB 7 and excludes receivables that are not past due and not impaired. Therefore, the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

Authority deposits

WorkCover has placed funds on deposit with TCorp, which has been rated ranging from 'A' to 'AAA' by Standard & Poor's. These deposits are similar to money market or bank deposits and can be placed 'at call' or for a fixed term. For fixed deposits, the interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit, while the interest payable on at call deposits can vary. The deposits at balance date were earning an average interest rate of 2.88% (2013: 2.52%), while over the year, the weighted average interest rate was 2.92% (2013: 3.69%) on a weighted average balance during the year of \$23.5m (2013: \$53.1m). None of these assets are past due or impaired.

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 and maturities planning 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 NSW Treasury Circular NSWTC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice is received.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

21. Financial Instruments (continued)

c. Liquidity risk (continued)

For small business suppliers, where payment is not made within the specified time period, simple interest must be paid, automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Chief Executive Officer or their nominated delegate may automatically pay the supplier simple interest. There was \$0.2k interest payments made for late payment of accounts in 2014 (2013: Nil).

The table below summarises the maturity profile of WorkCover's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted average effective interest rate	Nominal amount ¹ \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000	< 1 Year \$'000	1-5 Years \$'000	> 5 Years \$'000
2014								
Payables	N/A	15,803	-	-	15,803	15,318	485	-
2013								
Payables	N/A	12,977	-	-	12,977	12,977	-	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which WorkCover can be required to pay. The tables include both interest (if applicable) and principal cash flows and therefore may not reconcile to the Statement of financial position.

d. Market risk

Market risk is the risk that 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 other price risks associated with the movement in the unit price of the Hour-Glass Investment Facilities. WorkCover does not have direct exposure to foreign currency risk and does not enter into commodity contracts.

The effect on the net result and equity due to a reasonably possible change in a risk variable such as interest rate risk and other price risk is outlined in the information below. 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 statement of financial position date. The analysis is performed on the same basis for 2013. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through interest-bearing securities. WorkCover does not have any interest bearing liabilities. A reasonably possible change of interest earnings (as in table below) is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

WorkCover has investments in NSW TCorp managed asset portfolios. TCorp manages credit risk and interest rate risk exposures applicable to specific fixed-interest investments of Workcover in accordance with an asset portfolio mandate agreed between the two parties. For this service TCorp receives a fee based on the dollar value of the portfolio. The various risks are managed by TCorp within limits stipulated in the portfolio mandate, as summarised below:

- Credit risk – fixed-interest holdings are categorised by the Standard & Poor's (S&P) or Moody's credit rating applicable to the underlying securities. The amount of securities held must not exceed the limit for the relevant S&P or Moody's equivalent category. Limits also apply to the amounts that may be held with individual counterparties. To be eligible for investment, counterparties must satisfy minimum credit rating criteria. Monitoring processes ensure that credit rating information is up-to-date and portfolio holdings are maintained within the approved credit limits.
- Interest rate risk – TCorp uses derivatives, primarily interest rate futures, to manage the duration and maturity profile of the portfolio within specified tolerance limits.

At reporting date the carrying value of securities, derivatives, and funds at call, managed by TCorp stood at \$151.6 million (2013: \$144 million).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

21. Financial Instruments (continued)

d. Market risk (continued)

WorkCover's exposure to interest rate risk is set out below.

	-1.00%			1.00%	
	Carrying amount \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
2014					
Financial assets					
Cash and cash equivalents	91,381	(914)	(914)	914	914
2013					
Financial assets					
Cash and cash equivalents	78,532	(785)	(785)	785	785

Other price risk – TCorp investment facilities

Exposure to other price risk primarily arises through the investments in the TCorp Hour-Glass Investment facilities which are held for strategic rather than trading purposes. WorkCover has no direct equity investments. WorkCover holds units in the following Hour-Glass and investment trusts.

Facility	Investment Sectors	Investment horizon	2014 \$'000	2013 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	17,619	72,355
Medium-term growth facility	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	3 years to 7 years	-	95,564
Long-term growth facility	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	-	48,461
Australian equities	Australian shares	7 years and over	25,891	-
International equities	International shares	7 years and over	27,332	-
Emerging market equities	Emerging market shares	7 years and over	5,244	-
Unlisted property	Unlisted property	7 years and over	4,348	-
Listed property	Listed property	7 years and over	5,002	-
Bonds	Bonds	7 years and over	83,827	-

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 that facility. Unit prices are calculated and published daily.

NSW Treasury Corporation (TCorp) as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as a manager for part of the Cash and Strategic Cash Facilities and also manages the Australian Bond portfolio. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in Hour-Glass facilities 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 investment facilities, using historically based volatility information collected over a ten-year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts on the net result (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility. 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 net result and have been excluded from the sensitivity analysis below:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

WorkCover Authority of NSW

Notes to the Financial Statements

21. Financial Instruments (continued)

d. Market risk (continued)

Facility		Change in unit price		Impact on profit or loss	
		2014 %	2013 %	2014 \$'000	2013 \$'000
Hour-Glass investment – Cash facility	+/-	1	1	19	714
Hour-Glass investment – Australian shares sector	+/-	27	-	136	-
Hour-Glass investment – International shares sector	+/-	24	-	113	-
Hour-Glass investment – Emerging market shares sector	+/-	20	-	15	-
Hour-Glass investment – Listed property sector	+/-	37	-	30	-
Hour-Glass investment – Australian Bond sector	+/-	6	-	52	-
Hour-Glass investment – Medium-term growth facility	+/-	-	6	-	73
Hour-Glass investment – Long-term growth facility	+/-	-	15	-	195

e. Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. The amortised cost of financial instruments recognised in the statement of financial position approximates fair value, because of the short-term nature of many of the financial instruments.

f. Fair value recognised in the Statement of financial position

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2014 Total \$'000
Financial assets at fair value				
Hour-Glass investment – Australian shares sector	-	25,891	-	25,891
Hour-Glass investment – International shares sector	-	27,332	-	27,332
Hour-Glass investment – Emerging market shares sector	-	5,244	-	5,244
Hour-Glass investment – Unlisted property sector	-	4,348	-	4,348
Hour-Glass investment – Listed property sector	-	5,002	-	5,002
Hour-Glass investment – Australian Bond sector	-	83,827	-	83,827
Total	-	151,644	-	151,644

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2013 Total \$'000
Financial assets at fair value				
Hour-Glass investment facility	-	144,025	-	144,025
Total	-	144,025	-	144,025

(The tables above only include financial assets, as no financial liabilities were measured at fair value in the statement of financial position.)

There were no transfers between level 1 and 2 during the periods.

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 WorkCover Authority of NSW

Notes to the Financial Statements

19. Restricted assets and liabilities (funds) (continued)

Statement of Comprehensive Income for the year ended 30 June 2014

	Workcover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency & Rescue Workers Compensation Fund		Sporting Injuries Insurance Fund		Supplementary Sporting Injuries Benefit Scheme		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Expenses excluding losses														
Operating expenses														
Personnel services	129,077	97,886	-	-	-	-	-	-	-	-	-	54	129,077	98,132
Other operating expenses	72,441	53,130	1,348	1,361	582	428	789	665	265	139	68	45	75,493	55,768
Depreciation and amortisation	2,828	4,872	70	133	-	-	-	-	-	-	-	-	-	2,898
Grants and subsidies	98	2,628	-	-	-	-	-	-	60	106	-	-	158	2,734
Finance costs	600	500	2,657	3,040	416	421	278	377	64	68	-	-	4,015	4,406
Other expenses	57,375	35,211	4,926	(2,503)	4,714	3,349	5,332	239	565	(74)	68	(87)	72,980	36,135
Total expenses excluding losses	262,419	194,227	9,001	2,031	5,712	4,198	6,399	1,281	954	431	136	12	284,621	202,180
Revenue														
Retained taxes, fees and fines	247,951	239,176	(20,082)	(14,935)	5,710	4,194	6,399	1,281	58	52	136	12	240,172	229,780
Investment revenue	3,037	2,141	15,458	16,945	2	4	-	-	310	353	-	-	18,807	19,443
Sale of goods and services	13,746	13,467	-	-	-	-	-	-	755	656	-	-	14,501	14,123
Other revenue	3,048	1,284	13,625	21	-	-	-	-	-	1	-	-	16,673	1,306
Total revenue	267,782	256,068	9,001	2,031	5,712	4,198	6,399	1,281	1,123	1,062	136	12	290,153	264,652
Gain/(Loss) on disposal	(5)	(1,777)	-	-	-	-	-	-	-	-	-	-	(5)	(1,777)
Other gains/(losses)	(561)	(1,023)	-	-	-	-	-	-	-	-	-	-	(561)	(1,023)
Net result	4,797	59,041	-	-	-	-	-	-	169	631	-	-	4,966	59,672
Other comprehensive income														
Net decrease in property, plant and equipment revaluation surplus	(56)	(2,454)	-	-	-	-	-	-	-	-	-	-	(56)	(2,454)
Total other comprehensive income	(56)	(2,454)	-	-	-	-	-	-	-	-	-	-	(56)	(2,454)
Total comprehensive income	4,741	56,587	-	-	-	-	-	-	169	631	-	-	4,910	57,218

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 WorkCover Authority of NSW

Notes to the Financial Statements

19. Restricted assets and liabilities (funds) (continued)

Statement of Financial Position as at 30 June 2014

	Workcover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency & Rescue Workers Compensation Fund		Sporting Injuries Insurance Fund		Supplementary Sporting Injuries Benefit Scheme		Total	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Assets														
Current assets														
Cash and cash equivalents	88,936	77,431	16,652	2,216	1	5	-	-	2,444	1,094	-	2	108,033	80,748
Receivables	10,492	15,281	51	62	3,729	3,226	5,023	3,111	137	337	632	562	20,064	22,579
Total current assets	99,428	92,712	16,703	2,278	3,730	3,231	5,023	3,111	2,581	1,431	632	564	128,097	103,327
Non-current assets														
Receivables	725	-	1	1	16,258	14,548	10,378	9,979	-	-	-	-	27,362	24,528
Financial assets at fair value	-	-	149,645	141,518	-	-	-	-	1,999	2,507	-	-	151,644	144,025
Property, plant and equipment														
- Land and buildings	13,496	13,860	-	-	-	-	-	-	-	-	-	-	13,496	13,860
- Plant and equipment	5,683	6,384	5	8	-	-	-	-	-	-	-	-	5,688	6,392
Total property, plant and equipment	19,179	20,244	5	8	-	-	-	-	-	-	-	-	19,184	20,252
Intangible assets	3,993	4,412	-	64	-	-	-	-	-	-	-	-	3,993	4,476
Total non-current assets	23,897	24,656	149,651	141,591	16,258	14,548	10,378	9,979	1,999	2,507	-	-	202,183	193,281
Total assets	123,325	117,368	166,354	143,869	19,988	17,779	15,401	13,090	4,580	3,938	632	564	330,280	296,608
Liabilities														
Current liabilities														
Payables	14,340	11,830	228	626	228	150	208	290	514	549	-	-	15,518	13,445
Provisions	46,209	43,706	-	-	-	-	-	-	-	36	-	-	46,209	43,742
Other	-	-	8,953	7,929	3,037	2,258	4,733	3,700	710	690	210	178	17,643	14,755
Total current liabilities	60,549	55,536	9,181	8,555	3,265	2,408	4,941	3,990	1,224	1,275	210	178	79,370	71,942
Non-current liabilities														
Payables	13,242	11,271	54,727	34,646	-	-	-	-	-	-	-	-	67,969	45,917
Provisions	127,762	133,530	-	-	-	-	-	-	-	-	-	-	127,762	133,530
Other	-	-	102,446	100,668	16,723	15,371	10,460	9,100	1,566	1,042	422	386	131,617	126,567
Total non-current liabilities	141,004	144,801	157,173	135,314	16,723	15,371	10,460	9,100	1,566	1,042	422	386	327,348	306,014
Total liabilities	201,553	200,337	166,354	143,869	19,988	17,779	15,401	13,090	2,790	2,317	632	564	406,718	377,956
Net assets	(78,228)	(82,969)	-	-	-	-	-	-	1,790	1,621	-	-	(76,438)	(81,348)
Equity														
Reserves	13,972	14,028	-	-	-	-	-	-	-	-	-	-	13,972	14,028
Accumulated funds	(92,200)	(96,997)	-	-	-	-	-	-	1,790	1,621	-	-	(90,410)	(95,376)
Total equity	(78,228)	(82,969)	-	-	-	-	-	-	1,790	1,621	-	-	(76,438)	(81,348)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 WorkCover Authority of NSW

