



WorkCover



**REVIEW** PLAN ACT

# ANNUAL REPORT 2014/15

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# LETTER TO THE MINISTER

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22 October 2015

The Hon. Dominic Perrottet, MP  
Minister for Finance, Services and Property  
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 the WorkCover Authority of NSW for the financial year ended 30 June 2015.

The 2012 reforms to workers compensation have continued to shape the long-term sustainability of the NSW Workers Compensation Scheme. These reforms have allowed WorkCover to provide further support and benefits to injured workers that need it the most, while delivering savings to business through reduced premiums.

In June 2014 the NSW Government announced a series of enhancements to better support the State's injured workers to return to work. This included ensuring access to hearing aids and prosthesis, and medical benefits to retirement age for those workers with more than 20 per cent whole person impairment.

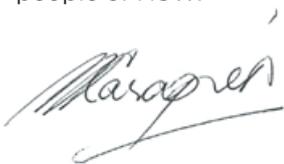
During 2014/15, WorkCover:

- partnered with industry stakeholders in high risk industries such as house construction, road and bridge construction and road freight transport to deliver targeted education programs designed to save lives
- made it easier for our customers to do business with us by streamlining processes and increasing online services
- offered a range of financial incentives and support to small businesses to help them reduce injuries, improve safety and return injured workers to work
- conducted more than 26,000 workplace visits in response to serious incidents and fatalities and more than 11,000 advisory activities and verification visits for high-risk activities
- took part in the Loose Fill Asbestos Insulation Taskforce to help develop a comprehensive action plan to advise on the most appropriate solution to the loose-fill asbestos issue in NSW.

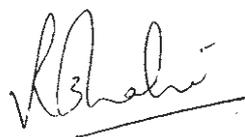
During the year our agency also responded to the findings of the 2013 Parliamentary Inquiry into allegations of bullying at WorkCover by establishing robust policies designed to foster a supportive workplace culture.

Most importantly, we are continuing to work with staff and the Public Service Association to drive cultural change including a zero tolerance to bullying and harassment behaviours.

Looking forward, both the 2014 Statutory review of workers compensation reforms and the NSW Parliament's Law and Justice Committee Review of the exercise and functions of the WorkCover Authority of NSW, paved the way for structural reforms for the separation of WorkCover's insurance and regulatory functions. Such changes will transform how we do business and strengthen our capacity to deliver better services and outcomes for the people of NSW.



Michael Carapiet  
Former Chair  
Safety, Return to Work  
and Support Board  
Chair  
Insurance and Care (icare)



Vivek Bhatia  
Former Chief Executive Officer  
Safety, Return to Work  
and Support  
Chief Executive  
Insurance and Care (icare)

Letter to the Minister	2
Our Focus	4
Our Purpose	6
Chair/CEO Review	10
Safety, Return to Work and Support Board	12
Safety, Return to Work and Support Executive	14
Insure	18
Protect	26
Care	36
Our People	38
Internal Audit and Risk Management Statement	47
Digital Information Security Attestation Statement	48
WorkCover Authority of NSW Financial Statements for the year ended 30 June 2015	49
Budget and Estimates for 2015/16	97
NSW WorkCover Scheme Financial Statements for the year ended 30 June 2015	100
Appendices	136
Index	152

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2014/15 Annual Report has been  
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*Annual Reports (Statutory Bodies)  
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Perrottet MP.

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A copy of this report is available at  
[workcover.nsw.gov.au](http://workcover.nsw.gov.au)

56 audits of uninsured employers



24 audits of self-insurers work, health and safety management systems



over 10,000 allied health providers operate in the Workers Compensation system



26,280 inspector visits



365,000 customer service centre interactions

91% of compensable fatalities are male 

46% decline in compensable fatalities since 2004/05\*

2.1/100,000 compensable fatality incident rate\*

6,273 major occupational disease claims



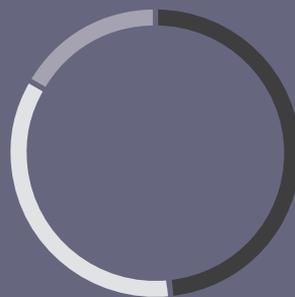
1,813 Nervous system and sense organ diseases (including industrial deafness)

\* Data from 2013/14



\$553,000

paid out by WorkCover in safety rebates



- 5,750 field verifications
- 4,163 licence checks
- 1,972 desk verifications

11,885 verifications undertaken



8,892

inspection reports documenting advice and assistance provided during visits\*\*

ADMINISTRATIVE SANCTIONS

6,545 improvement notices

5 enforceable undertakings

673 prohibition notices

92 penalty notices



101 completed prosecutions

\*\*These figures are accurate at time of extraction.



First call resolution rate of

89%

65+

age group has the highest incidence rate of fatality claims

8.3/100,000



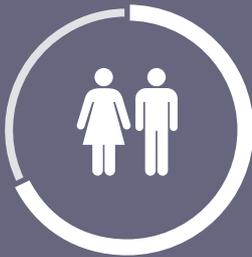
29%

of workplace injuries were caused by manual handling



#### MAJOR WORKPLACE INJURIES\*

32% female



68% male

#### HIGHEST INCIDENT RATE OF MAJOR WORKPLACE INJURIES\*

The agriculture, forestry and fishing industry

16.9/1,000 injuries employees

4 industries combined account for 50% of occupational disease



Manufacturing industry



Public administration



Health care and social assistance



Construction

\* Data from 2013/14



59%

of callers identify themselves as an employee or injured worker



35 seconds

was the average wait time for a customer to speak to a consultant on the phone

66%

of licensing transactions processed automatically



#### LOOSE FILL ASBESTOS TASKFORCE

2,076 properties tested†

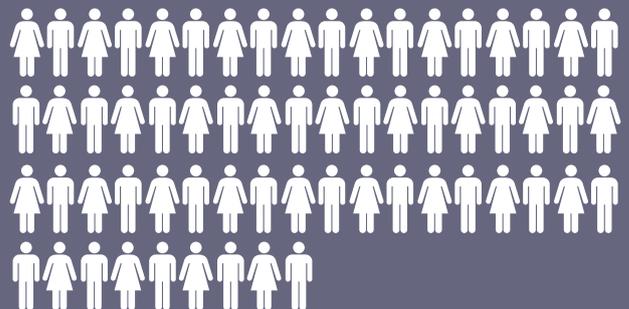


67

results returned positive for asbestos

#### GET HEALTHY AT WORK

630,000 employees



at 12,000 worksites



† As at 25 June 2015

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# OUR PURPOSE

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## 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 interactions 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 employ these values to inform, and perform, our day to day work.

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

## ROLE

WorkCover assists 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
- providing a merit review service for workers seeking a review of an insurers work capacity decision.

## HOW WE WORK

### REGULATOR

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

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 injured workers returning to work when safe to do so
- promote early and appropriate dispute resolution
- licence insurers and the operation of hazardous equipment, activities and defined premises.

### INSURER

WorkCover also acts on behalf of the Nominal Insurer to manage the Workers Compensation Insurance Scheme. It has appointed Scheme agents that issue insurance policies and manage claims on its behalf.

The workers compensation Nominal Insurer is a not-for-profit legal entity established in 2005 to issue policies of insurance and to 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 three million workers were covered by the NSW Workers Compensation Scheme in 2014/15.

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.

## 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.

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**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.

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

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

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**2014** Safety, Return to Work and Support Division becomes Safety, Return to Work and Support and forms part of the Office of Finance and Services within the Treasury and Finance cluster.

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**2015** The Office of Finance and Services becomes the Department of Finance, Services and Innovation.

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# OUR PURPOSE

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## LEGISLATIVE AND REGULATORY REFORM

WorkCover continues to reform and improve its work, health and safety and workers compensation regulatory regimes by facilitating inter-agency cooperation and stakeholder engagement.

The reforms have improved rehabilitation of injured workers and provided incentives for businesses to improve safety by reducing the cost of regulation for safer workplaces.

## 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)
- *Workers Compensation Regulation 2010.*

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.



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# CHAIR/CEO REVIEW

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In 2014/15 we were committed to improving services to our customers and preparing for change.

## ACHIEVEMENTS

- A 46 per cent decline in work-related compensable fatalities and a 52 per cent decline in fatality incidence rates compared with the previous 10 years.
- Continued to roll out the 2012 workers compensation benefit reforms, and further enhancements, enabling coverage of more medical costs, a lower impairment threshold and weekly payment entitlements.
- Lowered annual premiums for businesses that maintain a safe workplace, in order to improve certainty and stability, reduce the cost of doing business and create and maintain NSW jobs.
- Transition to the new *Government Sector Employment Act 2013* with an updated recruitment framework and new Department of Finance, Services and Innovation policies and practices.
- Established new frontline and complaints-handling processes following the implementation of a new Customer Service Charter and Customer Feedback Framework, which won the prestigious National Contact Centre Innovation Award.
- The amalgamation of the funds management activities of SRWS, SAS Trustee Corporation, and NSW Treasury Corporation within TCorp was completed.
- Delivered over 950 merit reviews of insurers work capacity decisions.
- Reformed the specialised insurer framework licensing framework.

## PARTNERSHIPS, PROGRAMS AND INITIATIVES

- Helped to reduce workplace injury and illness by providing \$553,000 in safety rebates with \$342,000 specifically targeting small business, for the purchase of safety equipment.
- In conjunction with the Motor Accidents Authority reviewed the Allied Health Practitioner Management Framework with a view to increasing return to work outcomes, improving consistency across provider groups and reducing red tape.
- Partnered with the Environmental Protection Authority to assess asbestos management practices in metropolitan and regional landfills.
- Completed 3,500 health checks at workplaces across NSW under the Get Healthy at Work program, a joint initiative with NSW Health reaching 630,000 workers.

- Marked the seventh year of the Small Business Mentor Program where large businesses coach small businesses, providing tailored safety advice and expertise.
- Published six video safety alerts, averaging 6,000 views per video, created in direct response to incidents resulting from high-risk activities.
- Held the annual 2014 WorkCover NSW SafeWork Awards recognising businesses and individuals for their contribution to safety and return to work.

## THE YEAR AHEAD

In August 2015 the NSW Parliament passed new laws that created three new entities that will replace WorkCover NSW.

The State Insurance Regulatory Authority (SIRA) will assume the regulatory functions of WorkCover in relation to workers compensation insurance and the Motor Accidents Authority in relation to Compulsory Third Party insurance. It will also manage the regulatory functions relating to Sporting Injuries Compensation and Home Building Compensation.

SafeWork NSW will become the NSW workplace health and safety regulator. SafeWork will continue to support SIRA with compliance activities around workers compensation and return to work.

Insurance and Care NSW (icare) will deliver the State's insurance and care schemes. It will be a centre of excellence for providing person-centric insurance services, return to work solutions, and care for people who have been severely injured in the workplace or on the road.

icare's distinct service lines will include builders warranty, dust diseases care, lifetime care, and workers insurance.

This will present significant structural and operational changes for our business that will allow us to enhance the services we provide to our customers and stakeholders.

## PRIORITIES

- Improve workplace safety and return to work outcomes for injured workers.
- Implement a customer-centric approach that puts injured workers at the centre of the workers compensation system to ensure they receive the care and support they need.
- Continue to implement the recommendations of the Statutory Review of the Exercise of the Functions of the WorkCover Authority and Parliamentary Inquiry into Allegations of Bullying in WorkCover NSW.
- Work closely with high risk industries and the community by delivering targeted programs to reduce injuries and save lives.
- Deliver premiums reductions for employers with good safety and return to work records.

## CHALLENGES

- Consolidate structural and legislative changes under the new *State Insurance and Care Governance Act 2015* with the strategic vision and mission of the organisation.
- Develop a new operating model that incorporates innovative programs that focus on injured workers, harm prevention and providing fair and sustainable workers compensation insurance.
- Assist industry and business to transition to the new Globally Harmonised System of Classification and Labelling of Chemicals (GHS).

## OUR TEAM... OUR COMMUNITY

We would like to thank our employees, management team, customers and stakeholders for their continued support throughout the year.

We look forward to building on our achievements, achieving new successes and delivering positive outcomes for the NSW community.



Michael Carapiet  
Former Chair  
Safety, Return to Work and Support Board



Vivek Bhatia  
Former 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 Department of Finance, Services and Innovation (DFSI). 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 (LTCSA). The SRWS Chief Executive Officer is a member of the SRWS Board.

SRWS agencies are supported by shared services functions in the areas of communications, finance, information and technology services, investment, human resources, legal, policy, procurement, and strategy and performance. 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 driving confidence
- increasing the competitiveness of the NSW economy
- improving workforce and community participation
- ensuring high quality, accessible and efficient services.

## THE SAFETY, RETURN TO WORK AND SUPPORT BOARD

The SRWS 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 or 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 investments)
- 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.

## MEMBERS OF THE SAFETY, RETURN TO WORK AND SUPPORT BOARD ON 30 JUNE 2015

### 1. Michael Carapiet, MBA, Chair

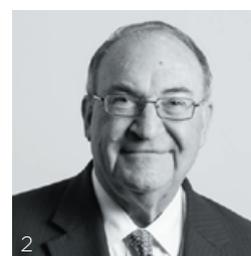
Mr Carapiet is Chair of Smartgroup Corporation Limited, Addexum Capital Ltd., and Link Administration Holdings Ltd. He is a director of Link Group and a member of the Boards of Clean Energy Finance Corporation and Infrastructure Australia. He is also on the Advisory Board of Norton Rose Australia. Mr Carapiet was previously Chair of SAS Trustee Corporation (NSW State Super).

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.

### 2. Raymond Whitten, BA, LLB, LLM, Deputy Chair

Mr Whitten was previously Chair of the MAA, 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. He 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.



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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.

### 3. Vivek Bhatia, MBA, B.Engg, CFA

Mr Bhatia was appointed as CEO of SRWS and became a member of the SRWS Board in August 2014. He was appointed Chair of the DDB Board on 1 January 2015 and is Chair of the Heads of Asbestos Coordination Authority. Mr Bhatia joined SRWS following his role as CEO at Wesfarmers Insurance, where he led the multi-brand, multi-channel insurer through a significant transformation journey.

Mr Bhatia has also held several other prominent leadership roles in strategy, operations and technology over the past 15 years both domestically and abroad at McKinsey & Company, Wesfarmers Insurance and QBE. 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.

### 4. Gavin Bell, LLB, MBA (Exec)

Mr Bell is currently a member of the Advisory Council of the Australian School of Business and a director of Smartgroup Corporation Ltd and Supply Nation. 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.

### 5. Peeyush Gupta, 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, National Australia Bank, BNZ Life insurance and QuintessenceLabs, and is Chairman of MLC Limited, State Super Financial Services, and Charter Hall Direct Property Management Limited. Mr Gupta also serves on a variety of non-profit boards, including the Australian School of Business at UNSW and SIRCA.

Mr Gupta was the co-founder and inaugural CEO 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. Mr Gupta completed the Advanced Management Program at Harvard Business School in 2006 and he is a Fellow of the Australian Institute of Company Directors.

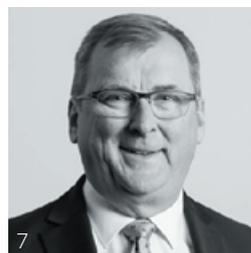
### 6. Elizabeth Carr, BA (Hons), MPA, FAICD

Ms Carr is a Member of The Environmental Protection Authority (WA), Chair of the Challenger Institute of Technology and holds a number of private, 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 the University of Western Australia and a Master's Degree from Harvard University.

### 7. Mark Lennon, BComm, LLB

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



# SAFETY, RETURN TO WORK AND SUPPORT EXECUTIVE

The SRWS Executive team has 15 members, six general managers leading regulatory, care and insurance lines, eight functional leads providing shared services across SRWS, and a 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.



**Vivek Bhatia**  
CEO  
Safety Return to Work and Support



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



**Anita Anderson, PSM**  
Dip-Gov-Policy  
General Manager  
Dust Diseases



**John Nagle**  
Executive Director  
WorkCover Insurance



**Caroline Walsh**  
BA (Government),  
LLB(Hons)  
Executive Director  
Workers Compensation  
Regulation



**Peter Dunphy, PSM**  
BS, MA (Hons)  
Executive Director  
Work Health and Safety  
Division



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



**Megan Hancock**  
CA, Grad Dip, AFI,  
GAICD  
Chief Financial Officer



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



**Stuart Bremner**  
MBA, CPA, ACIS  
Chief Information Officer



**Michael Saad**  
BEC  
Director  
Corporate Governance



**Catherine Morgan**  
BA (Hons), LLB (Hons),  
LLM  
Director  
Legal Services



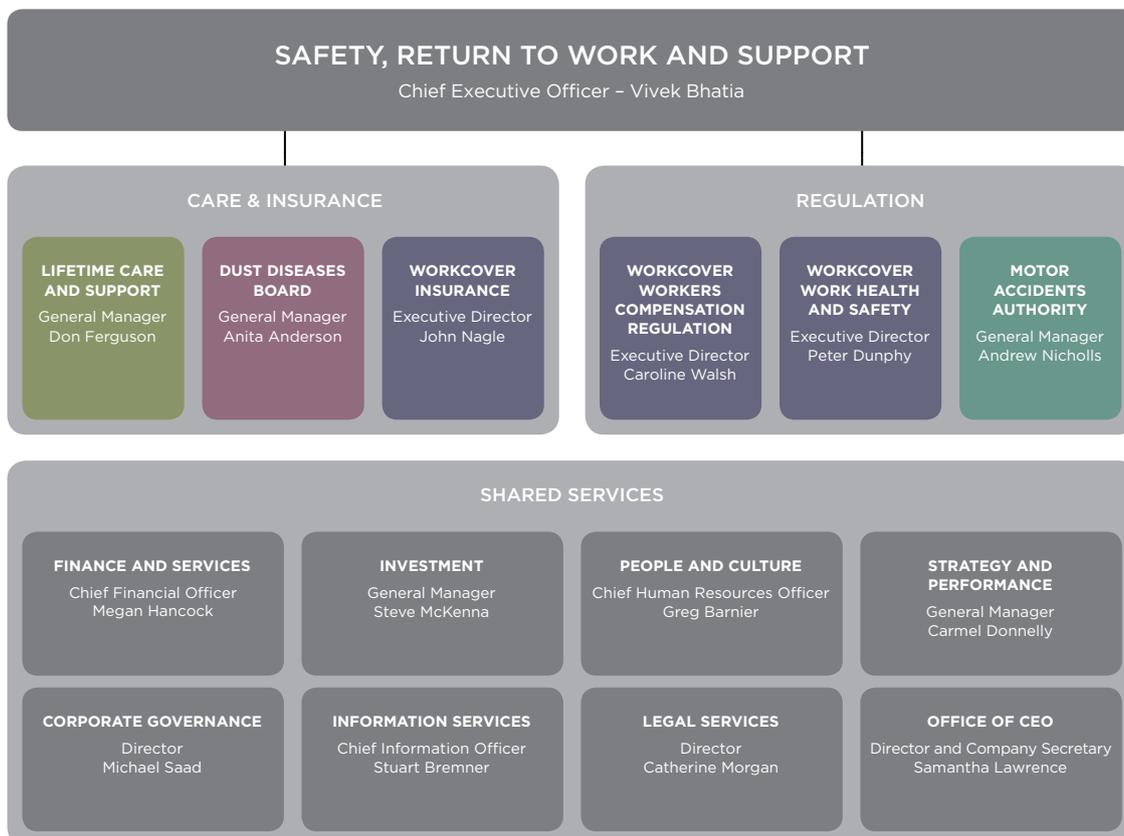
**Greg Barnier**  
 MBusCoach (Dist),  
 AdvDipGovt, (Mgmt),  
 DipFinServ (FinPlan),  
 Chief Human Resources  
 Officer



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



**Samantha Lawrence**  
 BA (Hons), MBA  
 Director and Company  
 Secretary  
 Office of the CEO



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# SAFETY, RETURN TO WORK AND SUPPORT

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**OUR VISION** We believe you should be safe and supported

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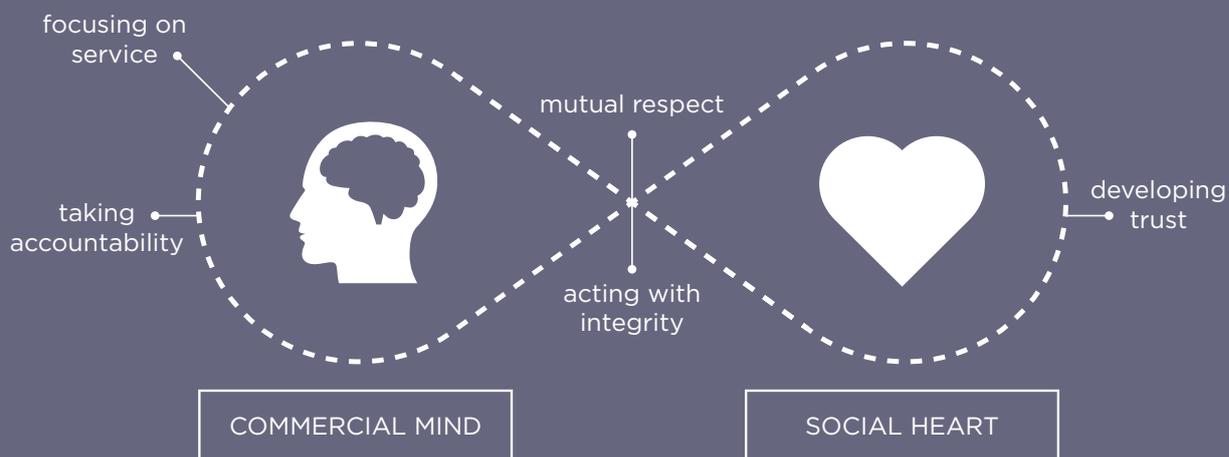
**OUR MISSION** We protect, insure, care  
**Protect** from harm  
**Insure** for when things go wrong  
**Care** for people when they are injured

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**OUR VALUES** Accountability  
Service  
Trust  
Integrity  
Respect

## OUR STRATEGY

Our customers are at the centre of everything we do.  
We invest in the strengths of our people.  
We build great partnerships.  
We create new ways of doing things.



## OUR OBJECTIVES

Financial sustainability | Culture of achievement | Authentic stakeholder relationships  
Optimal care for the injured | Enhanced customer experience | Safe work and road environment  
Optimal insurance model

## WORKERS COMPENSATION REFORMS

### LEGAL FRAMEWORK

WorkCover has two distinct roles under the NSW workers compensation legislation:

1. As a regulator that oversees the workers compensation system in NSW and conducts a range of regulatory activities including licensing of self and specialised insurers. In this role WorkCover also recommends insurance premiums, and exercises regulatory powers in relation to employers, third party service provider insurers and injured workers.
2. In a commercial role where WorkCover acts on behalf of the workers compensation Nominal Insurer, a licensed insurer responsible for providing workers compensation insurance to any NSW employer except those covered by other statutory arrangements.

Recent reviews of the New South Wales workers compensation system raised conflict of interest issues between the Nominal Insurer and the regulatory functions that make up WorkCover's Workers Compensation Insurance Division. Key stakeholders have also raised these concerns.

In January 2015 WorkCover's regulatory and commercial functions were separated internally. Two new functions were created, one with an operational focus – WorkCover Insurance – and one with a regulatory focus – Workers Compensation Regulation. All existing roles have been reappointed to one of the two new functions.

The internal separation of workers compensation functions enables WorkCover to deliver a more focused and streamlined service to the New South Wales community.

Under the new arrangements, Workers Compensation Regulation:

- administers the workers compensation legislative and regulatory framework
- regulates the NSW workers compensation system including WorkCover NSW
- provides Scheme and self and specialised insurer licensing arrangements.
- determines and administers self and specialised insurer licenses, with the 64 self, group-self and specialised insurers currently operating across NSW as at 30 June 2015
- manages fraud prevention activities across the system
- determines premium appeals and worker status rulings, and accreditation of rehabilitation providers
- undertakes merit reviews of insurers work capacity decisions that are sought by workers.

WorkCover Insurance:

- manages the NSW Workers Compensation Scheme on behalf of the Nominal Insurer
- sets and promotes simpler, easy to understand premiums that provide certainty for employers and encourage improved workplace safety and employer support for workers with an injury
- promotes prompt and efficient management of work-related injuries through effective injury management and medical and rehabilitation services, including engagement and oversight of service providers operating in the Scheme
- designs, implements and evaluates programs that promote, incentivise and support workplace injury prevention, including return to work and recovery at work for injured workers.



## WORKERS COMPENSATION REGULATION

The role of Workers Compensation Regulation is to provide assurance to government and the community that the workers compensation system is fair and equitable and achieves the aim of getting workers back to work and health.

Regulation entails seven key strategies:

### Build Capability

Provide information and education to facilitate compliance and best practice.

### Policy

Coordinate and undertake research, analysis and policy development to support organisational objectives.

### Monitor Risks and Harms

Actively seek information to assess compliance and identify risks and harms.

### Strategic Response

Assess the impact of identified risks or harms and determine and implement a response.

Provide an effective avenue for review and resolution of disputes.

### Dispute Resolution

Provide an effective avenue for review and resolution of disputes.

### Set Standards

Establish standards, in consultation with industry, to achieve regulatory objectives.

## Stakeholder engagement

This involves triaging enquiries; handling complaints; identifying trends; active engagement; and collaboration to gain expertise, information and perspective.

The Workers Compensation Regulator was heavily engaged in establishing organisational frameworks, functions and capability. Programs initiated included developing a new:

- regulatory framework
- stakeholder engagement framework
- organisational design
- regulator evaluation framework
- research program
- guidelines framework.

Work was also undertaken to scope performance measures integral to becoming a data-driven, risk-based regulator.

## ENHANCEMENTS TO WORKERS COMPENSATION LAWS

### WORKERS COMPENSATION BENEFIT REFORM

In 2012, the NSW Government introduced changes to the way workers compensation is delivered in New South Wales. As the financial position of the Scheme improved, further enhancements were introduced in September 2014 to better support the state's injured workers and facilitate their return to work.

The changes that were implemented allow for:

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

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In March 2015, the government committed to an immediate review of the financial position of the workers compensation scheme and promised that two thirds of every dollar above the minimum surplus to keep the scheme sustainable will be invested in supporting injured workers and getting them back to work. The balance will be returned to business as lower premiums.

We engaged with stakeholders to seek input on how to best invest the additional funds and have commenced a program of work to support the government's commitment.

## COMPLIANCE

WorkCover is implementing a new principle and evidenced-based workers compensation compliance framework. We conduct proactive and reactive compliance activities and prioritise compliance activity using a range of information and data. For example, this year we received 288 complaints and conducted 56 audits of uninsured employers.

WorkCover continually monitors licensing compliance for self-insurers by reviewing workers compensation information throughout the licence term, and carrying out compliance activities. We completed 24 audits of self-insurers' work, health and safety management systems and conducted 10 case management compliance visits.

During the 2014/15 period we strengthened our relationship with the Australian Taxation Office and the NSW Office of State Revenue. WorkCover plans to build upon such cooperative relationships with other regulators in the future.

## PREVENTING WORKERS COMPENSATION FRAUD

Workers Compensation Regulation is implementing a new fraud strategy to manage fraud across the workers compensation system.

To address fraud against the workers compensation system, we utilise the three strategies below, aimed at all participants in the Scheme, including workers, employers, and medical and other service providers:

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

In 2014/15 four defendants were charged with breaches of the legislation involving seven charges.

## WORKERS COMPENSATION CLAIMS STRATEGY

We are committed to improving support for injured workers by working with insurers, providers and employers to support effective return to work outcomes.

In 2014/15 we focused on:

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

Programs and initiatives included:

- an enhanced suite of six vocational rehabilitation programs to support increased return to work rates
- review of the nationally consistent approval framework for workplace rehabilitation providers to strengthen recovery at work messaging
- annual review and gazettal of Fees Orders for medical and allied health practitioners, private and public hospitals, and ambulance services
- Allied Health Practitioner Management Framework review in collaboration with the MAA
- development of a single request-for-service protocol for all allied health practitioners delivering treatment services in the workers compensation and CTP systems in NSW

- online competency based training program for allied health practitioners to improve capability of approved providers while improving training accessibility, particularly for providers located in regional and remote areas
- endorsement by Safe Work Australia for the adoption of the 4th edition of the WorkCover NSW Guidelines for the Evaluation of Permanent Impairment as the National Guideline
- commencing a review of the Certificate of Capacity
- partnering with Work Health and Safety Division (WHSD) to deliver health, safety and recovery at work outcomes:
  - regional forums targeting small business
  - industry specific strategies and solutions in the identified target industries, including those within the Focus on Industry Program
  - training for return to work inspectors
- consultation with customers and stakeholders to deliver guidance materials specifically targeting employers and medical practitioners
- development and review of a number of WorkCover gazetted guidelines following stakeholder feedback:
  - guidelines for claiming compensation benefits
  - guidelines for workplace return to work programs
  - work capacity guidelines
  - guidelines for the approval of allied health practitioners
  - guide to workers compensation for workers
  - work capacity decision review guidelines
- supporting insurers to improve their evaluation of practice through the development of an insurer audit manual.

## **CASE STUDY 1: SAFE WORK AWARDS – RETURN TO WORK ACHIEVEMENT AWARD FOR WORKERS**

After suffering a back injury as a weapons trainer at Goulburn Academy, Sergeant Mathew Johnson experienced further injury during a violent arrest. Mathew's run of bad luck with his back culminated in a third injury, forcing him to take a lengthy period off work.

After some dark periods, including the moment he found he was unable to use his legs, Mathew decided that the person most responsible for his recovery was him. By maintaining strong relationships with medical specialists, his case manager, supervisors and colleagues, Mathew has been proactive in his involvement in the rehabilitation process. He subsequently underwent his physical and psychological treatment with enthusiasm and passion.

Mathew is now the Richmond local area command education development officer. Although his recovery process is ongoing, he recently had his medical status upgraded; allowing him to assist with operational shifts in the field as a general duties supervising sergeant.

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## **SPECIALISED INSURERS**

We reformed the specialised insurer licensing framework in December 2014 following an extensive consultation process. The reform has resulted in stronger regulatory oversight of specialised insurers to drive optimum workers compensation outcomes for employers and injured workers. Revisions to the application are designed to attract responsible and accountable insurers fully capable of operating in the end to end workers compensation value chain. The reforms have also reduced specialised insurers' regulatory burden, particularly prudential management reporting requirements. As part of the reform process, WorkCover agreed to a Memorandum of Understanding (MOU) with the Australian Prudential Regulation Authority. The MOU provides a structured framework to share information between the two Regulators and, where possible, removes the duplication of regulatory requirements.

## **WORKERS COMPENSATION RED TAPE REDUCTIONS**

This year we reduced the number of employer wage audits with the implementation of a risk-based targeting system. Employers are subject to wage audits to determine if they have accurately declared their wages and industry classification for the purpose of determining their workers compensation insurance payable. A risk-based data analytic model was introduced to select employers for audits based on behaviours. The model was introduced to target employers at a high risk of non-compliance. We also developed a brochure to inform injured workers about what they can do if they are not happy with a decision made to deny liability on their claim or work capacity decision. The brochure will be provided to injured workers by the insurer when notifying them about the insurer's decision.

## **MERIT REVIEW SERVICE**

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

In 2014/15 there were 748 review applications lodged (1,136 in 2013/14) and 956 reviews were finalised (910 in 2013/14) with a median time to finalisation of 30 days (67 days in 2013/14).

## STATUTORY INSURANCE REGULATION

### MERIT REVIEW OUTCOMES

Merit Review Outcomes	2013/14		2014/15	
	Volume	%	Volume	%
Merit Review Declined* (Legislative pre-requisites not met)	94	10%	97	10%
Better Outcome for Worker - No Review (WCD Withdrawn by Insurer/MR Withdrawn by Worker)	72	8%	48	5%
Better Outcome for Worker - Reviewed	303	33%	407	43%
Same Outcome for Worker - Reviewed	419	46%	384	40%
Worse Outcome for Worker - Reviewed	22	2%	20	2%
<b>Total</b>	<b>910</b>	<b>100%</b>	<b>956</b>	<b>100%</b>

Median life cycle of review 2013/14 67 days 2014/15 30 days.

\* Merit Review Declined - this occurs where legislative pre-requisites are not met such as if there was no Work Capacity Decision made by the Insurer, no Internal Review sought by the worker, or the application was not lodged within the relevant statutory timeframe.

### MERIT REVIEW BY INSURER TYPE

Insurer Type	2013/14	2013/14	2014/15	2014/15
Nominal insurer scheme agent insurers	560	62%	816	85%
Treasury managed fund insurers	137	15%	65	7%
Group self-insurers	81	9%	31	3%
Self-insurers	90	10%	25	3%
Specialised insurers	42	5%	19	2%
<b>Total applications</b>	<b>910</b>	<b>100%</b>	<b>956</b>	<b>100%</b>

## INVESTMENT PERFORMANCE

The SRWS investment portfolios are managed to achieve return and risk outcomes that are appropriate to the schemes they support. Performance for all SRWS investment portfolios was strong over the 2014/15 financial years with the majority of funds comfortably exceeding their asset-weighted market benchmark and liability-related measures. A range of structural changes have been implemented to target lower volatility of investment returns and stability of scheme funding ratios.

## GOVERNANCE ARRANGEMENTS

The SRWS Board is responsible for setting investment objectives, risk management, strategic asset allocation and for reporting to the Minister on performance.

In June, SRWS amalgamated its funds management activities with SRWS, SAS Trustee Corporation and the New South Wales Treasury Corporation (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. A process to assess and improve overall cost efficiency and management of risk is ongoing.

## MARKET REVIEW

The global economic recovery continued in 2014/15, assisted by continued supportive monetary policy from central banks and lower oil prices. While in previous years the US led the recovery, this year Europe and Japan also contributed. The improvement in the US economy increased expectations of a rise in US interest rates in upcoming quarters.

Major international share markets had strong returns over the financial year, with the Japanese share market returning 33 per cent. The Australian share market was more muted and the S&P/ASX 200 Accumulation Index returned 5.7 per cent. Bond markets also had solid returns as bond yields ended the year lower.

The Reserve Bank of Australia cut rates twice over 2014/15 as the Australian economy recorded below trend growth. The Australian dollar continued to fall over 2014/15, from US\$0.94 to US\$0.77, due to lower commodity prices and softer economic growth in Australia.

The financial year closed with investor concerns about Greece defaulting on its large debt burden and the volatile Chinese stock market. China's growth rate is likely to continue to slow in the years ahead as China transitions from an investment driven growth model to a consumer based economy. Given the heightened investment risk environment and expectations of lower future investment returns, a prudent approach to managing the SRWS investment portfolios is being maintained.

## STRATEGIC ASSET ALLOCATIONS AND INVESTMENT RETURNS

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

### Workers Compensation Insurance Fund Strategic Asset Allocation 30 June 2015

Australian equities	7.5%
International equities	10.5%
International equities - emerging markets	3.0%
Australian unlisted property	7.0%
Australian fixed interest	21.0%
Australian inflation - linked bonds	28.5%
Credit	4.0%
Emerging market debt	3.0%
Alternatives	5.5%
Infrastructure debt	3.0%
Cash	7.0%
<b>Total fund</b>	<b>100.0%</b>
Diversified growth assets	43.5%
Defensive assets	56.5%
<b>Total fund</b>	<b>100.0%</b>

### Workers Compensation Insurance Fund 2014/15 Returns

Performance	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	Since Inception* (% p.a.)
Fund	8.80	9.74	9.00	6.85
Benchmark**	8.08	8.66	8.38	6.24
Excess	0.72	1.09	0.62	0.61

\* 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 30 June 2015

Australian equities	14.5%
International equities	14.5%
International equities - emerging markets	3.0%
Australian unlisted property	5.0%

Listed property	3.0%
Australian fixed interest	53.0%
Cash	7.0%
<b>Total fund</b>	<b>100.0%</b>

Diversified growth assets	40.0%
Defensive assets	60.0%
<b>Total fund</b>	<b>100.0%</b>

### Insurers' Guarantee Fund 2014/15 Returns

Performance	1 Year (%)	3 Year (% p.a.)	Since Inception* (% p.a.)
Fund	7.05	10.29	8.43
Benchmark**	7.36	N/A	N/A
Excess	-0.32	N/A	N/A

\* Performance data for the fund commenced on 30 June 2011.

\*\* Benchmark is a composite benchmark based on the fund's strategic asset allocation and commenced 31 December 2013.

### Sporting Injuries Fund Strategic Asset Allocation 30 June 2015

Australian equities	7.0%
International equities	8.0%
International equities - emerging markets	2.0%
Listed property	3.0%
Australian fixed interest	40.0%
Cash	40.0%
<b>Total fund</b>	<b>100.0%</b>
Diversified growth assets	20.0%
Defensive Assets	80.0%
<b>Total fund</b>	<b>100.0%</b>

### Sporting Injuries Fund 2014/15 Returns

Performance	1 Year (%)	3 Year (% p.a.)	Since Inception* (% p.a.)
Fund	6.54	9.01	7.35
Benchmark**	6.60	N/A	N/A
Excess	-0.06	N/A	N/A

\* Performance data for the fund commenced on 30 June 2011.

\*\* Benchmark is a composite benchmark based on the fund's strategic asset allocation and commenced 31 December 2013.

# PROTECT

## WORK, HEALTH AND SAFETY REGULATION

As the work, health and safety regulator, WorkCover aims to prevent harm caused by work-related injury and illness and to minimise the associated social and economic costs. We administer the work, health and safety (WHS) regulatory framework and deliver frontline response and prevention services that support NSW businesses to manage workplace health and safety risks.

Our legislative functions as regulator include:

- providing advice and assistance to duty holders
- reporting on work, health and safety statistics
- promoting and supporting education and training in work, health and safety
- encouraging a co-operative, consultative relationship between duty holders and those they're responsible for
- advising and reporting on the operation and effectiveness of the *Work Health and Safety Act 2011*
- representing NSW and raising awareness of national and international work, health and safety matters affecting our State
- monitoring and enforcing compliance with the legislation through a range of enforcement measures.

## RESPONSIVE REGULATORY APPROACH

WorkCover delivers a suite of WHS, workers compensation and return to work services through our responsive regulatory approach. This approach ensures that we provide assistance, engagement, and collaboration to secure good work, health and safety, workers compensation and return to work outcomes.

Our resources are planned and allocated in a transparent, risk and evidence-based manner, and our enforcement actions are proportional and responsive. We maximise our public value with advocacy, partnerships, and frontline services at workplaces. These activities help shape our understanding of fatalities and serious incidents and assist us to develop initiatives that complement our range of risk-based harm prevention programs.

## RECOGNITION AND REWARD, COMPLIANCE ASSISTANCE, VERIFICATION AND ENFORCEMENT STATISTICS FOR 2014/15

### Recognition and reward



### Assisting compliance



### Verifying



### Administrative sanctions\*



### Court sanctions



\*These figures are accurate at time of extraction.



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# PROTECT

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## RISK BASED HARM PREVENTION PROGRAMS

WorkCover employs a risk-based operating model to strategically allocate resources that target high risk industries. This approach provides us with a structured framework to identify, analyse, prioritise and respond to risk. In 2014/15 we assigned our resources to target high incidence, high consequence, low frequency, fatalities and serious incidents, workplace health and community concerns. This approach allowed us to better engage at the local and sector level and have a bigger impact on issues affecting the community.

## HIGH RISK INDUSTRIES

WorkCover partners with industry via the Focus on Industry Program (FOI), 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 2014/15, high priority risk industries included:

- house construction
- road and bridge construction
- road freight transport
- plant nurseries
- asbestos
- sheep and beef farming.

## House construction

WorkCover ran a targeted FOI house construction program of workplace visits, including an intensive engagement component. The program provided advice and support to industry stakeholders to build effective safety cultures and raise awareness of harm prevention for high risk activities.

## Road and bridge construction

WorkCover finalised a business intelligence report on the road and bridge industry, which detailed the sector and its workers compensation performance. We identified four major mechanisms of injury; muscular stress, moving objects, falls on the same level and exposure to sound. As a result our project team is visiting businesses around the state to establish why incidents happen, how they can be prevented and how these businesses currently manage work, health and safety and return to work.

## Road freight transport

As part of the FOI road freight transport program we launched a new video safety alert, Falls from flatbed trucks and trailers, that illustrates safety controls around the high-risk task of loading and unloading flatbed trucks and trailers. The video depicts safe movement on flatbed trucks and trailers and when to use potentially life-saving fall protection.

## Plant nurseries

This ongoing FOI program looks at manual handling in the 'production and wholesale nursery' sub-sector and was initiated following an analysis of data and consultation with the Nursery and Garden Industry Association of NSW. The project targets common soft tissue injuries resulting from muscular stress.

## Sheep and beef farming

In June 2015 WorkCover launched the third phase of a strategic industry action plan aimed at improving health and safety in the state's highest risk agricultural sector. Our inspectors contacted sheep and beef cattle farmers across regional NSW to arrange visits to help farmers assess and improve safe work systems in conjunction with a number of other supporting interventions.

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## HIGH CONSEQUENCE LOW FREQUENCY

The High Consequence Low Frequency (HCLF) Program identifies workplace activities that have the potential to cause severe harm to workers or the NSW public. HCLF resources are allocated based on risk of harm or recent serious incidents or fatalities.

We conducted more than 8,000 HCLF verifications visits at workplaces in 2014/15. We provided advice and assistance on issues such as asbestos assessments, dangerous goods notifications, safety data sheets, chemical pipelines, tilt up concrete construction, beer line cleaning, explosives waste disposal, high risk work licences, bulk fuel storage and tower cranes.

### HIGH CONSEQUENCE LOW FREQUENCY CASE STUDY - CLEANING BEER LINES

In 2014/15 we responded to a number of incidents where workers were severely injured while cleaning beer lines in pubs or clubs. Two of these incidents caused life-changing injuries to workers.

Under the HCLF program, our inspectors visited more than 300 hotels, pubs and clubs and provided tailored safety advice and assistance to workers and employers. Our safety advice included managing the risks associated with cleaning beer lines, changing beer kegs, storing and using chemicals, manual handling, noise exposure, slips, trips and falls, and violence to workers.

## HIGH CONSEQUENCE LOW FREQUENCY - PLANS FOR 2015/16

We have worked closely with high-risk industries to identify activities that would benefit from targeted HCLF programs. Some of the activities we will target in 2015/16 include fixed scaffolding, motor vehicle spray painting booths, hazardous chemical notifications, pesticide use in grain silos, machine guarding, H-class asbestos vacuums, chemical manufacturing, and surfboard manufacturers.

## FATALITIES AND SERIOUS INCIDENTS

### FATALITIES

For the 2013/14 financial year there were 67 compensable fatalities reported in NSW.

Data for the period 2013 to 2014 shows a 46 per cent decline in compensable fatalities from 2004 to 2005.

The compensable fatality incidence rate (the number of fatalities per 100,000 workers) has dropped by 52 per cent over the same period, to 2.1 per 100,000 workers.

### OCCUPATIONAL DISEASE

In 2013/14 there were a total of 6,273 major occupational disease claims. Nervous system and sense organ diseases (including industrial deafness) contributed the most claims - 1,813 in total. This was followed closely by mental diseases, representing 1,734 claims.

Occupational disease was highest in the manufacturing industry at 15 per cent, followed by public administration and safety 13 per cent, health care and social assistance 12 per cent and construction 9 per cent. These four industries combined account for 50 per cent of all occupational disease major claims.

The public administration and safety industry was the major contributor for mental disorder claims, representing almost 24 per cent of all reported mental disorders.

### 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.

A total of 30,126 major employment injuries were reported in 2013/14, a decrease of 10 per cent from 2012/13. Of these 78 per cent were major workplace injuries and 21 per cent were occupational diseases.

The highest number of employment injuries by industry were reported in health care and social assistance (4,331), followed by manufacturing (4,058) and construction (3,226).

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# PROTECT

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## 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 2013/14, injuries to male workers comprised 68 per cent of all major workplace injuries. Female workers comprised 32 per cent.

The incidence rate of workplace injuries reported in 2013/14 decreased to 7.2 claims per 1,000 employees in 2013/14 from 8.3 in 2012/13.

In 2013/14, the agriculture, forestry and fishing industry had the highest incidence rate of major workplace injuries with 16.9 per 1,000 employees.

Manual handling was the most common cause of injury in the workplace, accounting for 29 per cent of workplace injuries.

## OCCUPATION AND AGE

Occupations with the highest number of employment injuries were labourers (7,182), technicians and trades workers (5,469), and community and personal service workers (4,967).

The highest incidence rates of occupational disease claims were made by machinery operators and drivers and labourers, followed by community and personal service workers.

The 65 and over age group had the highest incidence rate of 8.3 fatality claims per 100,000 employees during 2013/14.

## WORKPLACE HEALTH

Significant prevention activities were conducted to reduce health risks to workers:

### RURAL CHEMICAL AWARENESS

Under the occupational disease strategy we launched the Rural Chemical Awareness Campaign. We developed factsheets and web copy around three hazardous agricultural chemicals, published an article on our content hub, spoke on the topic at our Farm Safety Day events, ran a series of 'boosted' social media posts, and created a video safety alert, reaching thousands in our target audience.

### GET HEALTHY AT WORK

The Get Healthy at Work Program is a joint initiative between WorkCover and NSW Health. The program aims to prevent lifestyle-related chronic disease in workers by changing their eating practices, weight, smoking habits and alcohol consumption. It promotes healthy eating, physical activity and maintaining a healthy weight. In 2014/15 there were:

- 3,500 completed health checks
- 250 work health programs
- 17 service providers delivering the Get Healthy at Work service across NSW with increased promotion of face to face services
- 950 registered businesses
- 12,000 worksites
- 630,000 employees.

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## ENGAGEMENT AND RESPONSE INITIATIVES

### HEADS OF ASBESTOS COORDINATION AUTHORITIES

The Heads Of Asbestos Coordination Authorities (HACA) continues to demonstrate 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 2013-2016, which aims to reduce asbestos-related diseases in NSW.

As chair of the HACA and the Asbestos Education Committee, WorkCover has played an instrumental role in the development and implementation of the state-wide asbestos plan, Model Asbestos Policy for NSW Councils, and Asbestos Awareness Campaign.