[Notes to the Financial Statements](#)**19. Restricted assets and liabilities (funds)** (continued)**Statement of Comprehensive Income for the year ended 30 June 2014**

	Workcover Authority Fund		Insurers' Guarantee Fund		Bush Fire Fighters Compensation Fund		Emergency & Rescue Workers Compensation Fund		Sporting Injuries Insurance Fund		Supplementary Sporting Injuries Benefit Scheme		Total
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	
Cash flows from operating activities													
Payments													
Personnel services	(132,921)	(141,986)	-	-	-	-	-	-	(43)	(275)	-	(54)	(132,964)
Grants and subsidies	(98)	(2,615)	-	-	-	-	-	-	(60)	(119)	-	-	(158)
Other	(135,034)	(102,012)	(6,723)	(6,916)	(3,503)	(2,770)	(4,088)	(4,274)	(487)	(479)	(68)	(76)	(149,903)
Total payments	(268,053)	(246,613)	(6,723)	(6,916)	(3,503)	(2,770)	(4,088)	(4,274)	(590)	(873)	(68)	(130)	(283,025)
Receipts													
Sale of goods and services	14,018	5,067	-	-	-	-	-	-	771	713	-	-	14,789
Retained taxes, fees and fines	254,261	239,124	-	-	3,500	2,000	4,091	3,000	66	30	66	111	261,984
Interest received	3,037	2,141	10,186	79	2	4	-	-	331	33	-	-	13,556
Other	9,800	18,651	13,832	218	(3)	-	(3)	-	284	105	-	-	23,910
Total receipts	281,116	264,983	24,018	297	3,499	2,004	4,088	3,000	1,452	881	66	111	314,239
Net cash flows from operating activities	13,063	18,370	17,295	(6,619)	(4)	(766)	-	(1,274)	862	8	(2)	(19)	31,214
Cash flows from investing activities													
Proceeds from sale of property, plant and equipment	12	22	-	-	-	-	-	-	-	-	-	-	12
Purchases of property, plant and equipment	(1,570)	(1,769)	(3)	-	-	-	-	-	-	-	-	-	(1,573)
Purchases of investments	-	-	(2,856)	-	-	-	-	-	-	-	-	-	(2,856)
Proceeds from sale of investments	-	-	-	6,000	-	-	-	-	488	-	-	-	488
Net cash flows from investing activities	(1,558)	(1,747)	(2,859)	6,000	-	-	-	-	488	-	-	-	(3,929)
Net increase/(decrease) in cash	11,505	16,623	14,436	(619)	(4)	(766)	-	(1,274)	1,350	8	(2)	(19)	27,285
Opening cash and cash equivalents	77,431	60,808	2,216	2,835	5	771	-	1,274	1,094	-	2	-	80,748
Cash transferred in (out) as a result of administrative restructure	-	-	-	-	-	-	-	-	-	1,086	-	21	1,107
Closing cash and cash equivalents	88,936	77,431	16,652	2,216	1	5	-	-	2,444	1,094	-	2	108,033

- End of audited financial statements -

WORKCOVER AUTHORITY OF NSW 2013-14
BUDGET AND ESTIMATES FOR 2014-15

Operating Statement

	—2013-14—		2014-15 Budget \$000
	Budget \$000	Revised \$000	
Expenses Excluding Losses			
Operating Expenses -			
Employee related	1,510	3,680	1,436
Other operating expenses	225,273	207,545	245,184
Depreciation and amortisation	12,741	2,834	11,006
Grants and subsidies	6,300	67	6,300
Finance costs	...	5,866	...
Other expenses	86,421	54,810	88,456
TOTAL EXPENSES EXCLUDING LOSSES	332,245	274,802	352,382
Revenue			
Sales of goods and services	30,037	1,238	15,226
Investment revenue	12,532	17,838	13,279
Retained taxes, fees and fines	277,959	230,368	302,729
Grants and contributions	5,168	2,612	12,476
Other revenue	8,539	23,660	10,712
Total Revenue	334,235	275,716	354,422
Gain/(loss) on disposal of non current assets	...	(9)	...
Other gains/(losses)	(1,990)	(403)	(2,040)
Net Result	...	502	...

WORKCOVER AUTHORITY OF NSW 2013-14
BUDGET AND ESTIMATES FOR 2014-15

Balance Sheet

	—2013-14—		2014-15
	Budget	Revised	Budget
	\$000	\$000	\$000
Assets			
Current Assets			
Cash assets	82,880	108,062	105,894
Receivables	16,916	16,829	16,454
Total Current Assets	99,796	124,891	122,348
Non Current Assets			
Receivables ^(a)	25,533	25,763	1
Other financial assets	122,249	152,572	161,123
Property, plant and equipment -			
Land and building	16,605	13,547	13,257
Plant and equipment	3,136	5,625	4,766
Intangibles	6,207	3,844	4,987
Total Non Current Assets	173,730	201,351	184,134
Total Assets	273,526	326,242	306,482
Liabilities			
Current Liabilities			
Payables	65,413	56,973	58,734
Provisions	1,900	2,040	1,900
Other	14,842	13,753	8,797
Total Current Liabilities	82,155	72,766	69,431
Non Current Liabilities			
Provisions	129,418	138,123	111,795
Other	177,279	178,953	188,856
Total Non Current Liabilities	306,697	317,076	300,651
Total Liabilities	388,852	389,842	370,082
Net Assets	(115,326)	(63,600)	(63,600)
Equity			
Reserves	16,483	14,028	14,028
Accumulated funds	(131,809)	(77,628)	(77,628)
Total Equity	(115,326)	(63,600)	(63,600)

(a) The change in non-current receivables from 2013-14 Revised to 2014-15 Budget is due to the Authority now reporting the BushFire Fighting and Emergency and Rescue Workers Schemes as administered items under AASB 1050.

WORKCOVER AUTHORITY OF NSW 2013-14
BUDGET AND ESTIMATES FOR 2014-15

Cash Flow Statement

	—2013-14—		2014-15
	Budget \$000	Revised \$000	Budget \$000
Cash Flows From Operating Activities			
Payments			
Employee related	2,930	5,020	446
Grants and subsidies	6,300	67	6,300
Other	319,360	245,437	362,270
Total Payments	328,590	250,524	369,016
Receipts			
Sale of goods and services	46,739	38,606	59,229
Interest received	2,633	5,846	2,691
Retained taxes, fees and fines	268,118	199,467	292,826
Grants and contributions	5,168	2,612	12,476
Other	7,307	22,656	8,589
Total Receipts	329,965	269,187	375,811
Net Cash Flows From Operating Activities	1,375	18,663	6,795
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment	---	8	---
Proceeds from sale of investments	13,189	6,696	2,000
Advance repayments received	---	---	37
Purchases of property, plant and equipment	(2,400)	(1,019)	(2,400)
Purchases of investments	---	(3,251)	---
Other	(8,600)	(120)	(8,600)
Net Cash Flows From Investing Activities	2,189	2,314	(8,963)
Net Increase/(Decrease) in Cash	3,564	20,977	(2,168)
Opening Cash and Cash Equivalents	79,316	87,085	108,062
Closing Cash and Cash Equivalents	82,880	108,062	105,894
Cash Flow Reconciliation			
Net result	---	502	---
Non cash items added back	2,842	(9,158)	418
Change in operating assets and liabilities	(1,467)	27,319	6,377
Net Cash Flows From Operating Activities	1,375	18,663	6,795

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

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:

	2013-14 \$m	2012-13 \$m
Operating Result		
Net earned premiums	2,244	2,616
Expected investment credit (Risk Free Rate)	412	400
Other income	9	11
Claims incurred (excluding external factors)	(458)	(1,529)
Operating expenses	(849)	(849)
Premium Deficiency Reserve	(21)	12
Surplus from underwriting operations	1,337	661
Impact on result from external factors		
Difference between actual and expected long term investment returns	1,050	930
Change in inflation assumptions and discount rates	(177)	209
Change in claims handling expense	40	6
Risk Margin	-	-
Surplus from ordinary activities	2,250	1,806
Financial Position		
Total assets	16,917	15,397
Total liabilities	(14,359)	(15,089)
Accumulated surplus	2,558	308

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 8 September 2014.

Surplus from ordinary activities

The surplus from ordinary activities of the NSW WorkCover Scheme for the year ended 30 June 2014 was \$2,250 million. High investment returns, together with a continued reduction in Scheme claim costs has significantly contributed to the improved result.

WorkCover in its capacity as acting for the Nominal Insurer, decided to adopt a risk margin for the Scheme as at 30 June 2014 based on a probability of adequacy of 80 per cent equating to a risk margin for claim liabilities of 16.2 per cent.

Accumulated surplus

The Scheme has an accumulated surplus of \$2,558 million, relative to a surplus of \$308 million at June 2013.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Actuarial Certificate



NSW WORKERS COMPENSATION NOMINAL INSURER

Actuarial Certificate Outstanding claims liabilities at 30 June 2014

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 2014 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;
- Future expected recoveries; and
- A risk margin of 16.2% of the net outstanding claims liability. This is intended to provide a probability of adequacy of 80%.

Allowance for expected impact of June 2012 legislative changes

Legislation was passed on the 22 June 2012 which results in significant changes to the benefits provided by the NSW WorkCover Scheme. Allowance has been made in the valuation for the impact of these reforms to the extent to which this can be reliability estimated, balancing the range of plausible outcomes and risks in deriving an appropriate central estimate result.

Valuation Results

The PwC estimated liability for the NSW WorkCover Scheme as at 30 June 2014, net of recoveries, is \$12,380 million. This amount is made up as follows:

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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*

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Actuarial Certificate



Table 1 - NSW WorkCover Scheme

Outstanding Claims Liability at 30 June 2014	\$m
Gross Outstanding Claims	12,767
Less Anticipated Recoveries	387
Net Outstanding Claims	12,380

The gross outstanding claims liability for the NSW WorkCover Scheme also includes an allowance for expenses of \$952 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2014.

The allowance for claim handling expenses included in the WorkCover NSW Scheme liability equates to 9.5% of the gross outstanding claims liability.

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 8 September 2014.

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.

A handwritten signature in black ink that reads 'Michael Playford'.

Michael Playford
FIAA
8 September 2014

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
NSW WorkCover Scheme

Statement by the Chief Executive Officer and Chairman

Statement by Chief Executive Officer and Chairman

NSW WORKCOVER SCHEME

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

I state that in my opinion:

- (a) The accompanying financial statements exhibit a true and fair view of the financial position of the Workers Compensation Nominal Insurer, whose registered business name is 'The NSW WorkCover Scheme' as at 30 June 2014 and its performance for the year ended on that date; and
- (b) These statements and notes have been prepared in accordance and comply with Australian Accounting Standards.

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



Michael Carapiet
Chairman
Safety, Return to Work and Support Board



Vivek Bhatia
Chief Executive Officer
Safety, Return to Work and Support
acting for the Workers Compensation Nominal Insurer

16 September 2014

16 September 2014

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Independent Auditor's Report



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 Workers Compensation Nominal Insurer trading as the NSW WorkCover Scheme (the Scheme), which comprise the statement of financial position as at 30 June 2014, 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 Scheme as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

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

Emphasis of matter

I draw attention to the outstanding claims' liabilities in Note 16. The note describes the significant inherent uncertainty associated with estimating the Scheme's outstanding claims' liabilities of \$12.8 billion as a result of the reforms to the Scheme. Whilst the liabilities are calculated using the standard actuarial approach, there is significant uncertainty regarding the estimate of the claims' liabilities because of limited experience available. This uncertainty is likely to remain until sufficient post reform claims' experience for the Scheme is available. My opinion is not modified in respect of this matter.

The Board's Responsibility for the Financial Statements

The members of the Board, acting for the Scheme, are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the members of the Board determines is necessary to enable the preparation of financial statements that give a true and fair view and 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Independent Auditor's Report

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 entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

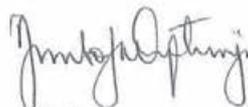
My opinion does *not* provide assurance:

- 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 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 roles by the possibility of losing clients or income.