The NSW State-wide Asbestos Plan was launched on 1 July 2013. Key initiatives for 2014/15 included:

- reviewing literature, incidents and issues to establish a watch list of emerging hazard issues
- reviewing research priorities into asbestos-related issues
- development of the emergency services protocol (NSW Asbestos Emergency Sub-Plan) through the Asbestos Advisory Committee in liaison with the State Emergency Management Committee with regard to recovery activities following natural disasters (storms, fires and flooding)
- working with communities in regional, rural and remote regions of NSW, including the Aboriginal Land Councils, to promote the safe management of asbestos
- developing guidance and improved mapping of naturally occurring asbestos
- undertaking an award winning, coordinated government awareness-raising campaign during National Asbestos Awareness Month
- community awareness activities through metropolitan and regional tours of 'Betty' the Asbestos Disease Research Institute House
- development and implementation of the NSW Government's testing and make-safe program for loose fill asbestos insulation, pending the outcomes of the recommendations of the Loose Fill Insulation Taskforce.

### LOOSE-FILL INSULATION TASKFORCE

A Canberra-based company known as 'Mr Fluffy' installed loose-fill asbestos insulation in around 1,000 houses in the ACT and is also understood to have operated in NSW. In June 2014 the ACT Government established an Asbestos Response Taskforce to provide a coordinated response to the issue.

In August 2014 HACA engaged PricewaterhouseCoopers to conduct an independent investigation into loose-fill asbestos in NSW to quantify the number of properties, and provide free ceiling insulation testing to identify affected homes.

In December 2014 the NSW Government established an all-of-government Loose Fill Asbestos Insulation Taskforce, of which WorkCover was a member tasked with developing a comprehensive action plan for a voluntary purchase and demolition scheme.

The Taskforce submitted its final report to the NSW Government in early June 2015. On 29 June 2015 the Government released its response to the final report, which included accepting all of the Taskforce's recommendations, announcing a voluntary purchase and demolition program for affected premises, new laws to identify properties and protect residents and workers, and the establishment of an Implementation Taskforce based in NSW Fair Trading.

As of 25 June 2015, 3003 NSW premises had registered for the free sampling service with 2,076 properties tested and 67 premises were confirmed to contain loose-fill asbestos insulation.

# PROTECT

## OUR CUSTOMERS, OUR COMMUNITY

### SAFER COMMUNITIES/SAFER TOWNS

WorkCover supports economic growth in regional NSW by providing remote businesses with greater access to advisory and assistance services. This program takes our community stakeholder relationship officers into remote businesses to provide face-to-face workplace health and safety advice. These business support initiatives are designed for the specific needs of regional customers. The program involves collaboration with other government agencies and regional business and community groups to develop and deliver frontline services.

### ALIVE AND WELL

We launched the Alive and Well campaign in 2014. The campaign features farmers' experiences of serious injuries and near misses. The aim of the campaign is to build knowledge in the farming community and provide practical ways to improve farm safety and wellbeing. *Alicia's Story* is a moving video that highlights the dangers of quad bikes on farms and provides basic tips to stay safe. The campaign will be developed further in 2015/16 with a focus on content development for use on the Alive and Well microsite and social media channels. The aim is for Alive and Well to evolve into an enduring platform to engage and connect with rural communities and individuals.

### FARM SAFETY DAYS

Farm safety days address uniquely rural topics such as farm vehicle selection, rural chemical handling, quad bike safety and working safely with livestock. Another focus of these events is child safety on farms. WorkCover staff attended a special 'Kids Safety on Farms Day' at Wagga Wagga. The event was held with community and local agri-businesses. The aim was to equip children with the knowledge to minimise their own safety risks on farms and to help them understand how to behave around livestock, water and farm vehicles. More than 200 children and parents attended and 20 businesses signed up for the small business rebate.

### CROSS BORDER CONSTRUCTION PROJECT

This year, 2014/15, marked the third year of the cross border construction project that pairs inspectors from NSW and Victoria. These inspectors give advice and assistance to construction-related trades that operate in both jurisdictions. Since the project commenced in 2013, inspectors have conducted 280 sites visits along the border from Albury/Wodonga, Corowa/Rutherglen/Mulwala/Yarrowonga, Echuca/Moama, and Mildura/Wentworth.

## CASE STUDY - NSW STORMS

This year the Hunter and Central Coast experienced major storm events and 12 local government areas were declared natural disaster zones. WorkCover appointed a representative to assist the Regional Recovery Committee and we provided immediate assistance and advice on property hazards after flood/storm damage. This advice supported business owners, homeowners and workers while their homes and places of work were being repaired or rebuilt.

We ran a series of recovery workshops with the Coordinated Government Response Team and provided free advice on topics such as tree and debris removal, asbestos hazards and provision of safe workplaces during rebuilding. We visited local regions with Fair Trading inspectors to ensure building repairs were being conducted safely by licensed builders. We also helped to ensure all asbestos removal and demolition work was carried out by licensed contractors and that all safety requirements were met. Our ability to respond to disaster by co-ordinating with other agencies and providers meant our customers received a quick response and help where it was needed most.

## SAFETY ALLIANCES AND PARTNERSHIPS

Relationships with industry associations, peak unions and other government agencies help us build and maintain a culture of safety awareness that leads to safer workplaces and effective recovery and return to work programs for injured workers.

Numerous partnerships, alliances and liaisons (both new and continuing) were signed or renewed in 2014/15. These partnerships provide a platform to increase our potential reach across industry.

## SMALL BUSINESS REBATE PROGRAM

The Small Business Rebate Program aims to reduce workplace injury and illness by helping small businesses make safety improvements. WorkCover provides up to \$500 for small businesses who address a safety problem in their workplace by purchasing and installing eligible safety equipment. We provided \$342,000 to small businesses in safety rebates in 2014/15.

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## MENTOR PROGRAM

The WorkCover Mentor Program has been running for seven 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 their time and expertise freely in order to serve as mentors on this program.

## VIDEO SAFETY ALERTS

Our video safety alerts (VSA) 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 simple steps employers, managers and business owners can take to keep themselves and their workers safe. The VSAs are filmed in real workplaces across NSW to practically demonstrate safety issues and appropriate controls for businesses large or small. We produced six videos during the year:

- *Split Rims and Multi-Piece Wheels*
- *Falls from Flatbed Trucks and Trailers*
- *Pesticides in Agriculture*
- *Storing and Handling Glass Sheets*
- *Working Safely with Horses*
- *Electrical Safety*

## WORKING SAFELY WITH HORSES

The most common causes of injury are falls, strikes and bites. In the 2000 to 2012 period there were 98 horse-related fatalities Australia-wide, 42 per cent involving people working with horses. In response to the data, we developed an article published in industry magazines and on our online content hub (the *WorkCover Wrap* contains the latest safety and workers compensation news), a new infographic webpage, poster and fact sheet, and we ran a series of social media posts. We also consulted with industry stakeholders to create the VSA: Working safely with horses. The video and associated resources promote four key messages:

- Provide a safe work environment.
- Choose the right horse for the job and for rider capability.
- Develop safe procedures.
- Make sure supervisors are competent and instructors are qualified.

## NATIONAL AND INTERNATIONAL INITIATIVES

### EXPLOSIVES LEGISLATION

WorkCover is actively involved in national initiatives focused on the harmonisation of work health and safety legislation and the development of nationally harmonised explosives legislation.

In 2014/15 most of this work involved preparing for, attending, and actioning items at national committees and forums such as, Safe Work Australia (SWA) Member Meetings, the Australian Forum of Explosive Regulators, the Competent Authority Panel, Strategic Issues Group (SIG) WHS, SIG Explosives, and Heads of Workplace Safety Authorities.

Significant components of the work on national initiatives during 2014/15 included the NSW implementation of amendments to the WHS Regulations to align with changes to the Model Regulations.

### GLOBALLY HARMONISED SYSTEM FOR LABELLING AND CLASSIFICATION OF CHEMICALS

The Globally Harmonised System of Labelling and Classification of Chemicals (GHS) is a United Nations effort to internationally standardise chemical classification, labelling and safety data sheets (SDS). Australia adopted the GHS under work health and safety laws on 1 January 2012. We are in the final 18 months of a five-year transitional period for hazardous chemical labels and SDS. In 2015 we launched a campaign to familiarise stakeholders with the new system. We are planning to assist our customers with the transition by boosting the campaign every six months until the end of the transitional period.

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# PROTECT

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## INVESTIGATION, ENFORCEMENT AND FOLLOW UP OF SAFETY RISKS

WorkCover assists businesses to improve 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. Our approaches are consistent with the National Compliance and Enforcement Policy. We continue to demonstrate our strong commitment to transparency and accountability in decision making, by providing our customers with a simple, free, independent, fair and transparent decision making appeal process.

During 2014/15, our inspectors conducted 26,280 visits to workplaces in NSW. During onsite workplace visits our inspectors issued 8,892\* inspection reports documenting advice and 8,508 notices, including 92 penalty notices, 673 prohibition notices and 6,545 improvement notices.

In 2014/15 there were 101 appeals on WorkCover decisions. Forty-four related to licensing and authorisations decisions, 56 related to inspector decisions and one matter is ongoing; 60 per cent of these appeals were unsuccessful.

Of the appeals related to inspector decisions, 48 relate to improvement notices, one relates to a prohibition notice and seven relate to penalty notices. To put this into perspective:

- Of the 6,545 improvement notices issued less than one per cent were appealed.
- Of the 673 prohibition notices issued less than one per cent were appealed.
- Of the 92 penalty notices issued less than eight per cent were appealed.

## ENFORCEABLE UNDERTAKINGS

In certain circumstances, WorkCover may accept an enforceable undertaking (EU) as an alternative to prosecution through the courts. An EU is a legally binding agreement between WorkCover and the person who proposed it and includes specific activities that must be completed so an incident does not happen again or to allow a business to improve its overall safety performance.

WorkCover's activities around EUs have steadily increased, and we have accepted five proposals. There are currently 20 EUs in varying stages of negotiation, including thirteen proposals under development. Inspectors have commenced verification activities for accepted EUs.

A process evaluation of the EU Pre-proposal Advisory Service was undertaken by an external provider and the final report was positive in terms of the service we provide, the business systems in place and the governance around decision making. Our staff visited the Office of Fair Trading and Safe Work Queensland to discuss their EU program and present the findings of our evaluation. The visit resulted in ideas for further improving and enhancing WorkCover's EU processes and systems

## 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 2014/15 we concluded a total of 97 successful work health and safety prosecutions involving 88 defendants in 67 matters. The total fines awarded by the courts amounted to \$7,012,657. There were 101 completed prosecutions (including successful ones) against 91 defendants in 70 matters.

At 30 June 2015 there were 91 defendants before the Courts facing a total of 128 charges in 49 matters, commenced under the *Work Health & Safety Act 2011* and the predecessor Act, the *Occupational Health & Safety Act 2000*. There were no WHS matters under appeal as at 30 June 2015.

\*These figures are accurate at time of extraction.



WorkCover has been on a journey to establish new frontline and escalated complaints-handling processes following the implementation of a new Customer Service Charter and Customer Feedback Framework in 2013/14. We developed a staff toolkit and training program with an emphasis on effective management and resolution of customer complaints as well as a focus on protecting both customers' and staff's health and wellbeing.

In November 2014 the WorkCover Customer Service Centre was awarded the prestigious National Contact Centre Innovation Award for the introduction of the new complaints framework, including streamlined processes for managing work, health and safety requests for service and workers compensation complaints.

## SERVICE DELIVERY

The Customer Service Centre implemented new approaches and services that allowed our customers to provide input on the design and review of services that impact them. We implemented regular net promoter score surveys, customer forums, case studies and customer journey mapping. These new services have enabled us to gather direct feedback on our services from injured workers, employers and the broader NSW community.

In 2015/16 we will focus on providing world class services and greater choice for our customers. We plan to develop a customer experience program that will give us the insights we need to further improve.

## OUR PERFORMANCE

In 2014/15:

- The Customer Service Centre handled more than 365,000 contacts, 71% by phone.
- Customers waited an average of 35 seconds to speak to a consultant.
- First call resolution increased to 87%.
- 66 per cent of all licensing transactions were processed automatically – manual processing took 14 days.
- 59% of callers identify themselves as an employee or injured worker.
- 58% of callers are from small businesses.
- Approximately 7,400 calls were Work Health and Safety incident notifications.
- 1,236 contacts about work capacity.
- 90 per cent of escalated complaints were closed within the 20 day service standard.

## REDUCING RED TAPE

WorkCover is continuing to identify and realise operational efficiencies, including simplifying service protocols and integrating new technologies for more accessible, streamlined processes:

- From January 2015, businesses no longer need to annually notify regarding storage of dangerous goods. Notification only needs to occur once, unless changes or administrative updates are made to the goods used, handled or stored. This will save time and money for around 3,500 businesses.
- Online training is now available for allied health providers who provide services to injured workers. This allows rural and remote providers more equitable access to the service.
- Public hospital rates billing moved to one fee rather than individually itemised, making the process easier and more efficient.
- Workers compensation reforms are helping small to medium businesses via payment instalment options, lengthened wages declaration timeframes, and reductions in administration and accounting costs.
- Reduced compliance costs for specialised insurers were established after a review of security and reporting requirements found capacity to standardise reporting.
- Software enhancements to load WorkCover forms onto participating provider systems has allowed self-population of data and reduced the time and resources needed for this.
- The Attendant Care Procurement Panel was appointed from the existing LTCSA contract.

## LICENSING AND REGISTRATION

### AUTHORISATIONS POLICY AND PROCEDURES

We updated our authorisations control framework, the overarching policy document for all permits, licences, approvals and registrations. The purpose of the authorisation control framework is to ensure best practice is achieved in the management of authorisations and to provide our customers with consistent, secure and efficient services. We completed 24 self-insurer audits and reported the results to Workers Compensation so they could make decisions on self-insurer licences.

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## THIRD PARTY VERIFICATION AND MANAGEMENT

Our high risk work (HRW) assessors work as public officials, similar to WorkCover staff, who are subject to a code of conduct and other conditions of employment. This year we formalised assessor appointments, and established three regular assessor intakes. Prospective assessors now know when they will be assessed and inducted as would be the case in a normal job application.

We also consulted with industry and other regulators to condense selected HRW licence classes to better fit with work undertaken under those classes. Additionally, WorkCover led the way with industry and other regulators to review and revise some of the High Risk Work National Assessment Instruments.

## REMOVAL OF HIGH RISK WORK LICENSE CLASS

From 1 January 2015, three boiler licence classes were compressed into two; standard boiler (BS) and advanced boiler (BA). As a result of this change advanced licence holders are now only required to obtain two licences as opposed to three.

## LICENCE, NOTIFICATION AND REGISTRATION HOLDERS

Licence Type	No. of Licences
Asbestos Demolition	2,246
Assessor	297
Blasting Explosive Users Licence	2,118
Fireworks - single use	192
General Construction Induction Training Card	1,195,575
Health Safety Representative	5349
High Risk Work	321,739
Import Export Explosives	60
Licence Asbestos Assessor	241
Manufacture Explosives	42
Nominated Trainer	2,346
Notification Export of Explosives	152
Notification Fireworks Display	10,589
Notification Import Explosives	958
Notification of Schedule 11 Hazardous Chemicals	4,007
Notification of transport of explosives	36
Pest and Fumigation	4,249
Pyrotechnicians	433
Registered Training Organisation	485
Security Clearance	7,765
Store Explosives	181
Supply Explosives	25
Transport Explosives	39
Use SDS	16
<b>Total</b>	<b>1,559,140</b>

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# OUR PEOPLE

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## CULTURE OF ACHIEVEMENT AND LEADERSHIP

Culture of achievement is an initiative that aims to shape the culture of SRWS, encouraging a customer-centric, high-performance operating model. This initiative aims to build a culture that supports and drives the organisation's vision, mission and values.

Another initiative, the GROW Leadership Development Program, is targeted at three leadership levels and includes a self-leadership program that has continued to build and enhance capabilities related to people management and self-awareness. This tiered approach caters for a progressive development pathway. All programs are highly interactive and centred around real workplace challenges.

In 2014/15, SRWS senior executives initiated the co-design of a clear, responsive, and adaptable action plan for the future direction of its agencies. This culminated in the development of the SRWS Corporate Plan vision, mission and strategy.

The past 12 months also saw a significant shift to CEO and executive visibility and communications, which contributed to improved staff engagement. The CEO established an open Q&A communication channel and a weekly blog, providing updates on key projects and achievements. In addition, the senior executive team led the implementation of four key priorities from the 2014 People Matters employee survey: organisational culture; values based leadership; decision making and empowerment; and organisational direction.

## PERFORMANCE MANAGEMENT

SRWS continues to use an online performance management system to support clarity of individual performance expectations for the year.

## MANDATORY TRAINING PROGRAMS COMPLETED IN 2014/15:

In financial year 2014/15 three e-learning modules were launched:

- Maintaining a positive and respectful workplace
- Information security awareness
- WHS due diligence.

A one day workshop, Manager as a Coach, was also delivered. It is designed to build and enhance the coaching skills of people leaders by providing them with the tools they need to lead and inspire an effective team.

## TRAINING AND DEVELOPMENT

In 2014/15, 161 core training programs were delivered, aligned to the NSW Public Sector Capability Framework.

Satisfaction was rated at 96 per cent with 98 per cent of employees indicating they would apply what they had learnt in the workplace.

## INTRANET REDEVELOPMENT

To improve internal communications and information accessibility for our employees, a large scale review of the existing intranet was completed and implementation is due to commence in 2015/16.

## REWARDS AND RECOGNITION

In 2014/15 the SRWS recognition strategy was enhanced, which helped produce a 30 per cent increase in nominations for the 2015 awards. The awards cover seven focus areas directly aligned to the organisation's values. The formal SRWS awards ceremony was held at NSW Parliament House this year.

In 2015, SRWS launched the 'I recognise' cards. These cards allow SRWS staff to acknowledge one another for demonstrating organisational values of respect; integrity; trust; service; and accountability.

## CAPABILITY BASED ROLE DESCRIPTIONS

As part of the Government Sector Employment Act, role descriptions must align with the 2013 NSW Public Sector Capability Framework. The capability framework provides a basis for creating and recruiting roles and helps make sure SWRS gets the right people into the right roles. This year we made progress on the implementation of capability based role descriptions. Role descriptions focussed on the underpinning knowledge, skills and abilities required for a role and have facilitated greater agility and mobility across SRWS.



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# OUR PEOPLE

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## WORK HEALTH AND SAFETY PERFORMANCE AND EMPLOYEE WELLBEING

SRWS performance in the area of work health safety and employee wellbeing continued to focus on prevention and early intervention. The Wellness strategy across WorkCover covers four core areas; physical, social, emotional and financial and has included prevention initiatives such as:

- Get Healthy at Work
- early detection
- flu vaccinations
- blood donor
- nutrition seminars
- International Day of People with a Disability seminar
- Dragon Boat Races
- Movember
- RU OK Day.

An overarching SRWS health and safety committee enables consultation on matters of health and safety. This year SRWS focused on improvement across its health and safety management system, including the adoption of revised health and safety policies and procedures, and mandatory work health and safety-related training across the four agencies.

SRWS has 22 workgroups represented by 27 Health and Safety Representatives, a SRWS Health and Safety Committee, and other agreed consultation arrangements consistent with the work health and safety legislation.

In 2014/15, SRWS staff lodged 31 workers compensation claims, an increase in the number of claims for the previous years (25 claims in 2013/14, 23 claims in 2012/13, and 53 claims in 2011/12).

SRWS continues to support staff through non-work related illness and injury concerns, and to work on early intervention, pro-active case management, and timely return to work strategies.

## BULLYING PREVENTION

In June 2013 the NSW Legislative Council referred to the General Purpose Standing Committee No. 1 to inquire into allegations of bullying at WorkCover. A progress report in response to the NSW parliamentary committee's inquiry into bullying at WorkCover is available at [workcover.nsw.gov.au/bullying-report](http://workcover.nsw.gov.au/bullying-report).

WorkCover implemented many changes in response to these recommendations, including:

- the Workplace Issues and Grievance Resolution Policy and Workplace Bullying Policy
- driving key outcomes around the capability of people leaders through the Punitive Use of Process Action Plan; part of the government's response to the final report
- establishing a Bullying Prevention Working Party with representatives from SRWS and the PSA.

The mandatory Manager as Coach Program was designed to provide our people leaders with the skills, techniques and strategies for coaching and leading effective teams.

The appointment of SRWS's new CEO in August 2014, who spearheaded the 'commercial mind - social heart' philosophy, also saw improvement in general perceptions of the workplace environment.

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## RECRUITMENT

During 2014/15, SRWS transitioned to the new employment practices introduced in the *Government Sector Employment (GSE) Act 2013*.

During the year SRWS updated its recruitment framework to align with the changes introduced by the GSE Act and with DFSI corporate recruitment policy/practice. A number of new GSE compliant recruitment practices were developed and introduced and a number of key actions were progressed. A robust hiring manager coaching program was developed and implemented incorporating one-on-one support for all hiring managers during their first recruitment action under the GSE provisions.

## WORKFORCE DIVERSITY AND INCLUSION

WorkCover is committed to building a workplace culture that values, understands and promotes the benefits of a diverse and inclusive workforce reflective of the wider community.

A diversity statement is included in all job advertisements on Jobs.NSW, encouraging people from diverse backgrounds to apply for roles in the organisation. The job application process also provides options for candidates to discuss flexible work arrangements and to access information packages in different formats.

In late 2013 SRWS Equal Employment Opportunity (EEO) Plan introduced a recruitment strategy to improve access to employment for diversity groups. The strategy focussed on providing opportunities at entry level for young workers, people with a disability and/or Aboriginal or Torres Strait Islanders. Through continued targeted employment programs, and partnering with an employment service provider specialising in these areas, SRWS has this year been able to offer a further eight employment/engagement opportunities to individuals identifying from a disadvantaged group (one Indigenous person, one disabled person, and six young workers under 25). In addition, eight other applicants were successfully placed in a talent pool for future opportunities.

## DISABILITY

SRWS is committed to reducing barriers for people with disabilities to access services and facilities, obtain and maintain employment, and engage, work and participate within our organisation.

In 2014/15 SRWS:

- participated in International Day of People with a Disability events which included organising guest speakers with a disability
- sponsored a university student, providing six weeks paid work experience through the Australian Network on Disability
- expanded targeted recruitment
- implemented a job application process that provides the option for candidates to discuss reasonable adjustment requirements in the application and/or assessment process
- provided support to employees requiring reasonable accommodation in the workplace
- designed e-learning programs that meet accessibility standards
- implemented alternate learning methods for online learning.

## INDIGENOUS EMPLOYEES

in 2014/15 SRWS:

- participated in NAIDOC Week celebrations
- implemented targeted recruitment
- created an Aboriginal programs unit focussed on external service delivery
- advertised new inspector roles in Indigenous publications
- supported employees to participate in Aboriginal and Torres Strait Islander network meetings and events
- supported the Aboriginal Career and Leadership Development Program Scholarship.

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# OUR PEOPLE

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## WOMEN

In 2014/15 SRWS:

- participated in the Lifeline Steel Magnolia Awards and sponsored the Young Achiever Award
- attended the United Nations women's breakfast
- participated in the My Mentor personal and career development program
- sponsored two places to attend, the Australian Women in Leadership Conference.

## YOUNG WORKERS

In 2014/15 SRWS:

- implemented targeted recruitment
- continued the SRWS Scholarship Scheme with the Universities of NSW, Newcastle and Western Sydney.

## MULTICULTURAL POLICIES AND SERVICES PROGRAM

In 2015, the SRWS Multicultural Plan 2015-17 was developed as a fundamental tool for planning and implementing policies and services. As an agency of SRWS, WorkCover recognises and supports multiculturalism in NSW. The plan includes strategies aligning with our corporate objectives to ensure our workplaces and services are inclusive and non-discriminatory. Embracing a multicultural focus, the plan was integrated into our business plans for 2014/15. Initiatives in 2014/15 included:

- maintaining and updating a diversity and inclusion intranet page and diversity events calendar
- raising multicultural awareness in recruitment and induction packs
- celebrating Harmony Day in March 2015 by hosting morning teas, wearing orange, decorating workstations and promoting local cultural activities
- maintaining and updating current translations of resources available on the WorkCover website in multiple languages to facilitate their use by the culturally and linguistically diverse community, including factsheets, toolkits and contact information
- celebrating NAIDOC week in July 2014 including holding morning teas and screening cultural documentaries.

Collaborating with others, WorkCover also:

- sponsored three prizes for the Reconciliation 2015 Art Competition and Exhibition award ceremony, in conjunction with NSW Fair Trading
- adopted the DFSI 'Practical Actions Guide - Building Diversity and Inclusion' as part of the People Leaders' Toolkit used within SRWS
- participated in a Bulgandry cultural site trip that included a guided tour of local Aboriginal rock carvings, artefacts and insight into indigenous history on the Central Coast.

## WORKFORCE DIVERSITY AND INCLUSION - 2015/16 FINANCIAL YEAR

In 2015/16 WorkCover will participate in a number of activities across all diversity groups as well as young workers including:

- the expansion of 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, International Women's Day and the International Day of People with Disability
- sponsorship programs
- increase regularity of advertising roles through culturally specific media and networks (e.g. ethnic/ Aboriginal/LGBTI)
- enhancements to recruitment advertising to include imagery in advertising that reflects employee diversity and work of organisation.

## WORKFORCE DIVERSITY STATISTICS

Prior to June 2014, diversity statistics for WorkCover were an estimate for the whole of the organisation based on the results for those who provided diversity information. For example, if 50 per cent of the workforce provided diversity information, the result would be doubled to estimate the results if all employees had responded. From June 2014, this method for determining diversity group statistics 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.

WorkCover's employee response rate for providing diversity information was below 65 per cent (56.6%). Although providing diversity information is not mandatory, WorkCover is continuing to encourage our employees to provide this data. Information about workplace diversity and confidentiality of personal information is included in the induction process and all new employees are encouraged provide diversity information.

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

Workforce Diversity Group	Benchmark/Target	2013	2014	2015
Women	50%	55.2%	57.1%	57.5%
Aboriginal People and Torres Strait Islanders	2.6%	1.5%	1.5%	1.5%
People whose first language spoken as a child was not English	19%	8.1%	8.9%	8.4%
People with a disability	N/A	4%	4.1%	3.9%
People with a disability requiring work-related adjustment	1.5%	2.1%	1.8%	1.8%

\* Based on a response rate of 56.6%

## WORKCOVER NSW - TRENDS IN THE DISTRIBUTION OF WORKFORCE DIVERSITY GROUPS

Workforce Diversity Group	Benchmark/Target	2013	2014	2015
Women	100	93	92	92
Aboriginal People and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language spoken as a child was not English	100	102	100	101
People with a disability	100	100	97	97
People with a disability requiring work-related adjustment	100	98	96	95

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.

KRA	KPI	2014/15 Target	2014/15 results
Capabilities (Growing our culture framework)	Lost time injury frequency rate to not exceed public sector average	<4.6	4.59%
	5% improvement in <b>engagement results</b> from People Matters Survey 2014/15 SRWS Employee Survey	64%	69%
	5% improvement in <b>leadership results</b> from People Matters Survey 2014/15 SRWS Employee Survey	57%	73%

# OUR PEOPLE

## WORKCOVER HUMAN RESOURCES STATISTICS

	2014/15		2013/14		2012/13		2011/12		2010/11	
	SRWS <sup>5</sup>	WCA	SRWSD <sup>4</sup>	WCA <sup>3</sup>	CASD	WCA	CASD <sup>2</sup>	WCA	CASD <sup>1</sup>	WCA
Administration and clerical	947	738	920	721	965	680	1046	757	1061	760
Associates/ Ministerial	-	-	-	-	-	-	-	-	-	-
Cadets	-	-	-	-	-	-	-	-	8	5
Departmental professional officers	26	17	25	16	29	20	32	23	34	25
Engineers	9	9	10	10	13	13	11	11	12	12
General division	-	-	-	-	-	-	-	-	-	-
Graduates	-	-	-	-	-	-	-	-	-	-
Legal officers	24	21	24	21	42	26	37	26	38	27
Safety inspectors	284	284	290	290	281	281	280	280	293	293
Senior management (Senior Executive Service)	28	23	34	30	33	28	11	9	13	9
Senior officers	24	19	29	20	37	25	56	45	55	43
Technical officers	8	8	7	7	10	10	7	7	8	8
Trainees	-	-	-	-	-	-	-	-	-	-
Statutory and other officers including arbitrators	1	-	1	-	23	-	24	-	24	-
<b>Total</b>	<b>1351</b>	<b>1119</b>	<b>1340</b>	<b>1115</b>	<b>1433</b>	<b>1083</b>	<b>1504</b>	<b>1158</b>	<b>1546</b>	<b>1182</b>

Note: The HR Statistics quoted for 2014/15 are headcount figures as at 18 June 2015 (being the census date for the PSC Annual Workforce profile data-collection).

1. From 1 July 2009, employees from WorkCover NSW (WCA), the Building and Construction Industry Long Service Payments Corporation (LSPC), the Dust Diseases Board (DDB), the Sporting Injuries Committee (SIC), the Motor Accidents Authority (MAA), the Lifetime Care and Support Authority (LTCSA) and the Workers Compensation Commission (WCC) have become employees of the Compensation Authorities Staff Division (CASD).

2. 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).

3. There were 31 vacant inspector positions as at 18 June 2015.

4. Compensation Authorities Staff Division (CASD) retitled to Safety Return to Work and Support Division (SRWSD) in August 2012.

5. 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)*.

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

Through good governance, robust business practices and consistent monitoring the ERM framework aids to build an agile, capable and sustainable environment, underpinned by a risk aware culture.

The SRWS Board has an established and ongoing process for identifying, evaluating and managing the significant risks faced by the SRWS, and is assisted by a suite of tools available to staff. The management of each agency level and divisional/business unit is responsible for identifying, evaluating, and rating (in terms of probability of occurrence and likely impact) key risks. Ownership is assigned which entails taking responsibility for managing and mitigating key risks, including the

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design and operation of appropriate internal controls and consistent reporting. A key feature of the ERM framework is that everyone takes responsibility for the management of risk. Both strategic and operational risk reviews have continued and the next phase of further enhancing risk maturity has begun across SRWS.

The governance structures for risk management are based on the 'three lines of defence' model. Primary responsibility for risk management lies with the business units and specialist operational process functions. A second line of defence is provided by specialist functions that undertake monitoring, challenge and policy setting, such as the independent strategic risk and corporate compliance function. The third line of defence is provided by the Internal Audit Unit (IAU) which provides process assurance, supplemented by external audit.

## INTERNAL AUDIT UNIT

The SRWS IAU is an independent review function that manages, through two outsourced service providers, an annual plan of risk-based audits across all the SRWS Agencies including WorkCover. In 2014/15, eleven reviews were completed in WorkCover or SRWS-wide (including WCA). These reviews raised 43 audit issues and made 75 audit recommendations to strengthen the organisation's internal controls.

The following internal audit reports were issued in 2014/15:

- SRWS Complaints Management\*
- SRWS Asset Management
- SRWS Accounts Payable
- SRWS Physical Security
- SRWS IT Security
- SRWS Annual Reporting
- WCA Provider Management\*
- WCA WHSD Enforcement Related Notices
- WCA WCR Merit Review Office
- WCA WHSD Regional North (Ballina, Coffs Harbour, Port Macquarie)
- WCA WHSD Prevention Program Management.

In addition to the above, the following internal audit reviews, from the 2014/15 audit plan were in progress as at 30 June 2015:

- WCA Licensing
- WCA WHSD Third Party Management
- WCA Recruitment.

During 2014/15 SRWS commissioned an independent quality assessment by the industry peak body, the Institute of Internal Auditors (IIA), of the entire spectrum of assurance and consulting work performed by the IAU. The IAU was assessed as fully conforming to all 51 IIA Standards and the NSW Government Internal Audit Policy. The IIA rated SRWS Internal Audit as "beyond conforming" – the top category in its maturity model – and highlights many examples of good practice in its final quality assessment report.

The IAU also undertakes a range of fraud and corruption prevention activities. 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 CEO to facilitate day to day operations.

## ENERGY PERFORMANCE AND WASTE REDUCTION

SRWS continued to achieve savings in energy usage, sustainable energy management principles and targets set in the Government Resource Efficiency Policy (GREP). During 2014/15, SRWS occupied 23 sites that purchased electricity through State contracts and generated six per cent of their power from renewable energy sources.

SRWS initiatives in 2014/15 included:

- using energy-efficient automated lighting and motion-detection lighting
- installing infra-red security cameras to reduce external lighting
- timed air conditioning
- continued use of UniFLOW print management system to reduce paper and toner usage
- recycling 100 per cent of used toner cartridges
- recycling IT equipment through approved providers
- procuring environmentally friendly vehicles
- increasing publication of online materials
- separating waste into recyclable and general categories.

\* Internal audit reviews from the 2013/14 audit plan completed during the 2014/15 year.

# OUR PEOPLE

## PUBLIC INTEREST DISCLOSURES (PIDS)

WorkCover has an Internal Reporting Policy available to all staff on the intranet.

SRWS took action to make staff aware of their rights and responsibilities under the *Public Interest Disclosure Act 1994*. Awareness activities within the current PID reporting period (1 July 2014 to 30 June 2015) include induction training, intranet communications, and fact sheets.

## STATISTICAL INFORMATION ON 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	0
Number of PIDs received	0	0	0
Of PIDs received, number primarily about:			
Corrupt conduct	0	0	0
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 finalised		0	

## INFORMATION SERVICES

SRWS Information Services is responsible for the support and maintenance of existing infrastructure and applications within the SRWS technology system. 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 Information Communication Technology (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 and cost effectiveness of ICT infrastructure. The ICT strategy ensures that SRWS progresses data from its raw form to accessible and useable information.

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# INTERNAL AUDIT AND RISK MANAGEMENT STATEMENT

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## Internal Audit and Risk Management Statement for the 2014-2015 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, in all material respects, 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 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 Treasury on behalf of the Treasurer.



Michael Carapiet  
Chair

Dated this

31<sup>st</sup>

day of

August

2015

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# DIGITAL INFORMATION SECURITY ATTESTATION STATEMENT

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## **DIGITAL INFORMATION SECURITY ANNUAL ATTESTATION STATEMENT FOR THE 2014/15 FINANCIAL YEAR FOR SAFETY, RETURN TO WORK AND SUPPORT**

I, Vivek Bhatia, Chief Executive Officer of Safety, Return to Work and Support, am of the opinion that Safety, Return to Work and Support had an Information Security Management System in place during the 2014/15 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of Safety, Return to Work and Support are adequate.

Risks to the digital information and digital information system of Safety, Return to Work and Support have been assessed with an independent ISMS being developed in accordance with the NSW Government Digital Information Security Policy.

Safety, Return to Work and Support has maintained compliance with *ISO 27001 Information technology - Security techniques - Information security management systems - Requirements* and independently reviewed by Shearwater Solutions Pty Ltd during the 2014/15 financial years.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WORKCOVER AUTHORITY OF NSW

Statement by the Chief Executive Officer	50
Actuarial Certificate	51
Independent Auditor's Report	53
Statement of comprehensive income for the year ended 30 June 2015	55
Statement of Financial Position as at 30 June 2015	56
Statement of changes in equity for the year ended 30 June 2015	57
Statement of Financial Position as at 30 June 2015	58
Notes to the Financial Statements	59
1. Summary of Significant Accounting Policies	59
2. Expenses Excluding Losses	67
3. Revenue	71
4. Loss on Disposal	72
5. Other Losses	72
6. Current Assets – Cash and Cash Equivalents	72
7. Current/Non-Current Assets – Receivables	72
8. Financial Assets at Fair Value	73
9. Non-Current Assets – Property, Plant and Equipment	73
10. Intangible Assets	75
11. Fair value measurement of non-financial assets	76
12. Current/Non Current Liabilities – Payables	77
13. Current/Non-Current Liabilities – Provisions	78
14. Current/Non-Current Liabilities – Other (Outstanding claims)	79
15. Reconciliation of Cash Flows from Operating Activities to Net Result	82
16. Commitments for Expenditure	83
17. Self-Insurers and Specialised Insurers Security deposits and bank guarantees	83
18. Contingent Liabilities and Contingent Assets	83
19. Restricted Assets and Liabilities (Funds)	83
20. Budget Review	84
21. Financial Instruments	85
22. Post Balance Date Events	93

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### STATEMENT BY THE CHIEF EXECUTIVE OFFICER

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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 New South Wales as at 30 June 2015 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 2015, 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.



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

14 September 2015

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### ACTUARIAL CERTIFICATE

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#### WORKCOVER AUTHORITY of NSW

##### Actuarial Certificate Outstanding claims liabilities at 30 June 2015

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 2015 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 \$139.232 million. This amount is made up as follows:

Net Outstanding Claims Liability at 30 June 2015	\$M
ERWCF	17.451
BFFCF	16.252
IGF - Non-HIH	81.853
IGF-HIH	23.677
<b>Total Net Outstanding Claims Liability</b>	<b>139.232</b>

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

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

**ACTUARIAL CERTIFICATE**

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**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 13 July 2015 for ERWCF/BFFCF and 13 July 2015 for 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  
13 July 2015

**INDEPENDENT AUDITOR'S REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

**WorkCover Authority of NSW**

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of WorkCover Authority of NSW (the Authority), which comprise the statement of financial position as at 30 June 2015, 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 2015, 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* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

**The Chief Executives' Responsibility for the Financial Statements**

The Chief Executive Officer is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that give a true and fair view and 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 an 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 management, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT**

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

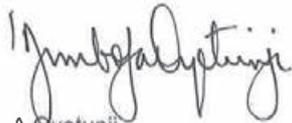
My opinion does *not* provide assurance:

- about the future viability of the Authority
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the 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 Syetunji  
Director, Financial Audit Services

16 September 2015  
SYDNEY

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
<b>EXPENSES EXCLUDING LOSSES</b>				
Operating expenses				
Personnel services	2(a)	153,666	151,560	129,077
Other operating expenses	2(b)	63,285	95,366	75,493
Depreciation and amortisation	2(c)	2,842	11,006	2,898
Grants and subsidies	2(d)	152	6,400	158
Finance costs	2(e)	3,993	-	4,015
Other expenses	2(f)	81,847	88,050	72,980
<b>Total Expenses excluding losses</b>		<b>305,785</b>	<b>352,382</b>	<b>284,621</b>
<b>REVENUE</b>				
Retained taxes, fees and fines	3(a)	248,233	313,130	240,172
Investment revenue	3(b)	14,325	13,279	18,807
Sale of goods and services	3(c)	15,495	14,793	14,501
Other revenue	3(d)	10,845	13,220	16,673
<b>Total Revenue</b>		<b>288,898</b>	<b>354,422</b>	<b>290,153</b>
<b>Loss on disposal</b>	<b>4</b>	<b>(1)</b>	<b>-</b>	<b>(5)</b>
<b>Other losses</b>	<b>5</b>	<b>(1,243)</b>	<b>(2,040)</b>	<b>(561)</b>
<b>Net result</b>		<b>(18,131)</b>	<b>-</b>	<b>4,966</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified to net result				
Net increase/(decrease) in property, plant and equipment revaluation surplus		536	-	(56)
<b>Total Other comprehensive income</b>		<b>536</b>	<b>-</b>	<b>(56)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(17,595)</b>	<b>-</b>	<b>4,910</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	Actual 2015 \$ '000	Budget 2015 \$ '000	Actual 2014 \$ '000
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	6	112,607	105,894	108,033
Receivables	7	20,833	16,454	20,064
Financial assets at fair value	8	157,747	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>291,187</b>	<b>122,348</b>	<b>128,097</b>
<b>Non-Current Assets</b>				
Receivables	7	27,880	1	27,362
Financial assets at fair value	8	-	161,123	151,644
Property, plant and equipment	9			
Land and building		13,918	13,257	13,496
Plant and equipment		5,100	4,766	5,688
Total property, plant and equipment		19,018	18,023	19,184
Intangible assets	10	2,278	4,987	3,993
<b>Total Non-Current Assets</b>		<b>49,176</b>	<b>184,134</b>	<b>202,183</b>
<b>TOTAL ASSETS</b>		<b>340,363</b>	<b>306,482</b>	<b>330,280</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	12	14,006	8,437	15,518
Provisions	13	47,637	52,197	46,209
Other	14	16,220	8,797	17,643
<b>Total Current Liabilities</b>		<b>77,863</b>	<b>69,431</b>	<b>79,370</b>
<b>Non-Current Liabilities</b>				
Payables	12	89,768	87,559	67,969
Provisions	13	140,854	116,664	127,762
Other	14	125,911	96,428	131,617
<b>Total Non-current Liabilities</b>		<b>356,533</b>	<b>300,651</b>	<b>327,348</b>
<b>Total Liabilities</b>		<b>434,396</b>	<b>370,082</b>	<b>406,718</b>
<b>NET ASSETS</b>		<b>(94,033)</b>	<b>(63,600)</b>	<b>(76,438)</b>
<b>EQUITY</b>				
Reserves		14,508	14,028	13,972
Accumulated funds		(108,541)	(77,628)	(90,410)
<b>TOTAL EQUITY</b>		<b>(94,033)</b>	<b>(63,600)</b>	<b>(76,438)</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Balance at 1 July 2014	(90,410)	13,972	(76,438)
Net result for the year	(18,131)	-	(18,131)
Net increase in property, plant and equipment	-	536	536
<b>Total other comprehensive income</b>	<b>-</b>	<b>536</b>	<b>536</b>
<b>Total comprehensive income for the year</b>	<b>(18,131)</b>	<b>536</b>	<b>(17,595)</b>
Transactions with owners in their capacity as owners	-	-	-
<b>BALANCE AT 30 JUNE 2015</b>	<b>(108,541)</b>	<b>14,508</b>	<b>(94,033)</b>
Balance at 1 July 2013	(78,130)	14,028	(64,102)
Changes in accounting policy	(17,246)	-	(17,246)
<b>Restated total equity at 1 July 2013</b>	<b>(95,376)</b>	<b>14,028</b>	<b>(81,348)</b>
Net result for the year	4,966	-	4,966
Net decrease in property, plant and equipment	-	(56)	(56)
<b>Total other comprehensive income</b>	<b>-</b>	<b>(56)</b>	<b>(56)</b>
<b>Total comprehensive income for the year</b>	<b>4,966</b>	<b>(56)</b>	<b>4,910</b>
Transactions with owners in their capacity as owners	-	-	-
<b>BALANCE AT 30 JUNE 2014</b>	<b>(90,410)</b>	<b>13,972</b>	<b>(76,438)</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	Actual 2015 \$ '000	Budget 2015 \$ '000	Actual 2014 \$ '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Payments</b>				
Personnel services		(136,579)	(151,560)	(132,964)
Grants and subsidies		(152)	(6,400)	(158)
Other		(164,486)	(211,056)	(149,903)
<b>Total Payments</b>		<b>(301,217)</b>	<b>(369,016)</b>	<b>(283,025)</b>
<b>Receipts</b>				
Sale of goods and services		15,159	12,935	14,789
Retained taxes, fees and fines		269,212	341,160	261,984
Interest received		3,628	2,691	13,556
Other		14,385	19,025	23,910
<b>Total Receipts</b>		<b>302,384</b>	<b>375,811</b>	<b>314,239</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>15</b>	<b>1,167</b>	<b>6,795</b>	<b>31,214</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment		1,739	37	12
Purchases of property, plant and equipment		(2,503)	(11,000)	(1,573)
Purchases of investments		(151,323)	-	(2,856)
Proceeds from sale of investments		155,494	2,000	488
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>3,407</b>	<b>(8,963)</b>	<b>(3,929)</b>
<b>NET INCREASE IN CASH</b>		<b>4,574</b>	<b>(2,168)</b>	<b>27,285</b>
Opening cash and cash equivalents		108,033	108,062	80,748
Cash transferred in as a result of administrative restructure		-	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>6</b>	<b>112,607</b>	<b>105,894</b>	<b>108,033</b>

The accompanying notes form part of these financial statements.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 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 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 2015 have been authorised for issued by the Chief Executive Officer on 14 September 2015.

##### 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 2015, and
- the Financial Reporting Directions published in the Financial Reporting Code for General Government Sector Entities or issued by the Treasurer.

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.
- outstanding claims liabilities

Property, plant and equipment and financial assets at 'fair value through profit or loss' are measured at fair value.

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

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 13 – Current/non current liabilities – provisions
- Note 14 – Current/non current liabilities – other (outstanding claims)
- Note 21 – 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.

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.

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)

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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, except that the:

- amount of GST incurred by WorkCover as a purchaser that is not recovered from the Australian Taxation Office is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- Receivables and payables are stated with the amount of GST included.

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

##### h. Income/Expense 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, fees and fines

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. Fund manager remuneration includes base fees which are generally paid quarterly.

##### iv. 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.

##### v. Investment revenue

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

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

---

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### h. Income/Expense recognition (Continued)

###### vi. 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.

##### i. Assets

###### i. Acquisition of assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction, or where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the 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 over the period of credit.

###### 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). For intangible assets it 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 an approximation of fair value. WorkCover has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### i. Assets (Continued)

##### 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 or an amount that approximates fair value, impairment can only arise in the rare circumstances such as 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.

##### 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	2014/15 %
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 rewards incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, at the commencement of the lease term, the asset is recognised at its fair value, or, if lower the present value of the minimum lease payments at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

##### 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.

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 and impairment losses.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### i. Assets (Continued)

##### ix. Intangible assets (Continued)

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

Categories	2014/15
	%
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.

##### x. Receivables

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

In mid-2014 the investment approach of WorkCover changed to adopt a more active trading approach to better match the liabilities of WorkCover with its investments. As part of this the types of investments used was expanded.

As a result of this change the investment portfolio is viewed as held for trading, available for sale. Accordingly all investments are now viewed as current assets whereas in the prior year the assets were classified into current or non-current based on the maturity profile of the investment and when it was likely to be converted into cash. This change is viewed as a change in investment strategy rather than a change in accounting policy. Accordingly prior year comparatives have not been adjusted.

The change in the nature of the investments has also meant that disclosures are now based on the investment type rather than the entity that the funds are invested in. Prior year's comparatives which outlined the particular entity that funds were invested in have been adjusted to better reflect the type of investment which is considered to better meet the needs of users of the financial statements.