A Oyetunji
Director, Financial Audit Services

17 September 2014
SYDNEY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Revenues			
Earned premiums	4	2,244,054	2,616,246
Recoveries	4	39,784	84,254
Investment income	5	1,461,695	1,330,690
Other income		9,316	10,355
Total revenue		3,754,849	4,041,545
Expenses			
Actuarial fees		5,128	6,109
Auditors' remuneration	7	1,520	1,505
Bad debts written-off		32,084	55,242
Claims incurred	4	635,296	1,398,729
Debt collection fees		17,195	18,415
Fund manager remuneration		26,119	31,884
Impairment of trade and other receivables	10	(6,332)	(5,471)
Interest expense		34,319	35,764
Operating lease expenses		1,079	756
Scheme agents' remuneration		441,911	417,404
Statutory levies			
Workcover Authority		187,640	168,557
Dust diseases		78,082	77,970
Mine safety		7,602	6,820
Increase (decrease) in unexpired risk premium		21,488	(11,637)
Wage audit fees		4,738	13,614
Other operating expenses		17,169	20,063
Total expenses		1,505,038	2,235,724
Surplus/(deficit)		2,249,811	1,805,821
Other comprehensive income			
Items that will not be reclassified to surplus / (deficit)		-	-
Items that may be reclassified subsequently to surplus / deficit		-	-
Total comprehensive income		2,249,811	1,805,821

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Statement of Financial Position as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	8	678,107	481,137
Recoveries receivable	9	111,379	128,895
Trade and other receivables	10	859,549	699,010
Prepayments and other assets		81,907	76,760
Other Financial assets held for trading	11	14,910,808	13,689,313
Total current assets		16,641,750	15,075,115
Non-current assets			
Recoveries receivable	9	275,251	321,358
Trade and other receivables	10	623	335
Total non-current assets		275,874	321,693
Total assets		16,917,624	15,396,808
Current liabilities			
Trade and other payables	14	1,054,767	502,345
Borrowings	8	3,916	13,987
Unearned premiums	15	363,701	414,700
Outstanding claims	16	2,060,429	2,230,270
Unexpired risk premium	18	25,851	4,363
Security deposits	20	45,861	34,852
Other Financial liabilities held for trading	11	98,239	110,707
Total current liabilities		3,652,764	3,311,224
Non-current liabilities			
Outstanding claims	16	10,706,570	11,777,105
Total non-current liabilities		10,706,570	11,777,105
Total liabilities		14,359,334	15,088,329
Net assets		2,558,290	308,479
Equity			
Accumulated surplus		2,558,290	308,479

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Statement of Changes in Equity for the year ended 30 June 2014

	2014 \$'000	2013 \$'000
Accumulated surplus		
Balance at the beginning of financial year	308,479	(1,497,342)
Surplus for the year	2,249,811	1,805,821
Other Comprehensive Income	-	-
Total comprehensive income	2,249,811	1,805,821
Transactions with owners in their capacity as owners	-	-
Balance at the end of the financial year	2,558,290	308,479

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Statement of Cash Flows for the year ended 30 June 2014

	Notes	2014 \$'000 Inflows (Outflows)	2013 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Premiums received		2,491,356	2,846,326
Claims paid		(1,903,729)	(2,031,869)
		587,627	814,457
Scheme agent management fees paid		(458,860)	(560,192)
Dividends received		96,666	112,111
Fund manager fees paid		(36,707)	(20,662)
GST paid		(145,347)	(184,729)
Interest received		345,649	344,309
Proceeds from sale of other financial assets		29,852,824	24,410,139
Payments for other financial assets		(29,826,403)	(24,754,388)
Recoveries received		102,025	112,933
Security deposits received		14,321	9,082
Security deposits paid		(13,951)	(18,432)
Statutory levies paid		(275,212)	(254,062)
Other payments		(61,320)	(59,077)
Other receipts		25,729	11,442
Net cash provided by/(used in) operating activities	17	207,041	(37,069)
Cash and cash equivalents at the beginning of the financial year		467,150	504,219
Cash and cash equivalents at the end of the financial year	8	674,191	467,150

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

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 of NSW (WorkCover) 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 or any other authority of the State. The Scheme is not consolidated as part of the NSW Total State Sector Accounts or WorkCover.

Under the Safety, Return to Work and Support Board Act 2012, the Safety, Return to Work and Support Board (SRWS Board) determines the investment policies for the Insurance Fund and reports to the Minister on the investment performance of the Insurance Fund.

The financial statements for the year ended 30 June 2014 were authorised for issue by the Chief Executive Officer of WorkCover acting for the Nominal Insurer on 16 September 2014.

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 on an historical cost basis except for the following items, which are measured on a fair value basis:

- Derivative financial instruments at fair value through profit and loss;
- Non-derivative financial instruments at fair value through profit and loss;
- Available-for-sale financial assets;
- Investments in unlisted property trusts;
- Investments in infrastructure debt;
- Trade and other receivables;
- Recoveries receivable; and
- Outstanding claims liability.

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 2014. These are outlined in the table below.

AASB Amendment	Affected Standards	Operative Date
AASB 2012 -3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (AASB 132)</i>	1 Jan 2014
AASB 1031	<i>Materiality</i>	1 Jan 2014
AASB 2013-6	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (AASB 136)</i>	1 Jan 2014
AASB 2013-3	<i>Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 Jan 2014
AASB 2013-4	<i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (AASB139)</i>	1 Jan 2014
AASB 9	<i>Financial Instruments</i>	1 Jan 2017
AASB 2010- 7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 Jan 2015

These Standards are concerned with disclosures and will have no direct impact on the Scheme's financial results.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

2. Summary of significant accounting policies (continued)

c. Changes in accounting policies

Except for the changes below, the Scheme has consistently applied the accounting policies set out in Note 2 to all period presented in the financial statements.

The Scheme has early adopted AASB 10 *Consolidated Financial Statements* (2011), AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities* with a date of initial application of 1 July 2013.

The nature and effects of the changes are explained below

Subsidiaries

As a result of early adopting the 2011 Amendments to AASB 10, the Scheme has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. The AASB 10 amendments introduce a new control model that focuses on whether the Scheme has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of the amendments to AASB 10, the Scheme reassessed the control conclusion for its investees at 1 July 2013. As a consequence, the Scheme has changed its control conclusion in respect of its investment in AQR Wholesale Managed Fund. Although the Scheme owns more than half of the voting power of the investee, management has determined that the Scheme does not have control over the investee. This is because the Scheme does not have power over this Fund or is able to use the power to affect the amount of returns.

Accordingly, the Scheme does not consolidate its investment in AQR Wholesale Managed Fund. There has been no quantitative impact of the change as the Scheme did not consolidate the minority interest portion of this investment in prior year as the residual amount was not material to the Scheme Financial Statements.

Joint arrangements

AASB 11 aims to provide a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The Scheme has not entered into any joint arrangements therefore there was no impact for the Scheme.

Disclosure of interests in other entities

As a result of AASB 12, the Scheme has expanded its disclosures about its interests in other entities (see Note 13).

d. 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.

e. 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 judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Financial instruments
- Note 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).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

2. Summary of significant accounting policies (continued)

f. 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. Recoveries revenue and claims incurred expenses are recognised as the movement of recoveries receivable (Note 9) and outstanding claims (Note 16), which are based on estimates provided by WorkCover's consulting actuary, PricewaterhouseCoopers Actuarial Pty Ltd. Taylor Fry consulting actuaries, have peer reviewed these estimates and support the conclusions of PricewaterhouseCoopers.

Claims expense is the amount incurred on claims by the Scheme during the year plus the amount, which the consulting actuary has estimated as at 30 June 2014 as being the movement in 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 *Workers Compensation Legislation Amendment Act 2012* has resulted in claim payments being closely aligned to pre injury average weekly earnings of injured workers. 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.

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.

- iii. 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.
- iv. Fund manager remuneration includes base fees which are generally paid quarterly. In some cases additional performance bonus fees may be payable under the remuneration contract if returns above benchmark levels are achieved.

g. 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 Commonwealth government bonds.

h. 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 2018.

i. 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 holds short-term term deposits with major Australian Banks as security for the payment of premium by large employers who participate in the optional alternative premium method commonly known as the Retro-Paid Loss Premium. These term-deposits are not included in cash and cash equivalents. Instead they are included in Prepayments and Other Assets as upon the payment of all potential premium debts or when the security is in excess of the amount of maximum unpaid premium, the security is returned to the employer. (Refer note 20).

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

2. Summary of significant accounting policies (continued)

j. 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.

k. Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently marked 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).

Hedging strategies are determined by the Investment Committee, within the investment strategy for the Scheme. 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.

l. Fair value estimation

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the Scheme is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price without any deduction for transaction costs.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

i. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

2. Summary of significant accounting policies (continued)

I. Fair value estimation (continued)

iii. Financial assets or financial liabilities designated at fair value through profit and loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- or,
- The asset and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- or,
- The financial instrument contains an embedded derivative that would otherwise need to be separately recorded.

iv. Investments in unlisted property trusts

The fair value of units in unlisted property trusts is the price at which the unit could be exchanged between knowledgeable, willing parties in an arms length transaction. A “willing seller” is not a forced seller prepared to sell at any price.

The fair values of investments in unlisted property trusts are based on valuations of the underlying properties in each Trust. The properties are valued in accordance with the valuation policies of the relevant managers.

These financial statements set out the fair value as at the end of the reporting period.

v. Investments in infrastructure debt

Due to the lack of an active market in infrastructure debt instruments, fair value is determined by the Scheme engaging an independent expert to evaluate and value each instrument.

This valuation takes into account not only the earnings rate of the instrument but also the risk of non-payment of interest/principal, earnings potential of the infrastructure and debt refinancing risks.

m. Trade and other payables

These amounts represent liabilities for goods and services provided to the Scheme prior to the end of financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis.

o. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured making an allowance for impairment.

Where a legally enforceable debt exists, claims costs recoverable from uninsured employers are classified as Trade and Other Receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off directly to the Statement of Comprehensive Income when identified. An impairment 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.

p. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Scheme has a legal right to offset the amounts and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously. (Refer note 12).

Income and expenses are presented on a net basis only when permitted under Australian Accounting Standards.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

2. Summary of significant accounting policies (continued)

q. 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.

r. Repurchase and reverse repurchase transactions

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price (repurchase agreements) are retained in the financial statements and are measured in accordance with their original measurement principles. The proceeds of the sale are reported as liabilities and are carried at amortised cost and the underlying asset continues to be recognised in the Scheme's financial statements.

Securities purchased under agreements to resell (reverse repurchase agreements) are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost and the underlying asset is not recognised in the Scheme's financial statements.

Securities lent by the Scheme are not derecognised from the Scheme's statement of financial position. When the counterparty has the rights to sell or repledge the securities, the Scheme reclassifies them in the statement of financial position as pledged financial assets at fair value through profit or loss.

s. Comparative information

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

3. Financial risk management objectives and policies

The principal financial instruments are detailed in Notes 11 and 12.

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.

4. Underwriting result

	2014 \$'000	2013 \$'000
Earned premiums	2,244,054	2,616,246
Less:		
Claims incurred	(635,296)	(1,398,729)
Recoveries revenue	39,784	84,254
Net claims incurred (Note 6)	(595,512)	(1,314,475)
Underwriting result	1,648,542	1,301,771

5. Investment income

	2014 \$'000	2013 \$'000
Dividends	216,168	250,074
Interest	368,133	379,184
Other income	3,137	2,828
Realised gain on sale of investments held for trading	775,643	515,486
Unrealised gain on investments held for trading	98,614	183,118
Investment income	1,461,695	1,330,690

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

6. Net claims incurred

	Current year \$M	Prior year \$M	2014 Total \$M	2013 Total \$M
Direct Business				
Gross claims incurred & related expenses - undiscounted	2,846	(4,278)	(1,431)	3,561
Reinsurance & other recoveries - undiscounted	(79)	52	(27)	(108)
Net claims incurred - undiscounted	2,767	(4,226)	(1,458)	3,453
Discount & discount movement - gross claims incurred	(764)	2,831	2,066	(2,162)
Discount & discount movement - reinsurance & other recoveries	9	(21)	(12)	24
Net discount movement	(755)	2,810	2,054	(2,138)
Net claims incurred (Note 4)	2,012	(1,416)	596	1,315

Explanation of material variances - prior years

Undiscounted gross claims incurred has reduced to reflect the anticipated savings from the 2012 workers compensation reforms.

Undiscounted recoveries are expected to be lower due to a reduction in anticipated recoveries.

The increase in discount on prior year claims incurred is due to decreased government bond yields. As a result, lower discounting has been applied to the gross outstanding claims which has resulted in their value increasing.

The decrease in the yield curve also resulted in a lower discounting being applied to the outstanding recoveries which has resulted in their value increasing

7. Remuneration of auditors

	2014 \$'000	2013 \$'000
The Auditor General of NSW		
Audit of the financial report	122	122
External audit of scheme agents and master custodian		
Audit or review of reports	1,384	1,373
Other non-audit services	14	10
Total	1,398	1,383
Total Audit Remuneration	1,520	1,505

The auditor for the NSW WorkCover Scheme is the Auditor General of NSW.

8. Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash at bank	678,107	481,137
The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:		
Cash	521,710	419,946
Money Market Deposits	156,397	61,191
Total cash at bank	678,107	481,137
Bank overdraft	(3,916)	(13,987)
Balances as per statement of cash flows	674,191	467,150

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

8. Cash and cash equivalents (continued)

c. Bank overdrafts

The bank overdraft may be drawn at any time and is non interest bearing.

9. Recoveries receivable

	2014 \$'000	2013 \$'000
Current		
Actuarially assessed recoveries	111,379	128,895
Non-Current		
Actuarially assessed recoveries	275,251	321,358
Total recoveries receivable	386,630	450,253

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.

10. Trade and other receivables

	2014 \$'000	2013 \$'000
Current		
Premiums receivable	336,068	454,869
Interest, dividends and other investment income receivable	99,512	146,058
Trade Proceeds yet to be settled	384,967	55,081
Deposits held with brokers/counter parties:		
Margin calls	50,867	56,742
Amounts recoverable from uninsured employers	972	1,430
Other Receivables	3,751	3,044
GST Receivable	14,719	19,100
	890,856	736,324
Less : Allowance for impairment loss	(31,307)	(37,314)
Total trade and other receivables	859,549	699,010
Non Current		
Amounts recoverable from uninsured employers	4,293	4,330
Less : Allowance for impairment loss	(3,670)	(3,995)
Total trade and other receivables	623	335

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

10. Trade and other receivables (continued)

a. Status of trade receivables

	2014 \$'000	2013 \$'000
Class of financial asset		
Maximum exposure within normal terms	811,360	568,274
Past due but not impaired	48,812	131,071
Impaired	34,977	41,309
Renegotiated terms	-	-
	895,149	740,654

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 Premium Method (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(o) to the Financial Statements). As outlined in that Note the Scheme writes off bad debts direct to expenses. Where a bad debt is subsequently recovered the amount is included in other income. The impairment account is adjusted based on an assessment of the individual debts due and is increased or decreased accordingly.

Reconciliation of impairment account - receivables

	2014 \$'000	2013 \$'000
Class of financial asset		
Opening impairment account balance	41,309	46,780
Current period impairment charge (income)	(6,332)	(5,471)
Closing impairment account balance	34,977	41,309

Ageing of receivables

	Total \$'000	Past due but not impaired \$'000	Considered Impaired \$'000
2014			
Within normal terms	811,360	-	-
Less than 3 months overdue	35,623	30,852	4,771
3 months to 6 months overdue	10,443	5,893	4,550
Greater than 6 months overdue	37,723	12,067	25,656
	895,149	48,812	34,977

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

10. Trade and other receivables (continued)

b. Allowance for impairment status of receivables (continued)

Ageing of receivables (continued)

	Total \$'000	Past due but not impaired \$'000	Considered Impaired \$'000
2013			
Within normal terms	568,274	-	-
Less than 3 months overdue	106,648	98,489	8,159
3 months to 6 months overdue	22,970	15,604	7,366
Greater than 6 months overdue	42,762	16,978	25,784
	740,654	131,071	41,309

11. Other Financial assets and liabilities

	2014 \$'000	2013 \$'000
Other Financial assets held for trading - current		
Indexed and interest bearing securities	9,051,296	8,200,430
Australian equities	1,286,863	1,197,952
International equities	2,119,253	2,217,894
Unit trusts	2,305,656	1,987,752
Derivatives	147,740	85,285
	14,910,808	13,689,313
Other Financial liabilities held for trading - current		
Derivatives	98,239	110,707
Net financial assets	14,812,569	13,578,606

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.

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 Scheme's portfolio of investments is invested in accordance with its strategic asset allocation. The goal of the strategic asset allocation is to construct a portfolio that achieves the Scheme's investment objectives including a return in excess of the liability discount rate while limiting the probability of large declines in the Scheme's funding ratio.

The actual asset allocations can deviate from the benchmark asset allocation due to:

- Scheme cash flows;
- Fluctuations in market prices; and
- Dynamic asset allocation decisions.

Dynamic asset allocation refers to medium term shifts away from the strategic asset allocation which are designed to capture market opportunities or to mitigate risks.

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Market price risk (continued)

Based on the asset allocation the Investment Committee, typically with advice from the Insurance Fund's asset consultant, appoints investment managers 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 typically contained in individually negotiated Investment Management Agreements or as described in Information Memoranda (or similar documents) issued by the relevant investment manager where the investment is via a pooled fund. The investment mandates are monitored on a daily 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 distinct management style. Each investment manager is also responsible for constructing a portfolio that aims to achieve its own investment objectives while complying with the restrictions and guidelines contained in the mandate or Information Memorandum.

A risk budgeting framework is used to help determine an appropriate strategic asset allocation for the Scheme. This framework incorporates the risk and return characteristics of the different asset classes in the portfolio and additional factors such as inflation and interest rates. Within this framework, a number of risk measures are employed including the frequency of negative returns, the volatility of the investment portfolio relative to the value of the liability and Value-at-Risk (VaR) analysis.

The Scheme's asset consultant conducts the risk budgeting analysis utilising:

- Assumptions regarding the expected level of return, risk and correlations between price and wage inflation, bond yields and returns from different asset classes (for example equities, bonds, property, alternative assets)
- Assumptions regarding the duration of inflation-linked and other liabilities consistent with those used by the Scheme Actuary.

The analysis incorporates scenario analysis 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 of the Scheme.

The risk budgeting analysis is based on certain simplifying assumptions such as 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 Scheme 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 Scheme liabilities. As such, the analysis may not be accurate in its assessment of the liability.

The VaR risk measure seeks to estimate the potential investment loss over a given holding period at 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 financial instruments and markets. The VaR methodology allows risks to be measured consistently across all markets and financial instruments and to be aggregated into a single risk number.

The risk budgeting framework assesses the Scheme's VaR at the 95th percentile confidence level over a 12 month time period. This represents the minimum expected reduction in the value of the Scheme's investment portfolio which has a 5 per cent chance of occurring over a one year period.

In addition to a VaR measure, the risk budgeting framework is also used to assess the following risk and return characteristics:

- Expected return on the investment portfolio;
- Probability of meeting return targets that incorporate measures of wage inflation; and
- The performance of the investment portfolio under different economic scenarios.

The most recent VaR analysis performed by asset consultant Mercer Investments (Australia) limited was conducted in August 2014 based on the June 2014 financial instruments and showed expected one year VaR of \$251.3 million based on a confidence interval of 95 per cent. This is equivalent to a portfolio loss of 1.7%.

The VaR analysis performed by the same consultant based on the June 2013 financial instruments showed an expected VaR of \$221.4 million based on a confidence interval of 95 per cent. This is equivalent to a portfolio loss of 1.6%.

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 financial instruments 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:

WorkCover manages the interest rate and inflation risk of the Insurance Fund primarily through its strategic asset allocation and mandate objective setting. At 30 June 2014 the Insurance Fund had a 19 per cent allocation to Australian Commonwealth and state government bonds to mitigate interest rate risk of Scheme liabilities and a further 30 per cent allocation to Australian Commonwealth and state government inflation linked bonds to mitigate inflation risk of Scheme liabilities.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Interest rate risk (continued)

iii. Quantitative analysis of exposure:

The table on the following page 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.

Class	Floating	Fixed interest rate maturing in				Total \$000
	Interest rate \$000	3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	
2014						
Cash	521,710	-	-	-	-	521,710
Money market deposits	156,397	-	-	-	-	156,397
Indexed and interest bearing securities	5,379,893	72,561	219,125	1,577,801	1,801,916	9,051,296
Interest rate swaps	-	-	577	750	10,538	11,865
Options on fixed income	-	2,569	16,202	11,484	-	30,255
Interest rate futures	-	6,385	8	-	-	6,393
Assets	6,058,000	81,515	235,912	1,590,035	1,812,454	9,777,916
Interest rate swap	-	-	(1,635)	(8,635)	(19,397)	(29,667)
Interest rate futures	-	(3,439)	-	-	-	(3,439)
Liabilities	-	(3,439)	(1,635)	(8,635)	(19,397)	(33,106)

Class	Floating	Fixed interest rate maturing in				Total \$000
	Interest rate \$000	3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	
2013						
Cash	419,946	-	-	-	-	419,946
Money market deposits	61,191	-	-	-	-	61,191
Indexed and interest bearing securities	4,113,523	275,295	503,279	1,600,085	1,708,248	8,200,430
Interest rate swaps	-	-	3,216	461	2,085	5,762
Options on fixed income	-	-	6,150	-	-	6,150
Interest rate swaps	-	3,131	185	-	-	3,316
Assets	4,594,660	278,426	512,830	1,600,546	1,710,333	8,696,795
Interest rate swap	-	-	(4,814)	(3,713)	(17,294)	(25,821)
Interest rate futures	-	(3,154)	-	-	-	(3,154)
Liabilities	-	(3,154)	(4,814)	(3,713)	(17,294)	(28,975)

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

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.

ii. Risk management objective, policies and processes:

Independent investment managers appointed by the Nominal Insurer manage foreign exchange risk. The investment grade credit (developed markets) 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 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.

iii. Quantitative analysis of exposure:

A summary of the Scheme's exposure to foreign exchange risk, including of foreign currency derivatives is shown in the table below:

	US Dollars AUD \$'000	Euro AUD \$'000	British Pounds AUD \$'000	Other currencies AUD \$'000	Total AUD \$'000
2014					
International equities	1,130,299	240,520	99,694	648,740	2,119,253
International trusts	27,097	14,662	-	711	42,470
International listed property trusts	8,702	2,642	-	5,073	16,417
International floating rate securities	16,488	26,605	-	-	43,093
International bonds	104,456	18,861	-	-	123,317
Foreign currency derivatives (Assets)	3,928	412	33	248	4,621
Foreign currency derivatives (Liabilities)	(15)	(82)	(48)	(385)	(530)
Swap derivative (Liability)	(53,416)	(10,165)	-	-	(63,581)
Foreign exchange exposure position	1,237,539	293,455	99,679	654,387	2,285,060
	US Dollars AUD \$'000	Euro AUD \$'000	British Pounds AUD \$'000	Other currencies AUD \$'000	Total AUD \$'000

2013

International equities	1,110,513	205,690	112,628	789,063	2,217,894
International trusts	28,726	14,646	-	799	44,171
International listed property trusts	385	4,465	-	13,001	17,851
International discounted securities	3,134	-	-	-	3,134
International floating rate securities	9,459	19,289	-	-	28,748
International bonds	115,752	3,954	-	-	119,706
Foreign currency derivatives (Assets)	1,133	29	1	674	1,837
Foreign currency derivatives (Liabilities)	(8,069)	(1,441)	(184)	(1,220)	(10,914)
Swap derivatives (Liability)	(56,543)	(9,934)	-	-	(66,477)
Foreign exchange exposure position	1,204,490	236,698	112,445	802,317	2,355,950

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

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, principally unlisted property trusts and infrastructure debt.

ii. Risk management objective, policies and processes:

The Scheme maintains adequate liquidity to meet the daily cash requirements for claims payments and other operating costs.

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 a 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 a 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.

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 2013.

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.

Liability maturity

All of the Scheme's financial liabilities held for trading relate to derivatives whose maturity is listed below:

	Less than 1 month \$'000	2 to 12 months \$'000	Greater than 12 months \$'000	Total \$'000
2014				
Derivatives	140	13,343	84,756	98,239
2013				
Derivatives	3,887	15,429	91,391	110,707

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.

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 and purchasing the debt of corporate and government borrowers. These activities 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 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, where possible collateral arrangements may be implemented to reduce the Scheme's exposure.

The exposure is reported against set guidelines both from an individual managers' compliance and at a total Insurance Fund level. Reporting is provided by the Scheme's custodian and delivered to management for monitoring.

Credit risk arising on financial instruments is mitigated by investing primarily in rated instruments as determined by Standard's and Poor's, Moody's or Fitch. The Insurance Fund minimises its credit risk by monitoring counterparty creditworthiness.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Credit risk (continued)

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.

Derivatives

The use of derivative financial instruments is governed by the Scheme's policies. The Scheme enters into derivative contracts for the purpose of gaining market and/or duration exposure or offsetting existing risk exposures.

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 net value of individual swap positions where there is the ability to settle the swaps on a net basis and the Nominal Insurer intends to settle on this basis.