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 WorkCover 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), WorkCover 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.

##### xii. 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, term deposits with a maturity of less than 12 months and bank overdrafts that are repayable on demand.

WorkCover includes as operating cash flows the purchase and sale of financial assets as premiums and Insurance Guarantee Fund levies less claims cost paid to date are invested to meet future claims costs.

##### xiii. 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. WorkCover 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 WorkCover. WorkCover 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. WorkCover 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 21.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### i. Assets (Continued)

##### xii. Derivatives (Continued)

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.

##### xiv. 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 WorkCover 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. WorkCover 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 WorkCover for similar financial instruments.

##### i. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

##### ii. Derivatives recorded at fair value through profit or loss

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign currency contracts, and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value.

##### iii. Financial assets or financial liabilities 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## 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 Office of Finance and Services (OFS).

###### 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 use of an approach using nominal annual leave plus annual leave on the nominal liability (using 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.

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 3.00% (2014: 3.50%).

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)

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

##### 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

###### 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 20.

##### q. Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented 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. Changes in accounting policy, including new or revised Australian Accounting Standards.

###### i. 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, AASB 2010-7, AASB 2013-9 (Part C), AASB 2014-1 (Part E), AASB 2014-7 and AASB 2014-8 regarding financial instruments
- AASB 15 and AASB 2014-5 regarding Revenue from Contracts with Customers.
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle.
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives
- AASB 2015-3 regarding materiality.

AASB 9 Financial Instruments and its associated amending standards specify new recognition and measurement requirements for financial assets and financial liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement. WorkCover values its financial assets and financial liabilities at fair value through profit or loss. Therefore when applied, the only material impact of this standard will be on the presentation of the financial statements and disclosures in the notes.

The remaining standards are concerned with disclosures and will have no direct impact on the WorkCover's financial results.

##### s. Deficiencies in Net assets

The Statement of Financial Position shows a deficiency of \$94m for Net Assets (2014 \$76.4m). 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

	2015 \$'000	2014 \$'000
<b>a. Personnel services</b>		
Salaries and wages (including recreation leave)	108,982	106,567
Superannuation – defined contribution plans	8,643	7,806
Superannuation – defined benefit plans (including actuarial (gains)/losses)	17,321	(3,075)
Long service leave	5,145	5,658
Workers' compensation insurance	1,368	1,783
Payroll tax and fringe benefit tax	7,541	7,250
Agency short-term staff	4,666	3,088
	<b>153,666</b>	<b>129,077</b>

Included in the superannuation expense item is an actuarial assessed superannuation loss of \$15.0m (gain of \$5.5m- 2014).

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. EXPENSES EXCLUDING LOSSES (CONTINUED)

	2015 \$'000	2014 \$'000
<b>b. Other operating expenses include the following:</b>		
Auditor's remuneration		
audit of the financial statements	283	247
internal audit and reviews	368	307
Operating lease rental expense		
minimum lease payments	9,619	9,314
other related expenses	2,873	3,358
Maintenance	7,437	6,496
Insurance	102	112
Fees	11,156	9,686
Advertising, promotion and publicity	889	810
Board & Committee fees	641	690
Contributions to External Organisations (Mainly Safe Work Australia)	4,090	3,342
Compensation Court	(505)	1,163
Consultants - Actuarial fees	482	687
Consultants - Other	1,324	862
Contractors	8,614	5,346
Travel & Vehicle expenses	4,419	4,223
Communication expenses	1,639	1,709
Printing	1,549	1,651
Rebates	556	18,287
Stores	1,563	1,442
Training	1,873	1,105
Legal aid and Rehabilitation	1,447	1,560
Bad Debts	-	311
Other miscellaneous	2,866	2,785
	<b>63,285</b>	<b>75,493</b>

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	315	308
Leasehold improvements & restoration	813	770
Office machines and equipment	39	53
Furniture and fittings (incl. Library)	39	36
Computer hardware	906	893
Scientific and technical equipment	114	110
	<b>2,226</b>	<b>2,170</b>
Amortisation		
Computer software developed	322	444
Computer software purchased	294	284
	<b>616</b>	<b>728</b>
<b>Total Depreciation and Amortisation</b>	<b>2,842</b>	<b>2,898</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. EXPENSES EXCLUDING LOSSES (CONTINUED)

	2015 \$'000	2014 \$'000
<b>d. Grants and subsidies</b>		
Injury prevention, education and research grants	128	100
WorkCover Assistance	9	(2)
Research – Sporting Injuries Scheme	15	60
Other	-	-
	<b>152</b>	<b>158</b>
<b>e. Finance costs</b>		
Unwinding of discount rate – Judges pension	500	600
Unwinding of discount rate – Claims	3,493	3,415
	3,993	4,015
<b>f. Other expenses</b>		
Net claims incurred (excluding Finance costs)	951	15,604
Workers Compensation Commission	32,320	31,626
WorkCover Independent Review Officer	48,576	25,750
	<b>81,847</b>	<b>72,980</b>
Net Claims Incurred		
Finance costs – Claims (Note 2(e))	3,493	3,415
Net claims incurred (excluding Finance costs) (Note 2(f))	951	15,604
	<b>4,444</b>	<b>19,019</b>

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

	Claims paid 2015 \$'000	Finance costs 2015 \$'000	Movement in claims liability 2015 \$'000	Net claims incurred 2015 \$'000	Net claims 2014 \$'000
Insurers' Guarantee Fund	2,982	2,641	(8,510)	(2,887)	7,582
Bush Fire Fighters Compensation Fund	3,591	453	(3,961)	83	5,130
Emergency and Rescue Workers Compensation Fund	4,263	318	1,940	6,521	5,610
Sporting Injuries Insurance Scheme	721	81	(58)	744	629
Supplementary Sporting Injuries Benefit scheme	16	-	(33)	(17)	68
	<b>11,573</b>	<b>3,493</b>	<b>(10,622)</b>	<b>4,444</b>	<b>19,019</b>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
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:

	2015 \$'000	2014 \$'000
<b>Personnel Services</b>		
Salaries and allowances (including recreation leave)	11,102	11,042
Other	4,716	1,736
<b>TOTAL PERSONNEL SERVICE COSTS</b>	<b>15,818</b>	<b>12,778</b>
<b>Other Operating Expenses</b>		
Operating lease rental expenses	1,648	1,631
Consultants	32	10
Contractors	26	-
Payments to Arbitrators	2,041	3,537
Payments to Approved Medical Specialists (AMS)	6,238	6,893
Payments for Medical Appeals panels	1,184	1,210
Payments for mediators	1,218	1,145
Arbitrators & AMS superannuation payments	1,033	1,199
Other	3,004	3,074
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>16,424</b>	<b>18,699</b>
Depreciation and amortisation	78	149
<b>TOTAL WORKERS COMPENSATION COMMISSION</b>	<b>32,320</b>	<b>31,626</b>

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

<b>Personnel Services</b>		
Salaries and allowances (including recreation leave)	4,018	3,155
Other	1,449	1,489
<b>TOTAL PERSONNEL SERVICE COSTS</b>	<b>5,467</b>	<b>4,644</b>
<b>Other Operating Expenses</b>		
Operating lease rental expenses	237	272
Consultants	124	13
Contractors	25	131
ILARS	41,838	19,832
Other	885	857
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>43,109</b>	<b>21,105</b>
<b>TOTAL WORKCOVER INDEPENDENT REVIEW OFFICER</b>	<b>48,576</b>	<b>25,749</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. REVENUE

##### a. Retained taxes, fees and fines

	2015 \$'000	2014 \$'000
<b>Retained taxes</b>		
WorkCover Authority Fund		
Nominal Insurer, self and specialised insurers	241,645	230,413
Insurers' Guarantee Fund	(18,446)	(20,082)
Bush Fire Fighters Compensation Fund	575	5,710
Emergency and Rescue Workers Compensation Fund	7,186	6,399
Supplementary Sporting Injuries Fund	49	136
Injury prevention levies	59	57
	<b>231,068</b>	<b>222,633</b>
<b>Fees</b>		
Certificates of competency	4,546	5,900
Registration of plant	1,478	1,482
Demolition and pest control licences	553	612
Construction Induction Training	1,599	1,499
Dangerous goods licensing activities	2,478	2,548
Asbestos licences and removal permits	239	575
Accreditation	111	221
Other	50	41
	<b>11,054</b>	<b>12,878</b>
<b>Fines</b>		
WHS prosecution fines	3,329	1,244
Professional costs recoveries	2,286	1,936
Workers compensation S156 recoveries	405	1,349
Infringement notices	91	132
	<b>6,111</b>	<b>4,661</b>
<b>TOTAL RETAINED TAXES, FEES AND FINES</b>	<b>248,233</b>	<b>240,172</b>
<b>b. Investment revenue</b>		
Interest revenue from bank interest and Tcorp Hour-Glass cash facility	2,708	3,452
TCorp Hour-Glass investment facilities	10,261	15,355
Other income	1,356	-
	<b>14,325</b>	<b>18,807</b>
<b>c. Sale of goods and services</b>		
Testsafe Australia testing fees	3,234	3,498
Biological monitoring	1,228	1,108
Consultancy and training	-	98
Premium Income (Sporting Injuries Insurance Scheme)	743	755
Fees for Services rendered to other Agencies	10,161	8,903
Other	129	139
	<b>15,495</b>	<b>14,501</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. REVENUE (CONTINUED)

##### d. Other revenue

	2015 \$'000	2014 \$'000
Distribution from liquidator – IGF	5,421	13,625
Other	5,424	3,048
	<b>10,845</b>	<b>16,673</b>

#### 4. LOSS ON DISPOSAL

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

#### 5. OTHER LOSSES

Allowance for impairment of receivables	(1,243)	(561)
	<b>(1,243)</b>	<b>(561)</b>

#### 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	91,456	90,414
Short-term deposits		
Non TCorp investments	10,282	-
TCorp Hour-Glass investment – Cash facility	10,869	17,619
	<b>112,607</b>	<b>108,033</b>

For the purposes of the Statement of cash flows, cash and cash equivalents includes cash at bank and on hand, term deposits with a maturity of less than 12 months 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)	112,607	108,033
Closing cash and cash equivalents (per Statement of cash flows)	112,607	108,033

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

#### 7. CURRENT/NON-CURRENT ASSETS – RECEIVABLES

##### Current

Receivables	23,262	22,359
Less allowance for impairment	(4,459)	(3,757)
Prepayments	1,607	1,462
Investments receivable	423	-
	<b>20,833</b>	<b>20,064</b>

##### Non Current

Receivables	27,398	26,637
Prepayments	482	725
	<b>27,880</b>	<b>27,362</b>
<b>TOTAL RECEIVABLES</b>	<b>48,713</b>	<b>47,426</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 7. CURRENT/NON-CURRENT ASSETS – RECEIVABLES (CONTINUED)

	2015 \$'000	2014 \$'000
<b>Movement in the allowance for impairment</b>		
Balance at 1 July	(3,757)	(4,138)
Amounts written off during year	541	942
Amounts recovered during the year	-	-
(Increase)/decrease in allowance recognised in profit or loss	(1,243)	(561)
<b>BALANCE AT 30 JUNE</b>	<b>(4,459)</b>	<b>(3,757)</b>

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

#### 8. FINANCIAL ASSETS AT FAIR VALUE

##### Current

T'Corp Hour-Glass Facilities	157,747	-
Other Investments	-	-
	<b>157,747</b>	<b>-</b>

##### Non Current

T'Corp Hour-Glass Facilities	-	151,644
	<b>-</b>	<b>151,644</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>157,747</b>	<b>151,644</b>

These assets relate to the Insurers' Guarantee Fund or the Sporting Injuries Fund and their availability for use by 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 except where they are classified as valuable for sale – held for trading where they are shown as current assets.

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

#### 9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	At 1 July 2014 – fair value			At 30 June 2015 – fair value		
	Gross carrying amount \$'000	Accumulated depreciation & impairment \$'000	Net carrying amount \$'000	Gross carrying amount \$'000	Accumulated depreciation & impairment \$'000	Net carrying amount \$'000
Land and Buildings	14,090	(594)	<b>13,496</b>	14,000	(82)	<b>13,918</b>
Leasehold improvements and restoration	32,200	(29,969)	<b>2,231</b>	31,289	(28,491)	<b>2,798</b>
Office machines and equipment	608	(520)	<b>88</b>	440	(393)	<b>47</b>
Furniture & fittings (incl. Library)	202	(81)	<b>121</b>	202	(120)	<b>82</b>
Computer hardware	7,339	(5,707)	<b>1,632</b>	6,640	(5,221)	<b>1,419</b>
Scientific & technical equipment	1,153	(137)	<b>1,016</b>	771	(17)	<b>754</b>
Motor vehicles	208	(208)	<b>-</b>	208	(208)	<b>-</b>
Work in progress	600	-	<b>600</b>	-	-	<b>-</b>
<b>TOTAL</b>	<b>56,400</b>	<b>(37,216)</b>	<b>19,184</b>	<b>53,550</b>	<b>(34,532)</b>	<b>19,018</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### 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 & 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	13,496				737	(315)	13,918
Leasehold improvements and restoration	2,231	1,380	(2,291)	2,291		(813)	2,798
Office machines and equipment	88		(168)	166		(39)	47
Furniture & fittings (incl. Library)	121					(39)	82
Computer hardware	1,632	703	(1,402)	1,392		(906)	1,419
Scientific & technical equipment	1,016	53			(201)	(114)	754
Work in progress	600	(600)				-	-
<b>TOTAL</b>	<b>19,184</b>	<b>1,536</b>	<b>(3,861)</b>	<b>3,849</b>	<b>536</b>	<b>(2,226)</b>	<b>19,018</b>

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 2015. Freehold land, buildings and scientific and technical equipment were revalued on the basis of net fair value.

The independent valuations as at 13 March 2015 for land and buildings and 6 February 2015 for scientific and technical equipment were carried out by:

Land & buildings Nicholas Brady AAPI – Hymans Asset Management

Scientific and technical equipment Garry Horsnell – Hymans Asset Management

- b. Details of land owned by WorkCover:

Description of use	Location	Fair value
Used as a centre for occupational health and safety research and testing. (37.3 hectares)	919 Londonderry Road Londonderry NSW	\$9,450,000

	At 1 July 2013 – fair value			At 30 June 2014 – fair value		
	Gross carrying amount \$'000	Accumulated depreciation & impairment \$'000	Net carrying amount \$'000	Gross carrying amount \$'000	Accumulated depreciation & 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 & fittings (incl. Library)	202	(45)	157	202	(81)	121
Computer hardware	8,202	(6,027)	2,175	7,339	(5,707)	1,632
Scientific & technical equipment	1,078	(28)	1,050	1,153	(137)	1,016
Motor vehicles	208	(208)	-	208	(208)	-
Work in progress	-	-	-	600	-	600
<b>TOTAL</b>	<b>56,651</b>	<b>(36,399)</b>	<b>20,252</b>	<b>56,400</b>	<b>(37,216)</b>	<b>19,184</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 9. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### 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 & 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 & fittings (incl. Library)	157	-	-	-	-	(36)	121
Computer hardware	2,175	367	(1,230)	1,213	-	(893)	1,632
Scientific & technical equipment	1,050	76	-	-	-	(110)	1,016
Work in progress	-	600	-	-	-	-	600
<b>TOTAL</b>	<b>20,252</b>	<b>1,175</b>	<b>(1,375)</b>	<b>1,358</b>	<b>(56)</b>	<b>(2,170)</b>	<b>19,184</b>

#### 10. INTANGIBLE ASSETS

	Internally generated computer software \$'000	Computer software purchased \$'000	Software WIP \$'000	Total \$'000
<b>At 1 July 2014 – fair value</b>				
Cost (gross carrying amount)	20,780	3,792	1,973	26,545
Accumulated amortisation and impairment	(19,382)	(3,170)		(22,552)
<b>NET CARRYING AMOUNT</b>	<b>1,398</b>	<b>622</b>	<b>1,973</b>	<b>3,993</b>
<b>At 30 June 2015 – fair value</b>				
Cost (gross carrying amount)	20,720	3,942	522	25,184
Accumulated amortisation and impairment	(19,442)	(3,464)		(22,906)
<b>NET CARRYING AMOUNT</b>	<b>1,278</b>	<b>478</b>	<b>522</b>	<b>2,278</b>

##### 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	1,398	622	1,973	3,993
Additions/Transfers	202	150	276	628
Disposals	(261)		(1,727)	(1,988)
Write back of amortisation on disposal	261		-	261
Amortisation expense	(322)	(294)		(616)
<b>NET CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>1,278</b>	<b>478</b>	<b>522</b>	<b>2,278</b>

##### 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)
<b>NET CARRYING AMOUNT</b>	<b>1,820</b>	<b>928</b>	<b>1,728</b>	<b>4,476</b>

##### 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)
<b>NET CARRYING AMOUNT</b>	<b>1,398</b>	<b>622</b>	<b>1,973</b>	<b>3,993</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 10. INTANGIBLE ASSETS (CONTINUED)

##### 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:

	Internally generated computer software \$'000	Computer software purchased \$'000	Software WIP \$'000	Total \$'000
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)
<b>NET CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>1,398</b>	<b>622</b>	<b>1,973</b>	<b>3,993</b>

#### 11. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

##### a. Fair value hierarchy

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair value \$'000
<b>2015</b>				
Property, plant and equipment (Note 9)				
Land and buildings	-	13,918	-	13,918
Scientific and technical equipment	-	754	-	754
	<b>-</b>	<b>14,672</b>	<b>-</b>	<b>14,672</b>
<b>2014</b>				
Property, plant and equipment (Note 9)				
Land and buildings	-	13,496	-	13,496
Scientific and technical equipment	-	1,016	-	1,016
	<b>-</b>	<b>14,512</b>	<b>-</b>	<b>14,512</b>

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

##### b. Valuation techniques, inputs and processes

Land and buildings and scientific and technical equipment 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".

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 12. CURRENT/NON CURRENT LIABILITIES – PAYABLES

	2015 \$'000	2014 \$'000
<b>CURRENT</b>		
Accrued salaries, wages and on-costs (Refer Note 13)	4,168	3,628
Creditors	9,405	11,427
Premium Income received in advance	408	435
Premium Liability deficiency	-	-
Injury Prevention Levies Income received in advance	25	28
	<b>14,006</b>	<b>15,518</b>
<b>NON CURRENT</b>		
Creditors	89,283	67,241
Income received in advance	485	728
	<b>89,768</b>	<b>67,969</b>
<b>TOTAL PAYABLES</b>	<b>103,774</b>	<b>83,487</b>

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

#### a. Sporting Injuries Insurance Scheme Premium liability deficiency reserve

	2015 \$'000	2014 \$'000
Unexpired risk liability as at 1 July	-	-
Movement in the unexpired risk liability recognised in the Statement of Comprehensive Income	-	-
<b>PREMIUM LIABILITY DEFICIENCY RESERVE AS AT 30 JUNE</b>	<b>-</b>	<b>-</b>

#### b. Calculation of Premium liability deficiency

Unearned premium liability relating to contracts issued under the Sporting Injuries Insurance Scheme	408	435
Central estimate of the present value of expected future cash flows arising from future claims issued under the Sporting Injuries Insurance Scheme	251	261
Risk Margin (75% Probability of Sufficiency)	125	131
<b>(B)</b>	<b>376</b>	<b>392</b>
<b>DEFICIENCY (B)-(A) (ZERO MINIMUM)</b>	<b>-</b>	<b>-</b>

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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
WorkCover Authority of NSW

**NOTES TO THE FINANCIAL STATEMENTS**

**13. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS**

	2015 \$'000	2014 \$'000
<b>CURRENT</b>		
<b>Personnel services and related on-costs</b>		
Annual leave entitlements including oncosts	10,478	10,945
Long service leave entitlements including oncosts	35,359	33,184
<b>Other</b>		
Compensation Court Judges pension	1,800	2,080
	<b>47,637</b>	<b>46,209</b>
<b>NON CURRENT</b>		
Long service leave entitlements including oncosts	1,460	1,594
Superannuation payable to OFS	125,952	110,981
Compensation Court Judges pension	11,764	13,460
Restoration costs – Leased buildings	1,678	1,727
	<b>140,854</b>	<b>127,762</b>
<b>TOTAL PROVISIONS</b>	<b>188,491</b>	<b>173,971</b>
<b>Aggregate employee benefits and related on-costs</b>		
Provisions – current	45,837	44,129
Provisions – Non-current	127,412	112,575
Accrued salaries, wages and on-costs (Note 12)	4,168	3,628
	<b>177,417</b>	<b>160,332</b>
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.		
It is expected that the current leave provisions and related on-costs will be settled over the following period:		
<b>Expected to be settled no more than twelve months</b>		
Annual leave and related on-costs	10,478	10,945
Long service leave and related on-costs	3,463	3,953
	<b>13,941</b>	<b>14,898</b>
<b>Expected to be settled after more than twelve months</b>		
Long service leave and related on-costs	31,896	29,231

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 13. CURRENT/NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)

##### 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
<b>2015</b>			
Carrying amount at the beginning of financial year	15,540	1,727	17,267
Amount used/provision derecognised	(2,100)	(229)	(2,329)
Unwinding/change in the discount rate	500	-	500
Change in discount rate	400	-	400
Additional provisions recognised	-	180	180
Changes in other actuarial assumptions	(776)		(776)
<b>CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>13,564</b>	<b>1,678</b>	<b>15,242</b>

##### 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:

	2015 %	2014 %
Discount Rate	3.00	3.50
Future salary growth	3.00	3.00

#### 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:

	2015 \$'000	2014 \$'000
Bush Fire Fighters Compensation Fund	16,252	19,760
Emergency and Rescue Workers Compensation Fund	17,451	15,193
Insurer's Guarantee Fund comprising:		
• Non HIH	81,853	86,147
• HIH Insurance Co. Ltd.	23,677	25,252
<b>Total Insurer's Guarantee Fund</b>	<b>105,530</b>	<b>111,399</b>
Supplementary Sporting Injuries Benefit Scheme	599	632
<b>TOTAL OUTSTANDING CLAIMS VALUED UNDER AASB 137</b>	<b>139,832</b>	<b>146,984</b>
Sporting Injuries Insurance Scheme	2,299	2,276
<b>TOTAL OUTSTANDING CLAIMS VALUED UNDER AASB 1023</b>	<b>2,299</b>	<b>2,276</b>
<b>TOTAL OUTSTANDING CLAIMS</b>	<b>142,131</b>	<b>149,260</b>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
WorkCover Authority of NSW

**NOTES TO THE FINANCIAL STATEMENTS**

**14. CURRENT/NON-CURRENT LIABILITIES – OTHER (OUTSTANDING CLAIMS) (CONTINUED)**

**a. Details of the nature of outstanding claims are provided in Note 19. (Continued)**

	2015 \$'000	2014 \$'000
Expected future claims payments	179,059	204,057
Claims handling expenses	43,692	48,429
Discount to present value	(80,620)	(103,226)
<b>LIABILITY FOR OUTSTANDING CLAIMS</b>	<b>142,131</b>	<b>149,260</b>
Current	16,220	17,643
Non current	125,911	131,617
<b>LIABILITY FOR OUTSTANDING CLAIMS</b>	<b>142,131</b>	<b>149,260</b>
Outstanding claims valued in accordance with AASB 137		
Carrying amount at start of year	146,984	139,590
Amounts used	(10,852)	(10,996)
Finance cost- unwinding of the discount rate	3,412	3,351
Change in discount rate	9,183	6,278
Increase/(Decrease) in amounts provided	(8,895)	8,761
<b>CARRYING AMOUNT AT END OF YEAR</b>	<b>139,832</b>	<b>146,984</b>
Outstanding claims valued in accordance with AASB 1023		
<b>Sporting Injuries Insurance Scheme</b>		
Central Estimate	1,482	1,552
Claims handling costs	296	310
Risk margin	633	557
<b>Outstanding claims liability – undiscounted</b>	<b>2,411</b>	<b>2,419</b>
Discount to present value	(112)	(143)
<b>LIABILITY FOR OUTSTANDING CLAIMS DISCOUNTED</b>	<b>2,299</b>	<b>2,276</b>

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

	2015 Year	2014 Year
Bush Fire Fighters Compensation Fund	8.0	7.4
Emergency and Rescue Workers Compensation Fund	7.4	5.5
Insurer's Guarantee Fund	11.5	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:**

	2015 %	2014 %
Inflation rate	3.00	3.50
Discount rate	1.96-2.20	2.47- 2.80

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. CURRENT/NON-CURRENT LIABILITIES – OTHER (OUTSTANDING CLAIMS) (CONTINUED)

- 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:

	2015 %	2014 %
Inflation rate	2.37-3.00	2.63-3.50
Discount rate	1.99-4.47	2.62-5.03

- e. There is inherent uncertainty in any estimate of outstanding claims liabilities that limits its accuracy. The areas of uncertainty associated with the outstanding claims liability in these financial statements arise from the following:

- i. The actual model and method may not exactly match the claims process.
- ii. Past claim fluctuations may create uncertainty in the estimated model parameters.
- iii. Undetected errors in the data may result in errors in the model parameters.
- iv. Future economic and environmental conditions may be different to those assumed.
- v. 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.