	Assets \$'000	Liabilities \$'000	Notional amount \$'000
2014			
Futures:			
Share price index futures	-	6	168,893
Interest rate futures	6,393	3,439	869,391
Options:			
Options on Fixed Income	30,255	-	2,275,600
Options on futures	29,620	-	2,568,967
Swaption	562	-	99,000
Forwards:			
Forward foreign exchange contracts	4,621	530	610,695
Swaps:			
Interest rate swaps	11,865	29,667	1,505,500
Inflation swaps	1,670	1,015	333,300
Cross currency swaps	62,754	63,389	57,699
Credit default swaps	-	193	10,299
	147,740	98,239	8,499,344

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Credit risk (continued)

Derivatives (continued)

	Assets \$'000	Liabilities \$'000	Notional amount \$'000
2013			
Futures:			
Share price index futures	1,623	-	160,998
Interest rate futures	3,316	3,154	350,769
Options:			
Options on Fixed Income	6,150	-	900,000
Options on futures	25	-	8,390
Forwards:			
Forward foreign exchange contracts	1,837	10,914	678,849
Swaps:			
Interest rate swaps	5,762	25,821	773,700
Inflation swaps	2,349	4,341	481,400
Cross currency swaps	64,223	66,454	57,699
Credit default swaps	-	23	6,555
	85,285	110,707	3,418,360

Indexed and interest bearing investments

The majority of the indexed and interest bearing investments held by the Scheme are held with issuers rated investment grade by Standard & Poor's, Moody's or Fitch. The ratings assigned to the Scheme's indexed and interest bearing investments at the end of the reporting period were as follows:

	2014 %	2013 %
Rating		
AAA/aaa	63%	67%
AA/Aa	25%	21%
A/A	5%	5%
BBB	5%	5%
No Rating	2%	2%
Total	100%	100%

Transfer of financial assets: repurchase agreements

During the year, the Scheme transferred \$ 946 million (2013 \$386 million) of securities to counterparties of the Scheme under repurchase agreements, but has retained substantially all the credit risk associated with the transferred assets.

Due to retention of substantially all the risks and rewards of these assets, the Scheme continues to recognise these assets in the Scheme's financial statements, and the proceeds of sale are reported as liabilities and are carried at amortised cost. The counterparties have an obligation to return the securities to the Scheme.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Credit risk (continued)

The following table sets out carrying amounts of transferred financial assets and the related liability at the reporting date.

	2014 \$'000	2013 \$'000
Carrying amount of transferred assets	945,042	385,649
Carrying amount of associated secured bank facility	(615,179)	(318,104)
	329,863	67,545
Fair Value of transferred assets	945,042	385,649
Carrying amount of associated secured bank facility	(615,179)	(318,104)
Net Position	329,863	67,545

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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2014

Other Financial assets

Indexed and interest bearing securities	5,807,128	3,023,612	220,556	9,051,296
Australian equities	1,282,871	1,550	2,442	1,286,863
International equities	2,114,660	4,593	-	2,119,253
Unit Trusts	174,402	1,255,678	875,576	2,305,656
Derivatives	36,013	111,727	-	147,740
	9,415,074	4,397,160	1,098,574	14,910,808

Other Financial liabilities

Derivatives	3,440	94,799	-	98,239
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000

2013

Other Financial assets

Indexed and interest bearing securities	4,835,386	3,132,906	232,138	8,200,430
Australian equities	1,197,952	-	-	1,197,952
International equities	2,212,783	5,111	-	2,217,894
Unit Trusts	275,345	917,704	794,703	1,987,752
Derivatives	4,964	80,321	-	85,285
	8,526,430	4,136,042	1,026,841	13,689,313

Other Financial liabilities

Derivatives	3,154	107,553	-	110,707
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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

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.

Transfers between levels

The Scheme recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The following table presents the transfers between levels for the year ended 30 June 2014:

	Level 1 \$'000	Level 2 \$'000
Transfer between level 1 and 2:		
Indexed and interest bearing securities	(304,852)	304,852
Indexed and interest bearing securities	723,994	(723,994)
Unit trusts	(48,377)	48,377

During 2014, debt securities with a carrying amount of \$304,852 thousand and unit trusts with a carrying amount of \$48,377 thousand were transferred from Level 1 to Level 2 because public price quotations in an active market for these instruments were no longer available. However, there was sufficient information available to measure the fair values of these securities based on observable market input.

During the year ending 30 June 2014, debt securities of \$723,994 thousand were transferred from Level 2 to Level 1 as public price quotations in an active market for those securities became available.

The transfers out of Level 3 arose from instruments which are now commonly traded and currently have observable market derived prices available for these securities.

The following tables present the changes in level 3 instruments for the year ended 30 June 2014.

	2014 \$'000	2013 \$'000
Opening balance	1,026,841	978,814
Transfers into level 3	-	-
Purchases of securities	79,310	110,141
Other increases	-	-
Sale of securities	(35,545)	(65,421)
Transfers out of level 3	-	(12,856)
Gain/(loss) recognised in Profit and Loss (investment Income)	27,968	16,163
Closing Balance	1,098,574	1,026,841
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)	27,968	16,163

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Fair value estimation (continued)

Level 3 fair values

The table below sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type	Description	Valuation technique	Significant unobservable inputs	Range of estimates (weighted avg) for unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Unit Trusts	Units in unlisted wholesale property trusts	Adjusted net asset value	Discount for lack of marketability / restricted redemptions	5 – 10% (7.5%)	A significant increase in discount would result in a lower fair value.
Indexed and Interest Bearing Securities	Collateralised mortgage trust obligations	Valuation prices provided by an independent security price provider	Discount for lack of marketability	8 – 18% (13%)	A significant increase in discount would result in a lower fair value
Indexed and Interest Bearing Securities	Private infrastructure debt	Valuations performed by an independent business and debt valuer	Discount for lack of marketability	10 – 20% (15%)	A significant increase in discount would result in a lower fair value.

Discount for lack of marketability: represents the discount applied to the net asset value or valuation provided by the independent valuer to reflect the lack of marketability or liquidity of the funds/investments. Management determines these discounts based on its judgement after considering investment-specific factors such as quality of the underlying assets.

Valuation framework

The Scheme has an established control framework with respect to the measurement of fair values. This framework has been outsourced to an external service provider which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls conducted by the outsourced service provider include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models;
- Quarterly calibration and back testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements;
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the outsourced service provider assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of accounting standards. This includes:

- Verifying that the broker or pricing service is approved by the Master Custodian of the WCIF for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- Where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the SRWS Board's Audit and Risk Committee.

Financial assets pledged as collateral

Scheme's financial assets pledged as collateral are \$nil (2013: \$nil), apart from cash held in margin accounts with the brokers/counter parties across various markets for exchange traded derivatives (refer Note 10) and for Over the Counter securities.

Margin accounts for exchange traded derivatives are held by the relevant exchange to keep the derivative position open and are adjusted daily based on the underlying derivatives marked to market. For over the counter securities the Scheme pays cash to the counter party where the trade documents stipulated that collateral is required to be paid. This collateral is adjusted as stipulated by the terms of the trade document based on underlying derivatives marked to market.

Where the Scheme holds collateral, this is held only in cash.

As outlined previously the Scheme closes out its positions prior to maturity or settles positions in cash rather than physical delivery.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

12. Financial instruments (continued)

Fair value estimation (continued)

Master netting or similar agreements

The Scheme enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Scheme does not have any currently legally enforceable right to offset recognised amounts, as the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

During the current financial year ending 30 June 2014, the Scheme was not party to any master netting arrangements.

13. Involvement with unconsolidated structured entities

The Scheme has concluded that unlisted investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- The voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- Each fund's activities are restricted by its prospectus; and
- The funds have narrow and well-defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest, set out by investment strategy.

Investment Strategy	Net Market Value as at 30 June 2014		Exposure %	Financial Statement Caption
		\$'000		
Property	875,576		40%	Unit trust per Note 11
Alternatives	869,296		40%	Unit trust per Note 11
Emerging Markets	396,742		18%	Unit trust per Note 11
Cash	48,377		2%	Unit trust per Note 11
Total	2,189,991		100%	

The above table lists the net market value and the Scheme's percentage exposure to each investment strategy as at 30 June 2014. The maximum exposure or loss is limited to the net market value of the investment strategy as at 30 June 2014. The net market value of the exposure will change on a daily basis throughout the period and in the subsequent periods will cease once the investments are disposed.

The investments of the Scheme are managed in accordance with the investment mandates with respective underlying investment managers. The investment decisions of the mandate are based on the analysis conducted by the investment manager. The return of the portfolio is exposed to the variability of the performance of the underlying management of these investments.

14. Trade and other payables

	2014	2013
	\$'000	\$'000
Agent remuneration	62,938	34,628
Investment purchases	328,824	65,941
Goods and Services Tax	31,206	37,003
Repurchase agreements	615,179	318,104
Other	16,620	46,669
Total payables	1,054,767	502,345

15. Unearned premiums

	2014	2013
	\$'000	\$'000
Unearned premiums	363,701	414,700

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

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.

	2014 \$'000	2013 \$'000
a. Expected future gross claims payments (undiscounted)	18,268,317	21,574,920
Discount to present value	(5,501,318)	(7,567,545)
Liability for outstanding claims	12,766,999	14,007,375
Current	2,060,429	2,230,270
Non-Current	10,706,570	11,777,105
	12,766,999	14,007,375
b. Expected future actuarial assessment of recoveries (undiscounted)	445,893	521,505
Discount to present value	(59,263)	(71,252)
Discounted actuarial assessment of recoveries	386,630	450,253
c. Net outstanding claims per actuarial report	12,380,369	13,557,122

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 9.5 per cent (2013 9.9 per cent).

Significant reforms to workers compensation legislation gained assent on 27 June 2012 with some reforms being effective from when the Bill was tabled while others are effective from later dates. Many of the reforms are still in the process of being implemented. Estimating the financial impact of the reforms requires significant actuarial assumptions to be made, which with the passage of time may prove to differ perhaps materially from actual outcomes. This is especially the case as some of these changes will significantly impact claimant and provider behaviour which will take several years to be able to be accurately assessed. As a result at this point in time, there is significant uncertainty in estimating the financial impact of the reforms.

Accordingly WorkCover in its capacity as acting for the Nominal Insurer decided to adopt a probability of adequacy for the Scheme for 2014 of 80 per cent (2013 80 per cent). The consulting actuary has assessed this requires a risk margin of 16.2 per cent (2013 16.2 per cent) or \$1.73 billion (2013 \$1.89 billion).

In arriving at this decision on the probability of adequacy required, WorkCover also 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

16. Outstanding claims (continued)

The consulting actuaries state in their certificate that there is inherent uncertainty in any estimate of outstanding claims liabilities. Whilst in their judgement they have employed techniques and assumptions that are appropriate, it should be recognised that future claim development is likely to deviate, perhaps materially, from their estimates. They state that examples of this uncertainty include but are not limited to the likelihood of injured workers lodging claims under the Scheme, the amount of compensation paid and the attitudes of claimants towards settlement of their claims and uncertainty surrounding the impact of the various reforms to Scheme design and operation which have occurred.

Based on the consulting actuaries assessment of the Scheme's exposure to asbestos claims, an explicit provision of \$120 million (2013: \$112 million) for such claims has been included in the overall outstanding claims liability.

Movement in claim liabilities and recoveries

	2014 \$'000	2013 \$'000
Claims liabilities		
Opening balance	14,007,375	14,614,990
Adjustment arising from changes in:		
• Actuarial assumptions	(1,134,472)	(513,568)
• Discount/inflation rates	388,702	131,147
• Risk margins	(172,927)	(84,711)
Expected expenses on 2013/14 claim payments	(185,636)	(200,280)
Claims incurred in current year	1,739,055	2,067,249
Claims payments	(1,875,099)	(2,007,452)
Claims liabilities 30 June 2014	12,766,999	14,007,375
Recoveries		
Opening balance	450,253	481,327
Adjustment arising from changes in:		
• Actuarial assumptions	(5,959)	33,337
• Discount/inflation rates	10,507	5,081
• Risk margin	(8,870)	(4,332)
Recoveries incurred in current year	62,607	67,680
Recoveries received (excluding GST recoveries)	(97,562)	(107,736)
GST recoveries	(24,347)	(25,104)
Recoveries receivable 30 June 2014	386,630	450,253

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

16. Outstanding claims (continued)

Claims development

The Scheme provides ongoing weekly benefits to injured workers who are unable to return to pre-injury levels of work up to retirement age, (or if injured after retirement age one year after the date of claim). 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.