	2015 %	2014 %
Risk margin applied	36.0	30.0

#### 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 \$44.322m and reduce its current overfunded position to \$28.852m.

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

	2015 \$'000	2014 \$'000
Brought forward	2,908	2,296
Reconciliation of discounted risk margin under AIFRS	80	54
Effect of changes in experience and assumptions on claims occurring in prior years	(306)	(309)
Increase in claims incurred arising from claims occurring in current year	953	952
Claims payments during the year	(737)	(85)
<b>CARRIED FORWARD</b>	<b>2,898</b>	<b>2,908</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 14. CURRENT/NON-CURRENT LIABILITIES – OTHER (OUTSTANDING CLAIMS) (CONTINUED)

##### 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	2005-2009	2010	2011	2012	2013	2014	2015	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Estimate of ultimate claims cost</b>								
At end of accident year	3,138	598	509	537	509	856	875	7,022
One year later	2,636	541	305	404	522	875		5,283
Two years later	2,459	426	300	440	481			4,106
Three years later	2,651	504	248	380				3,783
Four years later	2,520	390	216					3,126
Five years later	2,662	391						3,053
Six years later	2,451							2,451
Seven years later	2,166							2,166
Eight years later	1,715							1,715
Nine years later	1,224							1,224
Ten years and later	623							623
Current estimate of cumulative claims cost	2,292	391	216	380	481	875	875	5,510
Cumulative payments	(2,164)	(259)	(118)	(157)	(180)	(357)	(272)	(3,507)
<b>Outstanding claims – undiscounted</b>	128	132	98	223	301	518	603	2,003
Discount								(91)
2004 and prior								-
Claims handling expenses								382
<b>Outstanding claims as per Statement of Financial position</b>								<b>2,294</b>
Risk Margin (SIIS only)								604
<b>FINAL OUTSTANDING CLAIMS INCLUDING RISK MARGIN</b>								<b>2,898</b>

#### 15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

	2015	2014
	\$'000	\$'000
Net cash used on operating activities	1,167	31,214
Depreciation and amortisation	(2,842)	(2,898)
Loss on disposal of non-current assets	(1)	(5)
Unrealised investment income	10,695	5,252
<b>Change in assets and liabilities</b>		
Decrease/(Increase) in receivables: current	346	(2,515)
Increase in receivables: non-current	518	2,834
Decrease/(Increase) in payables: current	1,176	(2,220)
(Increase) in payables: non-current	(21,799)	(22,052)
(Increase) in provisions: current	(1,428)	(2,467)
(Increase)/Decrease in provisions: non-current	(13,092)	5,768
Decrease/(Increase) in other liabilities: current	1,423	(2,888)
Decrease/(Increase) in other liabilities: non-current	5,706	(5,057)
<b>NET RESULT</b>	<b>(18,131)</b>	<b>4,966</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 16. COMMITMENTS FOR EXPENDITURE

	2015 \$'000	2014 \$'000
<b>Operating lease commitments</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	10,186	9,790
Later than one year but not later than five years	11,003	17,601
Later than five years	571	1,465
<b>TOTAL (INCLUDING GST)</b>	<b>21,760</b>	<b>28,856</b>

Expenditure commitments for WorkCover include input tax credits of \$1.978M (2014: \$2.623M) 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 2015, WorkCover held deposits and bank guarantees to the value of \$1,414m (\$1,575m – 2014). 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 2015 was \$2k (\$Nil – 2014).

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

	2015 \$m	2014 \$m
Balance at 1 July	1,575	1,739
Deposits and guarantees lodged	952	926
Deposits and guarantees returned	(1,113)	(1,090)
<b>BALANCE AT 30 JUNE</b>	<b>1,414</b>	<b>1,575</b>

#### 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 a 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 (2014: 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 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.

## 20. BUDGET REVIEW

### Net result

The net result is \$18.1m unfavourable to the budget mainly due to year end actuarial results in relation to superannuation \$15.0m and extended leave \$2.0m. These items are impacted by actuarial assessments that rely on year end discount rates.

### Assets and liabilities

Total assets were \$33.9m favourable to budget mainly due to the Bushfire Fighters (BFF) and Emergency & Rescue Workers Compensation (ERWC) funds assets (BFF \$20.0M and ERWC \$15.4m) not included in the 2014/15 budget. This has been rectified in the 2015/16 budget.

Total liabilities were \$64.3m unfavourable to budget mainly due to:

- the Bushfire Fighters (BFF) and Emergency & Rescue Workers Compensation (ERWC) funds liabilities (BFF \$20.0M and ERWC \$15.4m) not being included in the 2014/15 budget. This has been rectified in the 2015/16 budget.
- year end actuarial results of in relation to superannuation \$15.0m and extended leave \$2.0m. These items are impacted by actuarial assessments that use year end discount rates.
- the overall improved funding position of the Insurers' Guarantee Fund due to investment income and receipts from the liquidator improved funding position.

### Cash flows

The variance is due to a reclassification of financial assets as cash.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS

WorkCover's principal financial instruments are outlined below. These financial instruments arise directly from WorkCover's operations or are required to finance these operations. WorkCover does not enter into or trade financial instruments, including derivative instruments, for speculative purposes. Investment policies are put in place with the intention for the net financial assets to outperform the growth in these liabilities.

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 SRWS 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.

#### Financial instrument categories

	Notes	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
<b>Financial Assets</b>				
<b>Class:</b>				
Cash and cash equivalents	6	N/A	112,607	108,033
Receivables <sup>1</sup>	7	At amortised cost	6,440	4,493
Financial assets at fair value	8	At fair value through profit or loss – designated as such upon initial recognition	157,747	151,644
<b>Financial Liabilities</b>				
<b>Class:</b>				
Payables <sup>2</sup>	12	Financial liabilities (at amortised cost)	14,041	15,803

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).

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

#### Cash

Cash comprises cash on hand, balances held at private financial institutions, term deposits with a maturity of less than 12 months and bank balances within the NSW Treasury Banking System. Interest is earned on daily bank balances on funds in the NSW Treasury Banking System at the Reserve Bank of Australia's prevailing cash rate.

#### 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 to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that WorkCover will not be able to collect 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

Details of WorkCover's past due debtors follows:

	Total \$'000	Past due but not impaired \$'000	Considered impaired \$'000
<b>2015</b>			
< 3 months overdue	556	556	
3 months- 6 months overdue	475	475	
> 6 months overdue	45	7	38
<b>2014</b>			
< 3 months overdue	591	562	29
3 months- 6 months overdue	103	81	22
> 6 months overdue	691	673	18

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.

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. 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 nil interest payments made for late payment of accounts in 2015 (2014: \$0.2k).

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 <sup>1</sup> \$'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
<b>2015</b>								
Payables	N/A	14,041	-	-	14,041	14,041	-	-
<b>2014</b>								
Payables	N/A	15,803	-	-	15,803	15,318	485	-

Notes:

- 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities

##### a. Market price risk

Market 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 risk arises as a result of WorkCover holding and trading investments as part of its asset allocation.

WorkCover seeks to manage exposure to market risk so that it can generate sufficient returns to meet its current and future liabilities and mitigate the risk that WorkCover's investments will be insufficient to meet such liabilities. WorkCover'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 WorkCover's investment objectives including a return in excess of the liability discount rate while limiting the probability of large declines in WorkCover's funding ratio.

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

- WorkCover 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.

Based on the asset allocation the Investment Committee, typically with advice from WorkCover's asset consultant, appoints investment managers in each asset class. Management of WorkCover'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 WorkCover. 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.

WorkCover'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 WorkCover 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 WorkCover.

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 WorkCover 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 WorkCover's liabilities. As such, the analysis may not be accurate in its assessment of the liability.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities (continued)

##### a. Market price risk (continued)

WorkCover uses a Value at Risk (VaR) model to measure the market risk exposures to its invested assets in the balance sheet. 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 WorkCover's VaR at the 95th percentile confidence level over a 12 month period. This represents the minimum expected reduction in the value of WorkCover'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.

VaR is calculated using simulated forward looking expected returns at the 95th percentile confidence level over a 12 month time period.

The most recent VaR analysis performed by asset consultant Mercer Investments (Australia) limited was conducted in July 2015 based on the June 2015 financial instruments and is computed via forward looking simulation using a 95 per cent confidence interval and a 1-year holding period.

Given WorkCover's financial instruments at 30 June 2015, the minimum potential loss expected over a one year period is \$4.5 million (June 2014: \$4.83 million), with a 5 per cent probability that this minimum may be exceeded.

##### b. 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 WorkCover's liabilities is also affected by interest rate fluctuations.

##### i. Exposure:

Interest rate risk arises as a result of WorkCover holding financial instruments which are subject directly or indirectly to changes in value as a result of interest rate fluctuations. WorkCover liabilities are similarly subject directly or indirectly to changes in value as a result of interest rate fluctuations.

##### ii. Risk management objective, policies and processes:

The interest rate and inflation risk of WorkCover is managed primarily through its strategic asset allocation and mandate objective setting. At 30 June 2015 WorkCover had a 17 per cent (2014: 19 per cent) allocation to Australian Government bonds, direct and indirect, to mitigate interest rate risk of WorkCover liabilities and a further 31 per cent (2014: 30 per cent) allocation to Australian Commonwealth and state government inflation linked bonds to mitigate inflation risk of WorkCover liabilities.

##### iii. Quantitative analysis of exposure:

The table below summarises WorkCover's exposure to interest rate risks. It includes WorkCover'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 WorkCover. 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 on a term deposit where there is no interest rate risk arising as they are not a negotiable instrument.

Class	2015					Total \$'000
	Floating interest rate \$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Cash	102,325	9,776	506	-	-	112,607
Unit Trusts	73,523	-	-	-	-	73,523
Indexed and interest bearing securities	53,734	-	-	-	30,453	84,187
Interest rate futures	37	-	-	-	-	37
<b>ASSETS</b>	<b>229,619</b>	<b>9,776</b>		<b>-</b>	<b>30,453</b>	<b>270,354</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities (continued)

##### b. Interest rate risk (continued)

Class	Floating interest rate \$'000	2014 Fixed interest rate maturing in				Total \$'000
		3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
Cash	108,033	-	-	-	-	108,033
Unit Trusts	151,644	-	-	-	-	151,644
<b>ASSETS</b>	<b>259,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,677</b>

WorkCover's exposure to interest rate risk is considered a component of market risk and is quantified as part of the VaR analysis discussed under Market Risk.

WorkCover 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.

##### c. Liquidity risk

WorkCover is also 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 WorkCover that may not be readily convertible to cash are largely investments in NSW Treasury Corporation unlisted unit trusts.

##### ii. Risk management objective, policies and processes

WorkCover 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, WorkCover maintains a cash balance and invests most of its assets in investments that are traded in active markets that can be readily disposed of.

WorkCover 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 WorkCover comprise cash, interest and other payables. The types of financial liabilities of WorkCover were similar at 30 June 2014.

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, WorkCover settles its derivative obligations in cash rather than physical delivery.

##### d. 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 WorkCover's investments as a result of the investment manager trading with various counterparties and purchasing the debt of corporate and government borrowers. These activities could result in WorkCover not being able to receive obligations as a result of a failing counterparty. WorkCover'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 WorkCover's receivables. Disclosures relating to WorkCover's receivables are included in Note 7.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities (continued)

##### d. Credit risk (continued)

##### ii. Risk management objective, policies and processes

Credit Guidelines have been determined to ensure WorkCover has controlled levels of credit concentration. These guidelines are at a total WorkCover 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 WorkCover's exposure.

The exposure is reported against set guidelines both from an individual managers' compliance and at a total WorkCover level. Reporting is provided by WorkCover'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. WorkCover minimises its credit risk by monitoring counterparty creditworthiness.

##### iii. Quantitative analysis of exposure:

WorkCover'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 WorkCover's policies. WorkCover 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 WorkCover 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 WorkCover intends to settle on this basis.

<b>2015</b>	<b>\$'000</b> Assets	<b>\$'000</b> Liabilities	<b>\$'000</b> Notional amount
<b>Futures:</b>			
Interest rate futures	37	-	6,263
	<b>37</b>	<b>-</b>	<b>6,263</b>

<b>2014</b>	<b>\$'000</b> Assets	<b>\$'000</b> Liabilities	<b>\$'000</b> Notional amount
<b>Futures:</b>			
Interest rate futures	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>

##### Indexed and interest bearing investments

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

	<b>2015</b> %	<b>2014</b> %
<b>Rating</b>		
AAA/aaa	100%	100%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities (continued)

##### e. Fair Value estimation

The carrying amounts of WorkCover'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

	2015				2014			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Other Financial assets</b>								
Indexed and interest bearing securities	84,187	-	-	84,187	-	-	-	-
Unit Trusts	-	73,523	-	73,523	-	151,644	-	151,644
Derivatives	37	-	-	37	-	-	-	-
	<b>84,224</b>	<b>73,523</b>	<b>-</b>	<b>157,747</b>	<b>-</b>	<b>151,644</b>	<b>-</b>	<b>151,644</b>

##### Other Financial liabilities

##### Derivatives

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 Workcover 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.

##### f. Valuation Framework

Workcover 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 21. FINANCIAL INSTRUMENTS (CONTINUED)

##### Financial assets and liabilities (continued)

##### f. Valuation Framework (continued)

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 WorkCover 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.

##### Involvement with unconsolidated structured entities

WorkCover 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 2015		Net Market Value as at 30 June 2014	
	\$'000	Exposure %	\$'000	Exposure %
	<b>As at 30 June 2015</b>		<b>As at 30 June 2014</b>	
Property	14,116	19%	9,278	6%
Shares	57,764	79%	58,620	39%
Fixed and interest bearing securities	1,643	2%	83,746	55%
<b>TOTAL</b>	<b>73,523</b>	<b>100%</b>	<b>151,644</b>	<b>100%</b>

The above table lists the net market value and WorkCover's percentage exposure to each investment strategy as at 30 June. These unconsolidated structured entities are included under unit trusts above. The maximum exposure or loss is limited to the net market value of the investment strategy as at 30 June 2015. 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 WorkCover 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

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#### 22. POST BALANCE DATE EVENTS

##### **Defined Benefit Superannuation Liability**

The Department of Finance, Services and Innovation (DFSI) have advised WorkCover during the 2015/16 budget setting process that the defined benefit superannuation liability for WorkCover will be assumed by NSW Treasury in 2015/16. As a result WorkCover has budgeted for an equity injection in 2015/16 that will eliminate its defined benefit superannuation liability in 2015/16. The impact of this on WorkCover's 2014/15 balance sheet would be to eliminate the defined benefit superannuation liability of \$126m and turn the accumulated deficit of \$94.3m into a surplus of \$31.7m.

WorkCover is awaiting advice from NSW Treasury as to whether this will occur in 2015/16.

##### **State Insurance & Care Governance Act 2015**

This Act was proclaimed effective 1 September 2015 to implement structural changes to the NSW workers compensation system and related compensation agencies. The Act establishes four discrete agencies:

- Insurance & Care NSW: a single insurance and care service provider
- State Insurance Regulatory Authority (SIRA): an independent insurance regulator
- SafeWork NSW: an independent workplace safety regulator
- Sporting Injuries Compensation Authority: an entity to manage the Sporting Injuries Compensation Scheme

Under the Act the Authority has been abolished and the functions of the Authority will be transferred across all four discrete agencies. The SRWS Board has also been abolished.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## 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 2015

	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	
	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000
<b>EXPENSES EXCLUDING LOSSES</b>														
Operating expenses														
Personnel services	153,666	129,077	-	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	60,315	72,441	1,438	1,348	495	582	665	789	306	265	66	68	63,285	75,493
Depreciation and amortisation	2,839	2,828	3	70	-	-	-	-	-	-	-	-	2,842	2,898
Grants and subsidies	137	98	-	-	-	-	-	-	15	60	-	-	152	158
Finance costs	500	600	2,641	2,657	453	416	318	278	81	64	-	-	3,993	4,015
Other expenses	80,896	57,375	(5,528)	4,926	(370)	4,714	6,203	5,332	663	565	(17)	68	81,847	72,980
<b>Total Expenses excluding losses</b>	<b>298,353</b>	<b>262,419</b>	<b>(1,446)</b>	<b>9,001</b>	<b>578</b>	<b>5,712</b>	<b>7,186</b>	<b>6,399</b>	<b>1,065</b>	<b>954</b>	<b>49</b>	<b>136</b>	<b>305,785</b>	<b>284,621</b>
<b>REVENUE</b>														
Retained taxes, fees and fines	258,809	247,951	(18,446)	(20,082)	576	5,710	7,186	6,399	59	58	49	136	248,233	240,172
Investment revenue	2,484	3,037	11,579	15,458	2	2	-	-	260	310	-	-	14,325	18,807
Sale of goods and services	14,752	13,746	-	-	-	-	-	-	743	755	-	-	15,495	14,501
Other revenue	5,424	3,048	5,421	13,625	-	-	-	-	-	-	-	-	10,845	16,673
<b>Total Revenue</b>	<b>281,469</b>	<b>267,782</b>	<b>(1,446)</b>	<b>9,001</b>	<b>578</b>	<b>5,712</b>	<b>7,186</b>	<b>6,399</b>	<b>1,062</b>	<b>1,123</b>	<b>49</b>	<b>136</b>	<b>288,898</b>	<b>290,153</b>
<b>Gain/(Loss) on disposal</b>	<b>(1)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(5)</b>
<b>Other gains/(losses)</b>	<b>(1,243)</b>	<b>(561)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,243)</b>	<b>(561)</b>
<b>Net result</b>	<b>(18,128)</b>	<b>4,797</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>169</b>	<b>-</b>	<b>-</b>	<b>(18,131)</b>	<b>4,966</b>
<b>OTHER COMPREHENSIVE INCOME</b>														
Net decrease in property, plant and equipment revaluation surplus	536	(56)	-	-	-	-	-	-	-	-	-	-	536	(56)
<b>Total Other comprehensive income</b>	<b>536</b>	<b>(56)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>536</b>	<b>(56)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(17,592)</b>	<b>4,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>169</b>	<b>-</b>	<b>-</b>	<b>(17,595)</b>	<b>4,910</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## WorkCover Authority of NSW

### NOTES TO THE FINANCIAL STATEMENTS

#### 19. RESTRICTED ASSETS AND LIABILITIES (FUNDS) (CONTINUED)

Statement of financial position as at 30 June 2015

	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	
	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000
<b>ASSETS</b>														
<b>Current Assets</b>														
Cash and cash equivalents	85,898	88,936	23,428	16,652	302	1	1,198	-	1,781	2,444	-	-	112,607	108,033
Receivables	12,468	10,492	468	51	3,500	3,729	3,500	5,023	298	137	599	632	20,833	20,064
Financial assets at fair value	-	-	155,297	-	-	-	-	-	2,450	-	-	-	157,747	-
<b>Total Current Assets</b>	<b>98,366</b>	<b>99,428</b>	<b>179,193</b>	<b>16,703</b>	<b>3,802</b>	<b>3,730</b>	<b>4,698</b>	<b>5,023</b>	<b>4,529</b>	<b>2,581</b>	<b>599</b>	<b>632</b>	<b>291,187</b>	<b>128,097</b>
<b>Non-Current Assets</b>														
Receivables	482	725	1	1	13,334	16,258	14,063	10,378	-	-	-	-	27,880	27,362
Financial assets at fair value	-	-	149,645	-	-	-	-	-	-	1,999	-	-	-	151,644
Property, plant and equipment														
Land and buildings	13,918	13,496	-	-	-	-	-	-	-	-	-	-	13,918	13,496
Plant and equipment	5,098	5,683	2	5	-	-	-	-	-	-	-	-	5,100	5,688
Total property, plant and equipment	19,016	19,179	2	5	-	-	-	-	-	-	-	-	19,018	19,184
Intangible assets	2,278	3,993	-	-	-	-	-	-	-	-	-	-	2,278	3,993
<b>Total Non-Current Assets</b>	<b>21,776</b>	<b>23,897</b>	<b>3</b>	<b>149,651</b>	<b>13,334</b>	<b>16,258</b>	<b>14,063</b>	<b>10,378</b>	<b>-</b>	<b>1,999</b>	<b>-</b>	<b>-</b>	<b>49,176</b>	<b>202,183</b>
<b>Total Assets</b>	<b>120,142</b>	<b>123,325</b>	<b>179,196</b>	<b>166,354</b>	<b>17,136</b>	<b>19,988</b>	<b>18,761</b>	<b>15,401</b>	<b>4,529</b>	<b>4,580</b>	<b>599</b>	<b>632</b>	<b>340,363</b>	<b>330,280</b>
<b>LIABILITIES</b>														
<b>Current Liabilities</b>														
Payables	10,877	14,340	492	228	884	228	1,310	208	443	514	-	-	14,006	15,518
Provisions	47,637	46,209	-	-	-	-	-	-	-	-	-	-	47,637	46,209
Other	-	-	8,953	8,953	2,304	3,037	4,052	4,733	718	710	193	210	16,220	17,643
<b>Total Current Liabilities</b>	<b>58,514</b>	<b>60,549</b>	<b>9,445</b>	<b>9,181</b>	<b>3,188</b>	<b>3,265</b>	<b>5,362</b>	<b>4,941</b>	<b>1,161</b>	<b>1,224</b>	<b>193</b>	<b>210</b>	<b>77,863</b>	<b>79,370</b>
<b>Non-Current Liabilities</b>														
Payables	16,594	13,242	73,174	54,727	-	-	-	-	-	-	-	-	89,768	67,969
Provisions	140,854	127,762	-	-	-	-	-	-	-	-	-	-	140,854	127,762
Other	-	-	96,577	102,446	13,948	16,723	13,399	10,460	1,581	1,566	406	422	125,911	131,617
<b>Total Non-current Liabilities</b>	<b>157,448</b>	<b>141,004</b>	<b>169,751</b>	<b>157,173</b>	<b>13,948</b>	<b>16,723</b>	<b>13,399</b>	<b>10,460</b>	<b>1,581</b>	<b>1,566</b>	<b>406</b>	<b>422</b>	<b>356,533</b>	<b>327,348</b>
<b>Total Liabilities</b>	<b>215,962</b>	<b>201,553</b>	<b>179,196</b>	<b>166,354</b>	<b>17,136</b>	<b>19,988</b>	<b>18,761</b>	<b>15,401</b>	<b>2,742</b>	<b>2,790</b>	<b>599</b>	<b>632</b>	<b>434,396</b>	<b>406,718</b>
<b>NET ASSETS</b>	<b>(95,820)</b>	<b>(78,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,787</b>	<b>1,790</b>	<b>-</b>	<b>-</b>	<b>(94,033)</b>	<b>(76,438)</b>
<b>EQUITY</b>														
Reserves	14,508	13,972	-	-	-	-	-	-	-	-	-	-	14,508	13,972
Accumulated funds	(110,328)	(92,200)	-	-	-	-	-	-	1,787	1,790	-	-	(108,541)	(90,410)
<b>TOTAL EQUITY</b>	<b>(95,820)</b>	<b>(78,228)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,787</b>	<b>1,790</b>	<b>-</b>	<b>-</b>	<b>(94,033)</b>	<b>(76,438)</b>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
WorkCover Authority of NSW