Under the 2012 reforms the maximum number of years an injured worker who is not seriously injured can remain in weekly benefits is 5 years, with medical benefits to continue for a year after the weekly benefits end.

	2014 \$'000	2013 \$'000
Outstanding claims liabilities (undiscounted):		
• Prior to 10 years ago	5,171,126	5,510,317
• 9 years ago	846,332	835,553
• 8 years ago	858,394	1,132,708
• 7 years ago	1,043,290	1,178,060
• 6 years ago	1,066,282	1,470,912
• 5 years ago	1,308,726	1,505,708
• 4 years ago	1,686,684	1,784,725
• 3 years ago	1,893,998	2,260,890
• 2 years ago	1,822,163	2,619,961
• up to 1 year ago	2,571,322	3,276,086
	18,268,317	21,574,920

Claims liability maturity

The maturity profile of the Scheme's claim liabilities are estimated by the consulting actuaries to mature in the following periods.

	2014 \$'000	2013 \$'000
Outstanding claims net of recoveries maturing:		
• within 1 year	1,949,050	2,101,375
• 2 to 5 years	5,247,863	5,588,494
• more than 5 years	5,183,456	5,867,253
	12,380,369	13,557,122

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 the core variables that drive the Schemes liabilities are the 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.

Weekly benefits are based on workers average weekly earnings. For claims incurred prior to 1 October 2012 weekly benefits are indexed to the Labour Price Index (LPI), while claims incurred after that date are indexed to the Consumer Price Index (CPI). Other Scheme costs continue to align with movements in the LPI.

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

	2014 % pa	2013 % pa
For the first succeeding year		
Inflation rate		
LPI	3.50	3.50
CPI	2.50	2.50
Discount rate	2.47	2.54

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

16. Outstanding claims (continued)

	2014 % pa	2013 % pa
For subsequent years		
Inflation rate		
LPI	2.63 – 3.50	3.06 – 3.50
CPI	1.63 – 2.50	2.06 – 2.50
Discount rate	2.62 – 5.03	2.61 – 5.41

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 7.0 years (2013: 7.5 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	2014		2013	
		Impact on profit/(loss) \$'000	Impact on liabilities \$'000	Impact on profit/(loss) \$'000	Impact on liabilities \$'000
Inflation rate	+1%	(316,179)	316,179	(351,919)	351,919
	-1%	301,968	(301,968)	335,766	(335,766)
Discount rate	+1%	259,136	(259,136)	364,796	(364,796)
	-1%	(272,451)	272,451	(390,723)	390,723

17. Reconciliation of surplus/(deficit) for the year to net cash provided by operating activities

	2014 \$'000	2013 \$'000
Surplus/ (Deficit) from operating activities:	2,249,811	1,805,821
Expenses/Revenues not involving cash inflows/outflows:		
Bad Debts written off	32,084	55,242
Increase/(decrease) in Impairment of trade receivables	(6,332)	(5,471)
Increase/(decrease) in actuarially assessed claim liabilities	(1,240,376)	(607,615)
Decrease/(increase) in actuarially assessed recoveries receivable	63,623	31,074
Increase/(reduction) in unearned premiums	(50,999)	16,741
Increase/(decrease) in unexpired risk premium	21,488	(11,637)
Unrealised loss/(gain) on investments	(98,614)	(183,118)
Decrease/(Increase) in operating assets:		
Financial assets	(1,202,352)	(681,129)
Interest and dividends receivable	52,421	(46,361)
Premiums receivable	85,869	(38,582)
Trade debtors and prepayments	(130)	(17,191)
(Decrease)/Increase in operating liabilities:		
Trade and other payables	296,996	(328,094)
Security deposits received	11,009	(7,189)
Collateral from brokers	(7,457)	(19,560)
Net cash provided by / (used in) operating activities	207,041	(37,069)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NSW WorkCover Scheme

Notes to and forming part of the Financial Statements

18. Liability adequacy test

At 30 June 2014 the Scheme has an unearned premium provision of \$364 million (2013: \$415 million). This unearned premium was based on policies on risk during 2013/14 but where the period of coverage extends into 2014/15.

The present value of expected future cash flows for future claims relating to the unearned premium estimated to be \$407 million (2013: \$461 million), with this increasing to \$433 million (2013: \$466 million) once a risk margin of 17.9 per cent to give a 80 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 \$43 million (2013: \$47 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 \$26 million is required to be made by the Scheme. In 2013 the actuaries determined that an unexpired risk provision of \$4 million was required.

19. Commitments

At 30 June 2014 the Scheme has a lease commitment with the State Property Authority.

	2014 \$'000	2013 \$'000
• within 1 year	683	874
• 1 to 5 years	-	683
• more than 5 years	-	-
	683	1,557

As at the 30 June 2014 the NSW WorkCover Scheme was required to contribute \$258 million (2013: \$233 million) to the WorkCover Authority Fund in monthly instalments by 30th June 2015.

As at the 30 June 2014 the NSW WorkCover Scheme was required to contribute \$81 million (2013: \$78 million) to the Workers Compensation Dust Diseases Fund in 12 equal monthly instalments by 30th June 2015.

As at the 30 June 2014 the NSW WorkCover Scheme was required to contribute \$7.3 million (2013: \$7.6 million) to the Mine Safety Levy in 4 equal quarterly instalments by 30th June 2015.

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 three to four years to reflect the actual costs of claims incurred plus a contribution to those costs such as very high value claims that are shared across all employers. As the premium is not finalised till four to 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 2014, the Scheme held deposits of \$46 million (2013: \$35 million) and bank guarantees of \$911 million (2013: \$756 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 Scheme for this purpose are paid directly to the entity that lodged the Security Deposit provided that the security held meets the minimum level required for the applicable employers.

- End of audited financial statements -

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Appendix 1: Legislation

Acts

Work Health and Safety

- *Work Health and Safety Act 2011*
- *Explosives Act 2003*
- *Rural Workers Accommodation Act 1969*
- *Dangerous Goods (Road and Rail Transport) Act 2008* (except parts, the Minister for the Environment)

Workers Compensation

- *Workplace Injury Management and Workers Compensation Act 1998*
- *Workers Compensation Act 1987*
- *Workers Compensation (Bush Fire, Emergency and Rescue Services) Act 1987*
- *Associated General Contractors Insurance Company Limited Act 1980*

- *Bishopsgate Insurance Australia Limited Act 1983*

- *Safety, Return to Work and Support Board Act 2012*

Other

- *Sporting Injuries Insurance Act 1978*

Regulations

- *Work Health and Safety Regulation 2011*
- *Explosives Regulation 2013*
- *Workers Compensation Regulation 2010*
- *Workers Compensation Commission Rules 2011*
- *Workers Compensation (Bush Fire, Emergency and Rescue Services) Regulation 2012*
- *Sporting Injuries Insurance Regulation 2014*

Changes to legislation – administered by WorkCover

- *Explosives Amendment Act 2013*
- *Workers Compensation Amendment (Latest Indexation Number) Regulation (No 2) 2013*
- *Workers Compensation Amendment (Latest Indexation Number) Regulation 2014*
- *Workers Compensation Amendment (Medical Expenses) Regulation 2013*
- *Workers Compensation Amendment (Wages Threshold Amount) Regulation 2014*

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Appendix 2: Performance and numbers of senior executives

	WorkCover Authority	Lifetime Care & Support Authority of NSW	Workers' Compensation (Dust Diseases) Board	Motor Accidents Authority of NSW
Band 1				
Male	28	1	-	4
Female	30	1	1	5
Total	58	2	1	9
Average Remuneration	161,561	195,206	177,595	155,028
Band 2				
Male	7	1	-	2
Female	3	-	-	-
Total	10	1	-	2
Average Remuneration	232,798	245,968	-	234,993
Band 3				
Male	2	-	-	-
Female	2	-	-	-
Total	4	-	-	-
Average Remuneration	296,068	-	-	-
Senior Executives Total				
Male	37	2	-	6
Female	35	1	1	5
Total	72	3	1	11
Employee Related Costs				
Exec	13,348,429	670,461	251,146	1,911,982
Non-Execs	92,973,245	6,528,660	3,043,361	6,579,282
Total	106,321,674	7,199,121	3,294,506	8,491,265
%	12.55%	9.31%	7.62%	22.52%

Appendix 3: Government Information (Public Access) Applications

Government Information (Public Access) Act 2009

WorkCover's Right to Information Unit administers and fulfils WorkCover's obligations under the *Government Information (Public Access) Act 2009* (GIPA Act).

Authorised proactive release of government information – Clause 7

At least every 12 months WorkCover is required to review its program for the proactive release of government information that is considered to be in the public interest without imposing unreasonable costs to the agency.

How the agency carried out the review

During the 2013-14, the Right to Information Unit consulted throughout the organisation to identify information that could be proactively released, particularly information that is repeatedly asked for; newly created or received; that would be of public interest to disclose; or details initiatives, developments or projects relevant to our agency.

Over 80 per cent of access applications to WorkCover requested inspector's investigation files related to workplace incidents or complaints. Historically all records contained in WorkCover's investigation files have required

consideration of public interests in favour of and against disclosure, as such they are not suitable files for proactive release. However, in the interests of proactive release, during 2013-14 WorkCover developed an Inspection Report which is provided to the person conducting a business or undertaking following an inspector's visit. The report provides specific details of the incident being investigated including the actions agreed to be taken by the duty holder and a summary of the Inspector's observations.

During the year, WorkCover proactively released large volumes of information that is newly created or received, would

be of public interest to disclose or details initiatives, developments or projects relevant to our agency. Examples of the information proactively released include:

- work health and safety alerts
- programs and incentives for specific industries to make workplaces safer and more productive
- a summary of prosecutions conducted and details relating to prosecution matters where there was a finding of guilt and a conviction
- details of enforceable undertakings commenced as an alternative to commencement of prosecution for alleged contraventions of the *Work Health and Safety Act 2011*
- tender details for new scheme agent contracts
- work health and safety updates including the expansion of Small Business Rebate Program and 2013 Asbestos Awareness Campaign to educate the NSW community about the risks of exposure to asbestos during home renovations and maintenance
- details of and updates from the Heads of Asbestos Coordination Authorities – its members, its model asbestos policy for all local councils, and a newly created asbestos and demolition licence holder search
- information about changes to workers compensation legislation for workers and employers and other general information promoting early, safe and durable return to work including a number of support programs and tools such as Recover at Work Planning Tool.
- access to its new Customer Service Charter
- the Scheme agent performance report

WorkCover is aware of the importance to eliminate or minimise risks to workers health and safety, particularly in high risk industries. As a result, WorkCover proactively releases a large number of safety alerts on its website. These safety alerts highlight an incident or unsafe practice and provide prevention information. Examples include keeping workers safe in the heat, voids in

house construction and working with dangerous or hazardous materials.

WorkCover continues to proactively release forms, publications, codes, guides, manuals, policies, reports, safety alerts, media releases, fact sheets and FAQs on its website. We also publish the Insurance Premium Order, our Annual Report, Workers Compensation Benefits Guide and the executive summary and key results of the actuarial valuation of outstanding claims liability for the NSW Workers Compensation Nominal Insurer. These documents can also be requested by contacting WorkCover on 13 10 50. WorkCover uses social media outlets, including Facebook and Twitter, to direct members of the public to appropriate links on its website.

Reporting on formal access applications – GIPA statistics (2013-14)

A total of 548 access applications were received during the 2013-14 reporting period. This includes withdrawn applications but not invalid applications. This total includes formal applications received but not decided during the 2013-14 reporting period.

A total of 3 access applications received during the reporting period were refused in part by WorkCover because the information requested was information referred to in Schedule 1 to the GIPA Act (that is, information for which there is a conclusive presumption of an overriding public interest against disclosure).

Privacy and Personal Information

Privacy and Personal Information Protection Act 1998 (PIIP Act) and Health Records and Information Privacy Act 2002 (HRIP Act)

In the course of carrying out its functions, WorkCover collects, retains, stores, uses and discloses personal and health information about individuals on a daily basis. The PPIP Act and the HRIP Act deal with how all NSW public sector agencies, including WorkCover, must manage personal and health information.

All personal information held by WorkCover is managed in accordance with NSW privacy legislation. This includes all types of records in any format such as documents (paper and

electronic), data in business information systems and verbal decisions and objects (e.g. photographs, maps, evidence and samples).

Examples of the personal details of individuals with whom WorkCover has contact includes names, dates of birth, residential addresses, drivers licence details, financial details, bank account details, wage records, work history, medical certificates and health details.