NOTES TO THE FINANCIAL STATEMENTS

19. RESTRICTED ASSETS AND LIABILITIES (FUNDS) (CONTINUED)

Statement of cash flows for the year ended 30 June 2015

	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	
	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	2014 \$ '000	2015 \$ '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>														
<b>Payments</b>														
Personnel services	(136,579)	(132,921)	-	-	-	-	-	-	-	(43)	-	-	(136,579)	(132,964)
Grants and subsidies	(137)	(98)	-	-	-	-	-	-	(15)	(60)	-	-	(152)	(158)
Other	(151,668)	(135,034)	(4,320)	(6,723)	(3,430)	(3,503)	(3,825)	(4,088)	(1,161)	(487)	(82)	(68)	(164,486)	(149,903)
<b>Total Payments</b>	<b>(288,384)</b>	<b>(268,053)</b>	<b>(4,320)</b>	<b>(6,723)</b>	<b>(3,430)</b>	<b>(3,503)</b>	<b>(3,825)</b>	<b>(4,088)</b>	<b>(1,176)</b>	<b>(590)</b>	<b>(82)</b>	<b>(68)</b>	<b>(301,217)</b>	<b>(283,025)</b>
<b>Receipts</b>														
Sale of goods and services	14,443	14,018	-	-	-	-	-	-	716	771	-	-	15,159	14,789
Retained taxes, fees and fines	260,345	254,261	-	-	3,726	3,500	5,020	4,091	39	66	82	66	269,212	261,984
Interest received	2,484	3,037	1,107	10,186	2	2	-	-	35	331	-	-	3,628	13,556
Other	8,838	9,800	5,587	13,832	3	(3)	3	(3)	(46)	284	-	-	14,385	23,910
<b>Total Receipts</b>	<b>286,110</b>	<b>281,116</b>	<b>6,694</b>	<b>24,018</b>	<b>3,731</b>	<b>3,499</b>	<b>5,023</b>	<b>4,088</b>	<b>744</b>	<b>1,452</b>	<b>82</b>	<b>66</b>	<b>302,384</b>	<b>314,239</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(2,274)</b>	<b>13,063</b>	<b>2,374</b>	<b>17,295</b>	<b>301</b>	<b>(4)</b>	<b>1,198</b>	<b>-</b>	<b>(432)</b>	<b>862</b>	<b>-</b>	<b>(2)</b>	<b>1,167</b>	<b>31,214</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>														
Proceeds from sale of property, plant and equipment	1,739	12	-	-	-	-	-	-	-	-	-	-	1,739	12
Purchases of property, plant and equipment	(2,503)	(1,570)	-	(3)	-	-	-	-	-	-	-	-	(2,503)	(1,573)
Purchases of investments	-	-	(147,171)	(2,856)	-	-	-	-	(4,152)	-	-	-	(151,323)	(2,856)
Proceeds from sale of investments	-	-	151,573	-	-	-	-	-	3,921	488	-	-	155,494	488
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(764)</b>	<b>(1,558)</b>	<b>4,402</b>	<b>(2,859)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(231)</b>	<b>488</b>	<b>-</b>	<b>-</b>	<b>3,407</b>	<b>(3,929)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>(3,038)</b>	<b>11,505</b>	<b>6,776</b>	<b>14,436</b>	<b>301</b>	<b>(4)</b>	<b>1,198</b>	<b>-</b>	<b>(663)</b>	<b>1,350</b>	<b>-</b>	<b>(2)</b>	<b>4,574</b>	<b>27,285</b>
Opening cash and cash equivalents	88,936	77,431	16,652	2,216	1	5	-	-	2,444	1,094	-	2	108,033	80,748
Cash transferred in (out) as a result of administrative restructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>85,898</b>	<b>88,936</b>	<b>23,428</b>	<b>16,652</b>	<b>302</b>	<b>1</b>	<b>1,198</b>	<b>-</b>	<b>1,781</b>	<b>2,444</b>	<b>-</b>	<b>-</b>	<b>112,607</b>	<b>108,033</b>

- END OF AUDITED FINANCIAL STATEMENTS -

BUDGET AND ESTIMATES FOR 2015/16  
WorkCover Authority of NSW 2014/15

## Financial Statements

### Operating Statement

	----- 2014-15 -----		2015-16
	Budget	Revised	Budget
	\$000	\$000	\$000
<b>Expenses Excluding Losses</b>			
Operating Expenses –			
Employee related	1,436	4,710	2,335
Other operating expenses	245,184	291,430	364,154
Depreciation and amortisation	11,006	2,642	2,555
Grants and subsidies	6,300	226	6,300
Other expenses	88,456	...	...
<b>Total Expenses Excluding Losses</b>	<b>352,382</b>	<b>299,008</b>	<b>375,344</b>
<b>Revenue</b>			
Sales of goods and services	15,226	4,847	24,372
Investment revenue	13,279	24,021	12,393
Retained taxes, fees and fines	302,729	249,672	319,866
Grants and contributions	12,476	5,576	10,700
Other revenue	10,712	16,122	10,104
<b>Total Revenue</b>	<b>354,422</b>	<b>300,238</b>	<b>377,435</b>
Gain/(loss) on disposal of non current assets	...	(1)	...
Other gains/(losses)	(2,040)	(1,499)	(2,091)
<b>Net Result</b>	<b>...</b>	<b>(270)</b>	<b>...</b>

BUDGET AND ESTIMATES FOR 2015/16  
WorkCover Authority of NSW 2014/15

**Balance Sheet**

	----- 2014-15 -----		2015-16
	Budget	Revised	Budget
	\$000	\$000	\$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash assets	105,894	122,015	122,082
Receivables	16,454	20,065	20,066
<b>Total Current Assets</b>	<b>122,348</b>	<b>142,080</b>	<b>142,148</b>
<b>Non Current Assets</b>			
Receivables	1	27,362	27,362
Other financial assets	161,123	166,047	166,139
Property, plant and equipment –			
Land and building	13,257	13,920	13,602
Plant and equipment	4,766	4,300	16,488
Intangibles	4,987	5,262	5,837
<b>Total Non Current Assets</b>	<b>184,134</b>	<b>216,891</b>	<b>229,428</b>
<b>Total Assets</b>	<b>306,482</b>	<b>358,971</b>	<b>371,576</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	58,734	17,015	15,680
Provisions	1,900	47,506	49,514
Other	8,797	18,117	18,469
<b>Total Current Liabilities</b>	<b>69,431</b>	<b>82,638</b>	<b>83,663</b>
<b>Non Current Liabilities</b>			
Provisions	111,795	146,804	146,804
Other	188,856	205,702	102,872
<b>Total Non Current Liabilities</b>	<b>300,651</b>	<b>352,506</b>	<b>249,676</b>
<b>Total Liabilities</b>	<b>370,082</b>	<b>435,144</b>	<b>333,339</b>
<b>Net Assets</b>	<b>(63,600)</b>	<b>(76,173)</b>	<b>38,237</b>
<b>Equity</b>			
Reserves	14,028	14,507	14,507
Accumulated funds	(77,628)	(90,680)	23,730
<b>Total Equity</b>	<b>(63,600)</b>	<b>(76,173)</b>	<b>38,237</b>

BUDGET AND ESTIMATES FOR 2015/16  
WorkCover Authority of NSW 2014/15

## Cash Flows Statement

	----- 2014-15 -----		2015-16
	Budget	Revised	Budget
	\$000	\$000	\$000
<b>Cash Flows From Operating Activities</b>			
<b>Payments</b>			
Employee related	446	4,200	1,945
Grants and subsidies	6,300	226	6,300
Other	362,270	270,435	474,427
<b>Total Payments</b>	<b>369,016</b>	<b>274,861</b>	<b>482,672</b>
<b>Receipts</b>			
Sale of goods and services	59,229	38,915	155,461
Interest received	2,691	11,183	6,632
Retained taxes, fees and fines	292,826	224,513	311,717
Grants and contributions	12,476	5,576	10,700
Other	8,589	12,634	7,560
<b>Total Receipts</b>	<b>375,811</b>	<b>292,821</b>	<b>492,070</b>
<b>Net Cash Flows From Operating Activities</b>	<b>6,795</b>	<b>17,960</b>	<b>9,398</b>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of property, plant and equipment	...	11	...
Proceeds from sale of investments	2,000	6,683	9,421
Advance repayments received	37	...	...
Purchases of property, plant and equipment	(2,400)	(520)	(13,192)
Purchases of investments	...	(8,248)	(3,752)
Other	(8,600)	(1,904)	(1,808)
<b>Net Cash Flows From Investing Activities</b>	<b>(8,963)</b>	<b>(3,978)</b>	<b>(9,331)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>(2,168)</b>	<b>13,982</b>	<b>67</b>
Opening Cash and Cash Equivalents	108,062	108,033	122,015
<b>Closing Cash and Cash Equivalents</b>	<b>105,894</b>	<b>122,015</b>	<b>122,082</b>
<b>Cash Flow Reconciliation</b>			
Net result	...	(270)	...
Non cash items added back	418	(10,196)	(3,206)
Change in operating assets and liabilities	6,377	28,426	12,604
<b>Net Cash Flows From Operating Activities</b>	<b>6,795</b>	<b>17,960</b>	<b>9,398</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WORKCOVER SCHEME

Overview of the NSW WorkCover Scheme Financial Performance	101
Actuarial Certificate	102
Statement by the Chief Executive Officer and Chairman	104
Independent Auditor's Report	105
Statement of comprehensive income for the year ended 30 June 2015	107
Statement of financial position as at 30 June 2015	108
Statement of changes in equity for the year ended 30 June 2015	109
Statement of cashflows for the year ended 30 June 2015	110
Notes to and forming part of the financial statements for the year ended 30 June 2015	111
1. Constitution and functions	111
2. Summary of significant accounting policies	111
3. Financial risk management objectives and policies	116
4. Underwriting result	116
5. Investment income	116
6. Net claims incurred	116
7. Remuneration of auditors	117
8. Cash and cash equivalents	117
9. Recoveries receivable	117
10. Trade and other receivables	118
11. Other financial assets and liabilities	119
12. Financial instruments	120
13. Involvement with unconsolidated structured entities	129
14. Trade and other payables	130
15. Unearned premiums	130
16. Outstanding claims	130
17. Reconciliation of net result for the year to net cash provided by operating activities	134
18. Liability adequacy test	134
19. Commitments	134
20. Security deposits and bank guarantees	135
21. Events after the reporting period	135

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## 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 of NSW acted for the Nominal Insurer until 1 September 2015 when the *State Insurance & Care Governance Act 2015* commenced. Under that Act, Insurance & Care NSW (icare) now 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

	2014/15 \$m	2013/14 \$m
<b>OPERATING RESULT</b>		
Net earned premiums	2,061	2,244
Expected investment credit (Risk Free Rate)	422	412
Other income	8	9
Claims incurred (excluding external factors)	(853)	(458)
Operating expenses	(900)	(849)
Premium Deficiency Reserve	(63)	(21)
<b>NET RESULT FROM UNDERWRITING OPERATIONS</b>	<b>675</b>	<b>1,337</b>
<b>IMPACT ON RESULT FROM EXTERNAL FACTORS</b>		
Difference between actual and expected long term investment returns	994	1,050
Change in inflation assumptions and discount rates	(220)	(177)
Change in claims handling expense	(16)	40
Risk Margin	-	-
<b>NET RESULT FROM ORDINARY ACTIVITIES</b>	<b>1,433</b>	<b>2,250</b>
<b>FINANCIAL POSITION</b>		
Total assets	17,069	16,917
Total liabilities	(13,077)	(14,359)
<b>ACCUMULATED FUNDS</b>	<b>3,992</b>	<b>2,558</b>

The above table has not been audited

The table is based on PricewaterhouseCoopers Actuarial Pty Ltd's calculations of the surplus from underwriting operations as set out in their actuarial report on the Scheme dated 11 September 2015.

#### NET RESULTS FROM ORDINARY ACTIVITIES

The net result from ordinary activities of the NSW WorkCover Scheme for the year ended 30 June 2015 was \$1,433 million. Continued high investment returns, together with the 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 2015 based on a probability of adequacy of 80 per cent equating to a risk margin for claim liabilities of 16.2 per cent.

#### ACCUMULATED FUNDS

The Scheme has an accumulated funds of \$3,992 million, relative to funds of \$2,558 million at June 2014.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NSW WorkCover Scheme

**ACTUARIAL CERTIFICATE**

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**NSW WORKERS COMPENSATION  
NOMINAL INSURER**

**Actuarial Certificate  
Outstanding claims liabilities at 30 June 2015**

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 2015 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 2015 legislative changes**

On 21 August 2015, the NSW Parliament assented to the Workers Compensation Amendment Act 2015 which provides for benefit enhancements to the NSW Workers Compensation System. These reforms have occurred subsequent to the valuation of insurance liabilities at 30 June 2015. We understand that it has been decided that the appropriate accounting treatment is not to retrospectively adjust the 30 June 2015 financial accounts of the Nominal Insurer. As a result, we have excluded any consideration of the August 2015 reforms.

**Valuation Results**

The PwC estimated liability for the NSW WorkCover Scheme as at 30 June 2015, net of recoveries, is \$11,786 million. This amount is made up as follows:

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

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### ACTUARIAL CERTIFICATE

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**Table 1 - NSW WorkCover Scheme**

<b>Outstanding Claims Liability at 30 June 2015</b>	<b>\$m</b>
Gross Outstanding Claims	12,157
Less Anticipated Recoveries	371
Net Outstanding Claims	11,786

The gross outstanding claims liability for the NSW WorkCover Scheme also includes an allowance for expenses of \$920 million to meet the cost of management of claims outstanding (including claims incurred but yet to be reported) as at 30 June 2015.

The allowance for claim handling expenses included in the WorkCover NSW Scheme liability equates to 9.6% 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 11 September 2015.

#### **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.

Handwritten signature of Michael Playford in black ink.

Michael Playford  
FIAA  
11 September 2015

Handwritten signature of Gavin Moore in black ink.

Gavin Moore  
FIAA  
11 September 2015

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NSW WorkCover Scheme

**STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHAIRMAN**

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**NSW WORKCOVER SCHEME**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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 2015 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  
Insurance & Care NSW Board



Vivek Bhatia  
Chief Executive Officer  
Insurance & Care NSW  
acting for the Workers Compensation Nominal Insurer

14 September 2015

14 September 2015

**INDEPENDENT AUDITOR'S REPORT**

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**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 (the Scheme), which comprise the statement of financial position as at 30 June 2015, 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 2015, 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 paragraph**

I draw attention to the outstanding claims' liabilities in Note 16. The note describes the significant inherent uncertainty associated with measuring the Scheme's outstanding claims' liabilities of \$12.2 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 are responsible for preparing 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 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.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NSW WorkCover Scheme

**INDEPENDENT AUDITOR'S REPORT**

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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 an 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 management, 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.

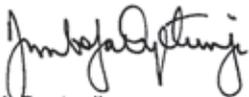
My opinion does *not* provide assurance:

- about the future viability of the Scheme
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the 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.

1 

A Oyetunji  
Director, Financial Audit Services

16 September 2015  
SYDNEY

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
<b>REVENUES</b>			
Earned premiums	4	2,061,268	2,244,054
Recoveries	4	70,423	39,784
Investment income	5	1,416,087	1,461,695
Other income		8,109	9,316
<b>TOTAL REVENUE</b>		<b>3,555,887</b>	<b>3,754,849</b>
<b>EXPENSES</b>			
Actuarial fees		6,192	5,128
Auditors' remuneration	7	1,324	1,520
Bad debts written-off		29,463	32,084
Claims incurred	4	1,159,114	635,296
Debt collection fees		13,421	17,195
Fund manager remuneration		22,329	26,119
Impairment of trade and other receivables	10	(6,346)	(6,332)
Interest expense		110,256	34,319
Operating lease expenses		1,112	1,079
Scheme agents' remuneration		409,291	441,911
Statutory levies			
WorkCover Authority		204,694	187,640
Dust diseases		80,745	78,082
Mine safety		7,280	7,602
Increase in unexpired risk premium		62,512	21,488
Wage audit fees		4,105	4,738
Other operating expenses		16,988	17,169
<b>TOTAL EXPENSES</b>		<b>2,122,480</b>	<b>1,505,038</b>
<b>NET RESULT</b>		<b>1,433,407</b>	<b>2,249,811</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be reclassified to net result		-	-
Items that may be reclassified subsequently to net result		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,433,407</b>	<b>2,249,811</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	776,490	678,107
Recoveries receivable	9	98,498	111,379
Trade and other receivables	10	640,714	859,549
Prepayments and other assets		104,467	81,907
Other Financial assets held for trading	11	15,175,948	14,910,808
<b>Total current assets</b>		<b>16,796,117</b>	<b>16,641,750</b>
<b>NON-CURRENT ASSETS</b>			
Recoveries receivable	9	272,261	275,251
Trade and other receivables	10	702	623
<b>Total Non-current assets</b>		<b>272,963</b>	<b>275,874</b>
<b>Total assets</b>		<b>17,069,080</b>	<b>16,917,624</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	319,833	1,054,767
Borrowings	8	8,226	3,916
Unearned premiums	15	355,140	363,701
Outstanding claims	16	1,906,086	2,060,429
Unexpired risk premium	18	88,363	25,851
Security deposits	20	57,539	45,861
Other Financial liabilities held for trading	11	91,583	98,239
<b>Total current liabilities</b>		<b>2,826,770</b>	<b>3,652,764</b>
<b>NON-CURRENT LIABILITIES</b>			
Outstanding claims	16	10,250,613	10,706,570
<b>Total non-current liabilities</b>		<b>10,250,613</b>	<b>10,706,570</b>
<b>Total liabilities</b>		<b>13,077,383</b>	<b>14,359,334</b>
<b>NET ASSETS</b>		<b>3,991,697</b>	<b>2,558,290</b>
<b>EQUITY</b>			
<b>ACCUMULATED FUNDS</b>		<b>3,991,697</b>	<b>2,558,290</b>

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NSW WorkCover Scheme

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015**

	2015 \$'000	2014 \$'000
<b>ACCUMULATED FUNDS</b>		
<b>Balance at the beginning of financial year</b>	<b>2,558,290</b>	<b>308,479</b>
Net result for the year	1,433,407	2,249,811
Other Comprehensive Income	-	-
<b>Total Comprehensive Income</b>	<b>1,433,407</b>	<b>2,249,811</b>
Transactions with owners in their capacity as owners	-	-
<b>BALANCE AT THE END OF THE FINANCIAL YEAR</b>	<b>3,991,697</b>	<b>2,558,290</b>

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
NSW WorkCover Scheme

**STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Note</b>	<b>2015</b> \$'000	<b>2014</b> \$'000
		Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Premiums received		2,253,323	2,491,356
Claims paid		(1,794,806)	(1,903,729)
		<b>458,517</b>	<b>587,627</b>
Scheme agent management fees paid		(371,437)	(458,860)
Dividends received		99,788	96,666
Fund manager fees paid		(26,256)	(36,707)
GST paid		(133,695)	(145,347)
Interest received		308,075	345,649
Proceeds from sale of other financial assets		23,279,457	29,852,824
Payments for other financial assets		(23,258,465)	(29,826,403)
Recoveries received		84,914	102,025
Security deposits received		27,707	14,321
Security deposits paid		(48,048)	(13,951)
Statutory levies paid		(293,056)	(275,212)
Other payments		(55,680)	(61,320)
Other receipts		22,252	25,729
<b>Net cash provided by/ (used in) operating activities</b>	17	<b>94,073</b>	<b>207,041</b>
Cash and cash equivalents at the beginning of the financial year		674,191	467,150
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	8	<b>768,264</b>	<b>674,191</b>

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 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 Act states that the Nominal Insurer is not and does not represent the state or any authority of the state. The insurance claim liabilities of the Nominal Insurer can only be satisfied from the Insurance Fund and are not liabilities of the State, WorkCover Authority of NSW (WorkCover) or any other authority of the State. The Scheme is not consolidated as part of the NSW Total State Sector Accounts or WorkCover.

The WorkCover acted for the Nominal Insurer until 1 September 2015 when the *State Insurance & Care Governance Act 2015* commenced. Under that Act, Insurance & Care NSW (icare) now acts for the Nominal Insurer.

The *State Insurance & Care Governance Act 2015* implements structural changes to the NSW Workers Compensation System and related agencies. The Act establishes four discrete agencies:

- Insurance & Care NSW (icare): a single insurance and care service provider
- State Insurance Regulatory Authority (SIRA): an independent insurance regulator
- SafeWork NSW: an independent workplace safety regulator
- Sporting Injuries Compensation Authority – an entity to manage the Sporting Injuries Compensation Scheme

The financial statements for the year ended 30 June 2015 were authorised for issue by the Chief Executive Officer of Insurance & Care NSW acting for the Nominal Insurer on 14 September 2015.

#### 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 2015. These are outlined in the table below.

AASB Amendment	Affected Standards	Operative Date
AASB 9	Financial Instruments	1 Jan 2018
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 Jan 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 Jan 2015
AASB 2014-1	Amendments to Australian Accounting Standards	1 Jan 2016
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 Jan 2018
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 Jan 2015
AASB 15	Revenue from contracts with customers	1 Jan 2017
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	1 Jan 2017
AASB 2015-1	Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle	1 Jan 2016

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### b. Accounting Standards issued but not yet effective (Continued)

AASB Amendment	Affected Standards	Operative Date
AASB 2015-2	Amendments to Australian Accounting Standards - Disclosure Initiative - Amendment to AASB 101	1 Jan 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	1 July 2015
AASB 107	Statement of Cash Flows	1 July 2015
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 July 2015
AASB 110	Events after the Reporting Period	1 July 2015
AASB 117	Leases	1 July 2015

AASB 9 *Financial Instruments* and its associated amending standards specify new recognition and measurement requirements for financial assets and financial liabilities within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*.