WorkCover staff are guided in the management of personal and health information by its Privacy Management Plan. The Plan can be accessed on WorkCover's web site at workcover.nsw.gov.au. At the time of writing a review of the Plan is being undertaken.

During the 2013-14, WorkCover received two applications under Privacy legislation. One of the applications dealt with both the provisions of Part 5, section 53 of the PIPP Act and the provisions of section 21 of the HRIP Act, and one dealt only with Part 5, section 53 of the PIPP Act.

No reviews of applications reviewed during 2013-14 were forwarded to the NSW Civil and Administrative Tribunal pursuant to section 55 of the PIPP Act and/or section 21 of the HRIP Act.

Review by the Information and Privacy Commission

In October 2011, the Information and Privacy Commission commenced an investigation into whether WorkCover was meeting its obligations under the GIPA Act when dealing with access applications. The Commission provided its Final Investigation Report to WorkCover in December 2013. The Commission recommended some minor changes to its processes but generally commended WorkCover's commitment to implementing both the letter and the spirit of the GIPA Act.

This year

- improved contact with applicants to clarify and/or refine requests which has resulted in information being provided in earlier timeframes
- removed backlog of applications
- introduced a 'basic pack' option for GIPA applicants which provides

APPENDICES

information which is more readily available to the Right to Information Team and includes a selection of reports, notices and photographs. Applicants are advised that should more information be required a further application can be lodged with the

application fee waived; however, processing fees may still be incurred.

Next year

- developing and implementing strategies for digital recordkeeping

and access to digital records and data

- examining workflow and operational competencies to ensure continuous improvement of the provision of government information

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	Total
Media	1	1	0	2	0	0	0	0	4
Members of Parliament	0	0	1	0	0	0	0	0	1
Private sector business	19	61	0	11	0	0	0	5	96
Not for profit organisations or community groups	3	1	0	0	0	0	0	0	4
Members of the public (application by legal representative)	35	275	3	109	0	1	0	28	451
Members of the public (other)	29	60	3	13	0	1	0	7	113
Total	87	398	7	135	0	2	0	40	669

* 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	Total
Personal information applications*	0	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	16	29	2	7	0	0	0	5	29
Access applications that are partly personal information applications and partly other	71	369	5	128	0	2	0	35	610
Total	87	398	7	135	0	2	0	40	669

* 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).

The total number of decisions in Table B should be the same as Table A.

TABLE C: INVALID APPLICATIONS

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	73
Application is for excluded information of the agency (section 43 of the Act)	12
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	85
Invalid applications that subsequently became valid applications	59

TABLE D: CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 OF THE ACT

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	7
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

*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.
Excluded info includes excluded from Agency only (not excluded due to being held by Nominal Insurer)

TABLE E: OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE TO SECTION 14 OF THE ACT

	Number of occasions when application not successful
Responsible and effective government	52
Law enforcement and security	58
Individual rights, judicial processes and natural justice	358
Business interests of agencies and other persons	140
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0
Total	608

Note: Doesn't need to equate to anything because >1 public interest consideration can apply to a single application - as per note under Table D

TABLE F: TIMELINES

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	326
Decided after 35 days (by agreement with applicant)	228
Not decided within time (deemed refusal)	115
Total	669

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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	1	1	2
Review by Information Commissioner*	5	0	5
Internal review following recommendation under section 93 of Act	5	0	5
Review by ADT	0	0	0
Total	11	1	12

TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	Number of applications for review
Applications by access applicants	7
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Appendix 4: Credit card certification

Credit card use within SRWS is certified in accordance with Premier's Memorandum and Treasurer's directions. SRWS has a rigorous process in place to ensure full accountability for the use of credit cards.



Safety, Return to Work and Support
92-100 Donnison Street, Gosford, NSW 2250
Locked Bag 2906, Lisarow, NSW 2252
t 02 4321 5000 f 02 4325 4145

29 July 2014

Our Ref: WC01771/14

The Hon. Dominic Perrottet MP
Minister for Finance and Services
Member for Castle Hill
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

The New South Wales Treasury Policy & Guidelines Paper on Credit Card use requires Chief Executive Officers to certify to their Minister that credit card use in their Department is in accordance with Premier's Memoranda and Treasurer's Directions.

On behalf of Safety, Return to Work and Support I certify that all card holders for the period 1st July 2013 to 30th June 2014, have used their cards in accordance with the SRWS Corporate and Purchasing Credit Card Policies and in accordance with Premier's Memoranda and Treasurer's Directions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Julie Newman'.

Julie Newman PSM
Chief Executive Officer
Safety, Return to Work and Support

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Appendix 5: Response to significant matters raised in the outgoing audit report

There were no significant matters raised in the outgoing audit report.

Appendix 6: Accounts payable performance

Payments of Accounts – All suppliers

Amounts outstanding to suppliers at the end of each quarter of the year were:

2013-14	June Quarter*	March Quarter	December Quarter	September Quarter
Current	\$2,613,603	\$958,150	\$184,699	\$477,029
<30 days overdue	\$457,694	\$404,901	\$1,811,761	\$29,745
>30 and <60 days overdue	\$42,051	\$55,748	\$136,194	\$1,920
>60 days and <90 days	\$5,958	\$126	\$147,212	\$0
90 days and over	\$1,527	\$86,733	\$6,140	\$6,535

*Figures include payments on behalf of the WCA, WCC and WIRO. Figures do not include payments made on behalf of SRWS

Amounts paid to suppliers at the end of each quarter of the year were:

2013-14	2013-14 Total	June Quarter*	March Quarter	December Quarter	September Quarter
Number of accounts due for payment	25,842	8,492	6,431	5,699	5,220
Number of accounts paid on-time	24,491	8,146	5,829	5,406	5,110
% accounts paid on-time (based on number of accounts)	95%	96%	91%	95%	98%
Dollar amount of accounts due for payment	\$77,987,007	\$24,457,971	\$17,408,395	\$15,691,984	\$20,428,657
Dollar amount of accounts paid on-time	\$71,594,081	\$22,414,453	\$14,394,487	\$14,637,651	\$20,117,490
% of accounts paid on-time (based on \$)	92%	92%	83%	93%	98%
Number of payments for interest on overdue accounts	3	0	0	3	0
Interest paid on overdue accounts	211	0	0	211	0

Payments of Accounts – Small business suppliers

Amounts paid to identified small business suppliers at the end of each quarter of the year were:

2013-14	2013-14 Total	June Quarter*	March Quarter	December Quarter	September Quarter
Number of accounts due for payment	1,048	269	221	226	332
Number of accounts paid on-time	910	241	171	168	330
% accounts paid on-time (based on number of accounts)	87%	90%	77%	74%	99%
Dollar amount of accounts due for payment	\$1,324,637	\$412,942	\$288,763	\$233,140	\$389,792
Dollar amount of accounts paid on-time	\$1,177,531	\$392,843	\$210,870	\$184,219	\$389,599
% of accounts paid on-time (based on \$)	89%	95%	73%	79%	100%
Number of payments for interest on overdue accounts	3	0	0	3	0
Interest paid on overdue accounts	\$211	\$0	\$0	\$211	\$0

The WorkCover Authority has a target of 90 per cent accounts paid on-time. In 2013-14 this target was achieved in three of the four quarters with an average of 95% achieved across the year.

To assist in ensuring small business suppliers are paid more promptly in future, purchase cards are being introduced across the Authority for payment of suppliers under \$3,000.

Interest on late payments:

The WorkCover Authority paid \$211 in interest to 3 Small Businesses in 2013-14. The primary reason for this is predominately due to invoices not being forwarded to Finance in a timely manner.

Appendix 7: Overseas travel 2013-14

WorkCover

Person travelling	Date (month - year)	Location	Purpose	Cost \$	Recovery \$	Net cost \$
Adrian Rietdijk	August 2013	New Zealand	Commercial testing business TestSafe Aust - NZ - Audits FM Tait, FM Pertronic, Gallagher, MCERTS Aeroqual	2,283	2,283	-
Adrian Rietdijk	September 2013	Singapore, Taiwan, Japan	Commercial testing business TestSafe Aust - Audits - CMG Singapore, Geann Elmako - Taiwan, Matsushima - Japan	5,231	5,231	-
Adrian Rietdijk	November 2013	New Zealand	Commercial testing business TestSafe Aust - Audits - FM Tait, FM Pertronic, FM Long Panel, FM Papinz, FM Metalcraft	2,904	2,904	-
Adrian Rietdijk	February 2014	New Zealand	Commercial testing business TestSafe Aust - Audits - CMG, FM Pertronic, FM Tait	2,390	2,390	-
Gordana Ostojic	February 2014	USA	Commercial testing business TestSafe Aust - Contracted by IECEX to audit Intertek Testing Services in New York USA	2,839	2,839	-
James Zhao	March 2014	China	Commercial testing business TestSafe Aust - Audits - Eflare - Kinyun Science, Shanghai Renmin, Voltfine	4,474	4,474	-
John Watt	September 2013	Chile, Brazil	To attend International Electrotechnical Commission System (IECEX) Meetings	7,590	950	6,640
Xue Jie	March 2014	China	Commercial testing business TestSafe Aust - Audits - Eflare - Verifan Metals	2,689	2,689	-
Adrian Rietdijk	June 2014	New Zealand	Commercial testing business TestSafe Aust - FM Tait, FM Bondor, FM Petronic, Gallagher Fuel System	1,654	1,654	-
Total				32,054	25,414	6,640

Workers Compensation Commission

Person travelling	Date (month - year)	Location	Purpose	Cost \$	Recovery \$	Net cost \$
Judge Greg Keating	June 2014	New Zealand	For the President of the NSW Workers Compensation Commission to attend the 2014 Council of Australian Tribunals (COAT) Annual Tribunals Conference in NZ	3,031		3,031
Total				3,031		3,031

WorkCover Independent Review Officer

Person travelling	Date (month - year)	Location	Purpose	Cost \$	Recovery \$	Net cost \$
Brooke Benson	April/May 2013	USA	Attend the International Association of Industrial Accidents Boards and Commissions (AIABC) Forum in Des Moines, Iowa, USA.	3,096		3,096
Total				3,096		3,096

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Appendix 8: Consultants

WorkCover consultants 2013-14

Vendor	Description	Vendor total
PriceWaterhouseCoopers	Professional fees for actuarial consulting services for WorkCover	478,742
Mercer Investments (Australia) Limited	Consulting services for the provision of investment advice and retainer fee for dynamic asset allocation advice for the WCIF	413,772
Office of Finance & Services	Reimbursement for engagement of CIE review of 2012 WC reforms	121,843
Taylor Fry Consulting Actuaries	Professional actuarial services	71,539
Total greater than \$50,000		\$1,085,895
Plus 33 Consultants \$50,000 and under		463,046
Engineering		19,000
Finance & Accounting/Tax		179,551
Information Technology		3,813
Legal		58,679
Organisational Review		202,003
Total consultants		\$1,548,941

Note: Consultants for 2013-14 now include actuarial fees.

WorkCover Independent Review Office consultants 2013-14

Vendor	Description	Vendor total
Total greater than \$50,000		0
Plus 2 Consultants \$50,000 and under	Organisational review	13,057
Total consultants		13,057

Workers Compensation Commission consultants 2013-14

Vendor	Description	Vendor total
Total Greater than \$50,000		0
Plus 1 Consultants \$50,000 and under	Organisational review	10,000
Total consultants		10,000

Appendix 9: Grants

WorkCover Grants Awarded in 2013-14

Non-government community organisations

Grants awarded to an external non-government community organisation for a specific program – Nil

Research grants

Grants awarded to universities, health and other service providers to support better outcomes for participants/customers.

Recipient Organisation	Amount of funding awarded	Nature and purpose (incl. aims, target clients and area of coverage)
University of Queensland	\$100,000.00	<p>People at Work program: Australian Research Council linkage project with University of Queensland (since moved to Queensland University of Technology), the Australian National University, Work Health Safety Queensland, Worksafe Victoria, ComCare, Safe Work Australia, Beyond Blue and WorkCover NSW.</p> <p>Research will lead to development of a National normative dataset on psychosocial hazards that is representative of the Australian working population, and development of a People at Work web portal.</p> <p>The portal will provide access to a validated risk assessment survey tool and intervention resources that can be used by organisations wishing to improve their psychosocial work climate.</p>
NSW Ministry of Health, Agency for clinical Innovation	\$86,394.30	Vocational intervention program: Developing and evaluating a vocational interventions program for people with a traumatic brain injury. (In partnership with the Lifetime Care and Support Authority and Motor Accidents Authority of NSW).

Funding expended in 2013-14

Non-government community organisations

Funds provided to an external non-government community organisation for a specific program.

Recipient organisation	Amount of funding expended in 2013/14	Nature and purpose (incl. aims, target clients and area of coverage)
NSW Nurses Association	\$2,398.00	<p>WorkCover Assist WHS Legislation Training</p> <ul style="list-style-type: none"> • update existing Nurses OHS Resource • tailor general training package • develop and produce DVD and on-line learning resources in modular format which will be provided to members and branches.
Mandurah Hunter Indigenous Business Chamber	\$14,800.00	<p>Small Business Assistance Grant</p> <p>Working in partnership with the NSW Indigenous Chamber of Commerce to deliver a WHS training program to the NSW Indigenous Business and not for profit sector in regional NSW.</p>
Noel Arnold & Associates	\$18,181.82	<p>OHS Awareness in Aboriginal Businesses in NSW Project</p> <ul style="list-style-type: none"> • identify Aboriginal businesses across NSW and create user-friendly electronic database for collecting relevant business data • develop and deliver culturally appropriate OHS training program • increase awareness and networking opportunities between key stakeholders and WorkCover.

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Research grants

Funds provided to universities, health and other service providers to support better outcomes for participants/customers.

Recipient organisation	Amount of funding expended in 2013/14	Nature and purpose (incl. aims, target clients and area of coverage)
University of Canberra	\$22,752.00	<p>Sporting Injuries Research Towards a Sport Concussion Assessment Tool 3 in snow sports</p> <p>Assess the usefulness of the Sports Concussion Assessment Tool 2 (SCAT2) in informing snow sport athletes about their baseline, pre and post concussion status, as well s work towards developing user-friendly and accessible concussion assessment tools that might be available to all sports.</p>
University of Western Sydney	\$4,562.84	<p>Sporting Injuries Research</p> <p>Hamstring Injury Prevention in Soccer: Determine the acute muscular recruitment and architectural responses to the Nordic eccentric strengthening exercise in soccer players. Examine the effect of performing this hamstring injury prevention exercise in either a fatigued or resting status, upon training-induced muscular adaptations and injury risk factors.</p>
University of Sydney	\$5,760.30	<p>Sporting Injuries Research</p> <p>CRL Incidence of injury in the Tackle Zone focusing on youth aged participants: Extend knowledge of injuries sustained in junior rugby league games. This will be achieved through analysis of the tackle zone to establish the technique used by the player being tackled and the players making the tackle. Findings will form basis of recommendations for a coach education module to reduce the risk of injury to players.</p>
University of Sydney	\$6,891.36	<p>Sporting Injuries Research</p> <p>Ankle instability in netballers: Baseline screening of mechanical and perceived ankle instability through functional performance tests; and respective monitoring of ankle injuries through the season. Findings will help to develop a better understanding of the mechanisms for ankle injury and development of targeted interventions to address the issues.</p>
Monash University	\$15,000.00	<p>Sporting Injuries Research</p> <p>Develop an evidence based strategic safety package using local Australian football clubs. Identify the barriers and facilitators that influence the uptake of the safety package. Findings will inform how community sports safety can be maximized through the development and provision of safety information and policies.</p>
University of Queensland	\$100,000.00	<p>People at Work program</p> <p>Australian Research Council linkage project with University of Queensland (since moved to Queensland University of Technology), the Australian National University, Work Health Safety Queensland, Worksafe Victoria, ComCare, Safe Work Australia, Beyond Blue and WorkCover NSW.</p> <p>Research will lead to development of a National normative dataset on psychosocial hazards that is representative of the Australian working population, and development of a People at Work web portal.</p> <p>The portal will provide access to a validated risk assessment survey tool and intervention resources that can be used by organisations wishing to improve their psychosocial work climate.</p>

Appendix 10: Research and development

2012-13

Vendor	Description	Vendor Total
University of NSW	*Vital Research & crash performance testing of quad bikes	\$1,138,800

*Not previously reported

2013-14

Vendor	Description	Vendor Total
University of NSW	Performance testing quad bikes	\$219,700

Appendix 11: Land disposal

WorkCover did not dispose of any property in 2013-14.

Appendix 12: Insurance activities

Claims management performance

Reporting period	2013-14	2012-13	2011-12	2010-11
Workers Compensation: (policy inclusive of WCC & WIRO)				
No. of employees	1250	1193	1267	1306
No. of claims	21	23	53	75
No. of claims per employee	0.02	0.02	0.04	0.06
Total cost of claims	\$256,673	\$733,040	\$1,254,140	\$1,189,532
Average claim cost	\$12,223	\$31,871	\$23,663	\$15,860
Motor vehicles: (total claims)				
Vehicles	330	330	340	340
Number of claims	140	112	105	121
No. of claims per vehicle	0.42	0.34	0.31	0.36
Total cost of claims	\$398,808	\$257,072	\$230,575	\$295,319
Average cost per claim	\$2,849	\$2,296	\$2,196	\$2,441
Average cost per vehicle	\$1,209	\$779	\$678	\$869
Property:				
Number of claims	6	6	11	3
No. of claims per employee	0.0048	0.006	0.009	0.002
Total cost of claims	\$7,637.00	\$11,566.88	\$61,338	\$13,450
Average cost per claim	\$1,272.83	\$1,928	\$5,576	\$4,483
Average cost per employee	6.1096	\$11	\$53	\$11
Liability:				
Number of claims	Nil	Nil	Nil	Nil
Total cost of claims				
Average claim				
Miscellaneous:				
Number of claims	Nil	Nil	Nil	Nil
Total cost of claims				
Average claim				

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Appendix 13: Price determination method as at 30 June 2014

WorkCover NSW is primarily funded from statutory contributions made by the Nominal Insurer and self and specialised 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 SRWS Board, based on estimates of the total of the amounts which are to be paid from the WorkCover Authority Fund, as well as those amounts which are to be set aside as provisions to meet expenditure in later years.

Appendix 14: Licensed and self-insurers

Self-insurers

3M Australia Pty Limited
Ausgrid
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
Fairfield City Council
Fletcher International Exports Pty Limited
Forestry Corporation of NSW
Gosford City Council
Hawkesbury City Council
Inghams Enterprises Pty Limited
ISS Property Services Pty Ltd
Liverpool City Council
Mars Australia Pty Ltd (Previously Effem Foods Pty Ltd)
NSW Trains
Pacific National (NSW) Pty Ltd
Qantas Airways Limited
Rail Corporation NSW
Rocla Pty Limited
Shoalhaven City Council
Southern Meats Pty Limited
Sutherland Shire Council
Sydney Trains
The Star Pty Limited
Transfield Services (Australia) Pty Limited
Transport Cleaning Services
Transport Service of NSW (STA Group) (Previously Government of NSW (State Transit Authority Division))
UGL Rail Services Pty Limited
University of NSW

University of Wollongong
Veolia Environmental Services (Australia) Pty Ltd
Warringah Council
Westpac Banking Corporation
Wyong Shire Council

Group self-insurers

Arrium Limited
Australia and New Zealand Banking Group Limited
BlueScope Steel Limited
Brambles Industries Limited
Brickworks Limited
Coles Group Limited
Colin Joss & Co Pty Limited
CSR Limited
Holcim (Australia) Holdings Pty Ltd
JELD-WEN Australia Pty Ltd
McDonald's Australia Holdings Limited
Myer Holdings Limited
Northern Co-operative Meat Company Limited
Primary Health Care Ltd
Skilled Group Limited
The NSW Self-Insurance Corporation
Toll Holdings Limited
Unilever Australia (Holdings) Pty Ltd
Woolworths Limited

Specialised insurers

Catholic Church Insurances Limited
Coal Mines Insurance Pty Ltd
Hospitality Employers Mutual Limited
Guild Insurance Limited
North Insurances Pty Ltd
Racing NSW
StateCover Mutual Limited

Licences not renewed, cancelled or suspended

Self-insurers

Eraring Energy – Self-insurer licence cancelled from 12:00am 1 August 2013
Government of NSW (State Transit Authority Division) – Self-insurer licence cancelled from 4pm 24 February 2014. Transferred to Transport Service of NSW (STA Group)
Toll Pty Limited – Self-Insurer license cancelled and endorsed under Toll Holdings Limited Group Self-Insurer. Effective 4pm 28 February 2014

Group self-insurers

BHP Billiton Limited - Group Self-Insurer licence expired on 4pm 31 March 2014 and not renewed

Appendix 15: Board and committee meetings

Directors' meetings

During 2013-14, the SRWS meetings held and attendance by directors were:

SRWS Board	Number eligible to attend	Number attended
Chair		
Michael Carapiet	12	12
Deputy Chair		
Raymond Whitten	12	11
Members		
Gavin Bell – Director	12	12
Elizabeth Carr – Director	12	12
Mark Lennon – Director	12	10
Peeyush Gupta – Director	12	10
Julie Newman (CEO)	12	12

Board committees

The Board is able to establish committees to assist with the performance of its general functions. There are currently two committees administered by the Board:

- Audit and risk committee
- Investment committee
- Human resources committee

Audit and risk committee

The role of the audit and risk committee is to provide independent assistance to the board and the Workers' Compensation (Dust Diseases) Board of the administration and operation of governance, risk management and control frameworks.

The committee provides an integral role in supporting the Board to fulfil its corporate governance and oversight responsibilities, and to make decisions in relation to areas such as financial reporting, internal control and associated risk management systems, and internal and external audit functions.

The members of the committee are listed in the following table:

Audit and risk committee members	Date of appointment	Date of term end
Chair		
Raymond Whitten	31 October 2012	30 September 2016
Members		
Elizabeth Carr	31 October 2012	30 September 2016
Mark Lennon	31 October 2012	30 September 2016
Ray Petty*	31 October 2012	30 September 2016
Chief Executive Officer (invited)		
Julie Newman**	30 October 2012	Retired 1 August 2014

* Ray Petty is the representative for the DDB.

** Julie Newman attended as SRWS Chief Executive Officer (CEO). The CEO is a standing invitee.

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Audit and risk committee attendance

The audit and risk committee provides independent assistance to all SRWS entities by overseeing and monitoring their governance, risk and control frameworks, and their external accountability requirements.

SRWS audit and risk committee	Number eligible to attend	Number attended
Chair		
Raymond Whitten	7	6
Members		
Elizabeth Carr	7	7
Mark Lennon	7	5
Ray Petty	7	7
Chief Executive Officer (invited)		
Julie Newman*	7	6

* Julie Newman attended as SRWS Chief Executive Officer (CEO). The CEO is a standing invitee.

Investment committee

The role of the investment committee is to determine the policies, practices and strategies for investments of the relevant SRWS funds. This includes monitoring the investment performance of the funds and reviewing investment compliance.

The investment committee provides an integral role in supporting the Board to fulfil its investment responsibilities and to make decisions in relation to investment policies, investment objectives, strategic asset allocations and the risk profiles of the funds. The members of the committee are listed in the following table:

Investment committee members	Date of appointment	Date of term end
Chair		
Peeyush Gupta	31 October 2012	30 September 2015
Members		
Gavin Bell	31 October 2012	30 September 2015
Michael Carapiet	31 October 2012	30 September 2015
Raymond Whitten	31 October 2012	30 September 2015
Julie Newman	31 October 2012	Retired 1 Aug 2014

Investment committee attendance

Investment committee	Number eligible to attend	Number attended
Chair		
Peeyush Gupta	10	10
Members		
Michael Carapiet	10	10
Gavin Bell	10	10
Raymond Whitten	10	10
Julie Newman	10	9

Human resources committee

The role of the human resources committee is to support the Board by reviewing and monitoring the development and implementation of relevant human resource strategies and initiatives to ensure as far as practicable, that the activities of the SRWS are carried out properly and efficiently. The members of the Committee are listed in the following table:

Human resources committee members	Date of appointment	Date of term end
Chair		
Gavin Bell	9 December 2013	31 July 2015
Members		
Michael Carapiet	9 December 2013	31 July 2015
Elizabeth Carr	9 December 2013	31 July 2015
Julie Newman	9 December 2013	Retired 1 August 2014

Human resources committee attendance

Human resources committee	Number eligible to attend	Number attended
Chair		
Gavin Bell	2	2
Members		
Elizabeth Carr	2	2
Michael Carapiet	2	2
Julie Newman	2	2

Members of the SRWS executive who resigned prior to 30 June

Nil

[Appendix 16: Publication notes](#)

A copy of the WorkCover NSW Annual Report 2013-14 can be downloaded from the WorkCover website, at www.workcover.nsw.gov.au. The cost of the 2013-14 Annual Report was \$18,796.78.

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