The Scheme already values its financial assets and financial liabilities at fair value through profit or loss. Therefore when applied, the only material impact of these standards will be on the presentation of the financial statements and disclosures in the notes.

The remaining standards are concerned with disclosures and will have no direct impact on the Scheme's financial results.

##### c. Functional and presentation currency and rounding

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the functional currency of the reporting entity.

##### d. Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical 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).

##### e. Revenue/Expense recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- i. The earned portion of premiums received and receivable, excluding unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. The pattern of recognition over the policy periods is based on time, which is considered to approximate the pattern of risks underwritten. Unclosed business has not been included as revenue as the amount involved is not considered to be material.
- ii. 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 2015 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### e. Revenue/Expense recognition (continued)

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.

##### f. Provisions

Provisions for claims are recognised when the Scheme has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. The discount rate represents a risk free rate derived from market yields on Commonwealth government bonds.

##### g. Taxation

The Australian Taxation Office has issued Private Rulings that the income of the Workers Compensation Nominal Insurer is not assessable income and that the Workers Compensation Insurance Fund is exempt from income tax from when these entities were established in 2005 to June 2018.

##### h. Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts that are repayable on demand.

The Scheme 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.

##### i. Investments and other financial assets

Investments are initially recognised at fair value. Investments are subsequently measured "at fair value through profit or loss" as they are acquired principally for the purpose of trading. Gains or losses on these assets are recognised in the Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade date – the date on which the Scheme commits to purchase or sell the asset.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Scheme establishes fair value by using various valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models: making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Investments and other financial assets are held primarily for the purpose of being traded and are classified as current assets. Accordingly all of the Scheme's financial assets and financial liabilities are at fair value through profit or loss – classified as held for trading.

##### j. Derivatives

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

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### j. Derivatives (Continued)

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.

##### k. Fair value estimation

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

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

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

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

##### i. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

##### ii. Derivatives recorded at fair value through profit or loss

Derivatives include interest rate swaps and futures, credit default swaps, cross currency swaps and forward foreign currency contracts, and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative financial instruments are subsequently re-measured at fair value.

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

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

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

##### iv. Investments in unlisted property trusts

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

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### k. Fair value estimation (Continued)

###### iv. Investments in unlisted property trusts (Continued)

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.

##### l. Trade and other payables

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

##### m. Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis.

##### n. Trade and other receivables

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

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

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off directly to the Statement of Comprehensive Income when identified. An impairment allowance is recognised when there is objective evidence that the Scheme will not be able to collect the receivable. In particular evidence of it becoming probable that the employer will be placed into receivership, administration, liquidation or bankruptcy and potential recovery receivable from these proceedings are the major factors used.

Where credit terms have been renegotiated, the date that the premium debt was incurred remains unchanged. Consequently, ageing of premium debts applies from the date that the debt was incurred and not from the date of renegotiation.

##### o. 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.

##### p. Recoveries

Recoveries relate principally to amounts that the Scheme Actuaries estimate can be recovered from other insurers for workers compensation injuries. These recoveries relate to amounts already incurred on a claim or amounts estimated to be recovered from the estimated claim liabilities.

Accordingly they are not regarded as a financial instrument under Australian Accounting Standards and are not included in financial assets.

##### q. 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### r. 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

	2015 \$'000	2014 \$'000
Earned premiums	2,061,268	2,244,054
Less:		
Claims incurred	(1,159,114)	(635,296)
Recoveries revenue	70,423	39,784
Net claims incurred (Note 6)	(1,088,691)	(595,512)
<b>UNDERWRITING RESULT</b>	<b>972,577</b>	<b>1,648,542</b>

#### 5. INVESTMENT INCOME

	2015 \$'000	2014 \$'000
Dividends	328,738	216,168
Interest	428,215	368,133
Other income	3,423	3,137
Net Realised gain on sale of investments held for trading	771,787	775,643
Net Unrealised gain/(loss) on investments held for trading	(116,076)	98,614
<b>INVESTMENT INCOME</b>	<b>1,416,087</b>	<b>1,461,695</b>

#### 6. NET CLAIMS INCURRED

	Current year \$M	Prior year \$M	2015 Total \$M	2014 Total \$M
<b>Direct Business</b>				
Gross claims incurred & related expenses – undiscounted	2,755	(2,581)	174	(1,431)
Reinsurance & other recoveries – undiscounted	80	(23)	57	(27)
Net claims incurred – undiscounted	2,675	(2,558)	117	(1,458)
Discount & discount movement – gross claims incurred	(602)	1,587	985	2,066
Discount & discount movement – reinsurance & other recoveries	(8)	21	13	(12)
Net discount movement	(594)	1,566	972	2,054
<b>NET CLAIMS INCURRED (NOTE 4)</b>	<b>2,081</b>	<b>(992)</b>	<b>1,089</b>	<b>596</b>

##### Explanation of material variances – prior years

Undiscounted gross claims incurred have continued to reduce to reflect the savings of 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 7. REMUNERATION OF AUDITORS

	2015 \$'000	2014 \$'000
<b>THE AUDITOR GENERAL OF NSW</b>		
Audit of the financial report	125	122
<b>EXTERNAL AUDIT OF SCHEME AGENTS AND MASTER CUSTODIAN</b>		
Audit or review of reports	1,109	1,384
Other non-audit services	90	14
<b>Total</b>	<b>1,199</b>	<b>1,398</b>
<b>TOTAL AUDIT REMUNERATION</b>	<b>1,324</b>	<b>1,520</b>

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

#### 8. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000
<b>Cash at bank</b>	<b>776,490</b>	<b>678,107</b>
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	612,753	521,710
Money Market Deposits	163,737	156,397
<b>Total cash at bank</b>	<b>776,490</b>	<b>678,107</b>
Bank overdraft	(8,226)	(3,916)
<b>BALANCES AS PER STATEMENT OF CASH FLOWS</b>	<b>768,264</b>	<b>674,191</b>

##### a. Interest rate risk exposure

Details of the Scheme's exposure to interest rate changes on borrowings are set out in Note 12.

##### b. Fair value disclosures

The carrying amount of the Scheme's borrowings approximates their fair value.

##### c. Bank overdrafts

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

#### 9. RECOVERIES RECEIVABLE

	2015 \$'000	2014 \$'000
<b>Current</b>		
Actuarially assessed recoveries	98,498	111,379
<b>Non-Current</b>		
Actuarially assessed recoveries	272,261	275,251
<b>TOTAL RECOVERIES RECEIVABLE</b>	<b>370,759</b>	<b>386,630</b>

Recoveries arise principally where a worker is injured in a motor vehicle accident and is not at fault. The majority of the costs of these claims are recovered from the third party motor vehicle insurers. The credit quality of these recoveries is considered high as these insurers are licensed by the Australian Prudential Regulation Authority, which imposes strict limits on capital adequacy of these insurers. The Scheme's consulting actuaries assess the amount of recovery potential for the Scheme.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 10. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
<b>CURRENT</b>		
Premiums receivable	306,007	336,068
Interest, dividends and other investment income receivable	216,463	99,512
Trade Proceeds yet to be settled	88,360	384,967
Deposits held with brokers/counter parties:		
Margin calls	42,099	50,867
Amounts recoverable from uninsured employers	1,491	972
Other Receivables	4,581	3,751
GST Receivable	6,832	14,719
	<b>665,833</b>	<b>890,856</b>
Less : Allowance for impairment loss	(25,119)	(31,307)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>640,714</b>	<b>859,549</b>
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>NON CURRENT</b>		
Amounts recoverable from uninsured employers	4,214	4,293
Less : Allowance for impairment loss	(3,512)	(3,670)
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>702</b>	<b>623</b>

#### a. Status of Trade receivables

	2015 \$'000	2014 \$'000
<b>CLASS OF FINANCIAL ASSET</b>		
Maximum exposure within normal terms	602,621	811,360
Past due but not impaired	38,795	48,812
Impaired	28,631	34,977
Renegotiated terms	-	-
	<b>670,047</b>	<b>895,149</b>

Employers are able to pay premiums on a lump sum, quarterly instalment basis or a monthly instalment basis, dependant on the size of the employer's premium.

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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

##### b. Allowance for impairment status of receivables

An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired (refer Note 2(n) to the Financial Statements). As outlined in that Note the Scheme writes off bad debts direct to expenses. Where a bad debt is subsequently recovered the amount is included in other income. The impairment account is adjusted based on an assessment of the individual debts due and is increased or decreased accordingly.

##### Reconciliation of impairment account – receivables

	2015 \$'000	2014 \$'000
<b>CLASS OF FINANCIAL ASSET</b>		
Opening impairment account balance	34,977	41,309
Current period impairment charge (income)	(6,346)	(6,332)
Closing impairment account balance	28,631	34,977

##### Ageing of receivables

	2015		
	Total \$'000	Past due but not impaired \$'000	Considered Impaired \$'000
Within normal terms	602,621	-	-
Less than 3 months overdue	26,131	22,242	3,889
3 months to 6 months overdue	11,531	7,524	4,007
Greater than 6 months overdue	29,764	9,029	20,735
	<b>670,047</b>	<b>38,795</b>	<b>28,631</b>

	2014		
	Total \$'000	Past due but not impaired \$'000	Considered Impaired \$'000
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
	<b>895,149</b>	<b>48,812</b>	<b>34,977</b>

#### 11. OTHER FINANCIAL ASSETS AND LIABILITIES

	2015 \$'000	2014 \$'000
<b>OTHER FINANCIAL ASSETS HELD FOR TRADING – CURRENT</b>		
Indexed and interest bearing securities	9,493,781	9,051,296
Australian equities	943,653	1,286,863
International equities	1,750,151	2,119,253
Unit trusts	2,812,987	2,305,656
Derivatives	175,376	147,740
	<b>15,175,948</b>	<b>14,910,808</b>
<b>OTHER FINANCIAL LIABILITIES HELD FOR TRADING – CURRENT</b>		
Derivatives	91,583	98,239
<b>NET FINANCIAL ASSETS</b>	<b>15,084,365</b>	<b>14,812,569</b>

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 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.

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.

VaR is calculated using simulated forward looking expected returns 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Market price risk (Continued)

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 2015 based on the June 2015 financial instruments and is computed via forward looking simulation using a 95 per cent confidence interval and a 1-year holding period.

VaR is calculated at balance date and represents an estimate of the loss that can be expected over a 1-year period with a 5 per cent probability that this amount may be exceeded.

Given the Scheme's balance sheet positions at 30 June 2015, the minimum potential loss expected over a 1-year period is \$96.7 million (June 2014: \$251.3 million), with a 5 per cent probability that this minimum may be exceeded.

##### 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:

The interest rate and inflation risk of the Insurance Fund is managed primarily through its strategic asset allocation and mandate objective setting. At 30 June 2015 the Insurance Fund had a 28 per cent (2014: 19 per cent) allocation to Australian Commonwealth and state government bonds to mitigate interest rate risk of Scheme liabilities and a further 14 per cent (2014: 30 per cent) allocation to Australian Commonwealth and state government inflation linked bonds to mitigate inflation risk of Scheme liabilities.

##### iii. Quantitative analysis of exposure:

The table below summarises the Scheme's exposure to interest rate risks. It includes the Scheme's indexed and interest-bearing financial assets and liabilities at fair values, categorised by the earlier of their contractual re pricing or maturity dates.

The table does not show all assets and liabilities of the Scheme. Assets and liabilities NOT shown in the table below are NOT indexed and interest bearing and are therefore not directly exposed to interest rate risk.

	Floating interest rate \$000	2015 Fixed interest rate maturing in				Total \$000
		3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	
<b>CLASS</b>						
Cash	612,753	-	-	-	-	612,753
Money market deposits	163,737	-	-	-	-	163,737
Indexed and interest bearing securities	4,423,492	239,783	577,641	1,853,349	2,399,516	9,493,781
Interest rate swaps	-	-	-	423	22,329	22,752
Options on fixed income	-	24,802	14,209	-	-	39,011
Interest rate futures	-	1,172	-	-	-	1,172
<b>ASSETS</b>	<b>5,199,982</b>	<b>265,757</b>	<b>591,850</b>	<b>1,853,772</b>	<b>2,421,845</b>	<b>10,333,206</b>
Interest rate swap	-	-	-	(693)	(46,432)	(47,125)
Interest rate futures	-	(1,135)	-	-	-	(1,135)
<b>LIABILITIES</b>	<b>-</b>	<b>(1,135)</b>	<b>-</b>	<b>(693)</b>	<b>(46,432)</b>	<b>(48,260)</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Interest rate risk (continued)

	Floating Interest rate \$000	2014 Fixed interest rate maturing in				Total \$000
		3 months or less \$000	4 to 12 months \$000	1 to 5 years \$000	Over 5 years \$000	
<b>CLASS</b>						
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
<b>ASSETS</b>	<b>6,058,000</b>	<b>81,515</b>	<b>235,912</b>	<b>1,590,035</b>	<b>1,812,454</b>	<b>9,777,916</b>
Interest rate swap	-	-	(1,635)	(8,635)	(19,397)	(29,667)
Interest rate futures	-	(3,439)	-	-	-	(3,439)
<b>LIABILITIES</b>	<b>-</b>	<b>(3,439)</b>	<b>(1,635)</b>	<b>(8,635)</b>	<b>(19,397)</b>	<b>(33,106)</b>

The Scheme's exposure to interest rate price risk is considered a component of market price risk and is quantified as part of the VaR analysis discussed under Market Price Risk.

The Scheme is exposed to interest rate cash flow risk on its floating rate interest bearing securities as interest income earned varies according to prevailing market interest rates.

##### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

##### 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Foreign exchange risk (continued)

##### 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	Japanese Yen AUD \$'000	Other currencies AUD \$'000	Total AUD \$'000
<b>2015</b>					
International equities	905,544	184,519	191,053	469,035	1,750,151
International trusts	195,928	103	-	336	196,367
International listed property trusts	41,231	-	828	5,090	47,149
International floating rate securities	64,292	8,582	-	2,914	75,788
International bonds	357,044	4,839	-	236,495	598,378
Foreign currency derivatives (Assets)	32	510	19	652	1,213
Foreign currency derivatives (Liabilities)	(2,565)	-	(725)	(1,952)	(5,242)
Swap derivative (Liability)	(26,435)	(4,004)	-	(270)	(30,709)
<b>FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>1,535,071</b>	<b>194,549</b>	<b>191,175</b>	<b>712,300</b>	<b>2,633,095</b>
<b>2014</b>					
International equities	1,130,299	240,520	153,463	594,971	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	113	168	4,621
Foreign currency derivatives (Liabilities)	(15)	(82)	-	(433)	(530)
Swap derivatives (Liability)	(53,416)	(10,165)	-	-	(63,581)
<b>FOREIGN EXCHANGE EXPOSURE POSITION</b>	<b>1,237,539</b>	<b>293,455</b>	<b>153,576</b>	<b>600,490</b>	<b>2,285,060</b>

##### Liquidity risk

The Scheme is exposed to liquidity risk from holding financial assets that may not be readily convertible to cash to meet financial liabilities 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Liquidity risk (continued)

##### 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 2014.

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
<b>2015</b>				
Derivatives	4,736	8,049	78,798	91,583
	Less than 1 month \$000	2 to 12 months \$000	Greater than 12 months \$000	Total \$000
<b>2014</b>				
Derivatives	140	13,343	84,756	98,239

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.

##### 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Credit risk (continued)

##### Derivatives (continued)

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
<b>2015</b>			
<b>Futures:</b>			
Share price index futures	-	469	21,648
Interest rate futures	1,172	1,135	740,613
<b>Options:</b>			
Options on Fixed Income	39,011	-	2,814,300
Options on futures	539	-	40,010
Options on index	38,519	-	2,738,034
Swaption	47,536	-	2,117,400
<b>Forwards:</b>			
Forward foreign exchange contracts	1,213	5,242	800,748
<b>Swaps:</b>			
Interest rate swaps	22,752	47,125	779,598
Inflation swaps	5	7,172	212,100
Cross currency swaps	24,629	30,320	22,524
Credit default swaps	-	120	17,890
	<b>175,376</b>	<b>91,583</b>	<b>10,304,865</b>
	Assets \$'000	Liabilities \$'000	Notional amount \$'000
<b>2014</b>			
<b>Futures:</b>			
Share price index futures	-	6	168,893
Interest rate futures	6,393	3,439	869,391
<b>Options:</b>			
Options on Fixed Income	30,255	-	2,275,600
Options on futures	29,620	-	2,568,967
Swaption	562	-	99,000
<b>Forwards:</b>			
Forward foreign exchange contracts	4,621	530	610,695
<b>Swaps:</b>			
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
	<b>147,740</b>	<b>98,239</b>	<b>8,499,344</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Credit risk (continued)

##### 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 and 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:

	2015 %	2014 %
<b>RATING</b>		
AAA/aaa	57%	63%
AA/Aa	24%	25%
A/A	9%	5%
BBB	6%	5%
BB	2%	-
No Rating	2%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

##### Transfer of financial assets: repurchase agreements

During the year, the Scheme transferred \$nil (2014 \$946 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.

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

	2015 \$'000	2014 \$'000
Carrying amount of transferred assets	-	945,042
Carrying amount of associated secured bank facility	-	(615,179)
	-	<b>329,863</b>
Fair Value of transferred assets	-	945,042
Carrying amount of associated secured bank facility	-	(615,179)
<b>NET POSITION</b>	<b>-</b>	<b>329,863</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### 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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#### 2015

##### Other financial assets

Indexed and interest bearing securities	6,252,799	3,078,239	162,743	9,493,781
Australian equities	941,208	-	2,445	943,653
International equities	1,744,869	5,282	-	1,750,151
Unit Trusts	163,354	1,524,704	1,124,929	2,812,987
Derivatives	40,230	135,146	-	175,376
	<b>9,142,460</b>	<b>4,743,371</b>	<b>1,290,117</b>	<b>15,175,948</b>

##### Other financial liabilities

Derivatives	1,604	89,979	-	91,583
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>

#### 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
	<b>9,415,074</b>	<b>4,397,160</b>	<b>1,098,574</b>	<b>14,910,808</b>

##### Other financial liabilities

Derivatives	3,440	94,799	-	98,239
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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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Fair value estimation (continued)

##### 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 2015:

During 2015, debt securities with a carrying value of \$47,383 thousand (2014: nil) were transferred from Level 3 to Level 2 because the Scheme assessed that input into valuation are observable.

During 2015, equity securities with a carrying value of \$3 thousand (2014: nil) were transferred from Level 1 to Level 3 because public price quotations in an active market for these instruments were no longer available.

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 2015, debt securities of \$326,610 thousand (2014: \$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 following tables present the changes in level 3 instruments for the year ended 30 June.

	2015 \$'000	2014 \$'000
Opening balance	1,098,574	1,026,841
Transfers into level 3	3	-
Purchases of securities	217,863	79,310
Other increases	-	-
Sale of securities	(2,677)	(35,545)
Transfers out of level 3	(47,383)	-
Gain/(loss) recognised in Profit and Loss (investment Income)	23,737	27,968
<b>CLOSING BALANCE</b>	<b>1,290,117</b>	<b>1,098,574</b>
<b>Total gains/(losses) for the period included in profit or loss that relate to assets held at the end of the reporting period (shown in investment income)</b>	<b>23,737</b>	<b>27,968</b>

##### 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	2015: 5 - 10% (7.5%) (2014: 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	2015: 7.55 - 15% (11.25%) (2014: 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	2015: 10-20% (15%) (2014: 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.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 12. FINANCIAL INSTRUMENTS (CONTINUED)

##### Fair value estimation (continued)

##### 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 (2014: \$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.

##### 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 2015, 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.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 13. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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 2015 \$'000	Exposure % as at 30 June 2015	Net Market Value as at 30 June 2014 \$'000	Exposure % as at 30 June 2014
Property	1,124,929	42%	875,576	40%
Alternatives	702,329	27%	869,296	40%
Emerging Markets	373,779	14%	396,742	18%
Cash	448,596	17%	48,377	2%
<b>TOTAL</b>	<b>2,649,633</b>	<b>100%</b>	<b>2,189,991</b>	<b>100%</b>

The above table lists the net market value and the Scheme's percentage exposure to each investment strategy as at 30 June. These unconsolidated structured entities are included under unit trusts in Note 11 to the accounts. The maximum exposure or loss is limited to the net market value of the investment strategy as at 30 June 2015. 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

	2015 \$'000	2014 \$'000
Agent remuneration	125,749	62,938
Investment purchases	74,139	328,824
Goods and Services Tax	27,804	31,206
Repurchase agreements	-	615,179
Other	92,141	16,620
<b>TOTAL PAYABLES</b>	<b>319,833</b>	<b>1,054,767</b>

#### 15. UNEARNED PREMIUMS

	2015 \$'000	2014 \$'000
<b>UNEARNED PREMIUMS</b>	<b>355,140</b>	<b>363,701</b>

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.

#### 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

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 16. OUTSTANDING CLAIMS (CONTINUED)

The nature of the Scheme's insurance operations including the requirement of all employers in NSW to have a policy, the wide geographic/industry spread of risks, the level of Scheme Assets and the ability to amend future premiums, has resulted in the Scheme concluding that reinsurance of Scheme liabilities is not appropriate.

	2015 \$'000	2014 \$'000
a. Expected future gross claims payments (undiscounted)	16,672,785	18,268,317
Discount to present value	(4,516,086)	(5,501,318)
Liability for outstanding claims	12,156,699	12,766,999
Current	1,906,086	2,060,429
Non-Current	10,250,613	10,706,570
	<b>12,156,699</b>	<b>12,766,999</b>
b. Expected future actuarial assessment of recoveries (undiscounted)	417,021	445,893
Discount to present value	(46,262)	(59,263)
Discounted actuarial assessment of recoveries	<b>370,759</b>	<b>386,630</b>
c. Net outstanding claims per actuarial report	<b>11,785,940</b>	<b>12,380,369</b>

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 9.6 per cent (2014 9.5 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 2015 of 80 per cent (2014 80 per cent). The consulting actuary has assessed this requires a risk margin of 16.2 per cent (2014 16.2 per cent) or \$1.64 billion (2014 \$1.73 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.

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 \$105 million (2014: \$120 million) for such claims has been included in the overall outstanding claims liability.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 16. OUTSTANDING CLAIMS (CONTINUED)

##### Movement in claim liabilities and recoveries

	2015 \$'000	2014 \$'000
<b>CLAIMS LIABILITIES</b>		
Opening balance	12,766,999	14,007,375
Adjustment arising from changes in:		
• Actuarial assumptions	(885,339)	(1,134,471)
• Discount/inflation rates	395,825	388,702
• Risk margins	(85,085)	(172,927)
Expected expenses on 2015/16 claim payments	(170,220)	(185,636)
Claims incurred in current year	1,929,326	1,739,055
Claims payments	(1,794,806)	(1,875,099)
<b>CLAIMS LIABILITIES 30 JUNE 2015</b>	<b>12,156,699</b>	<b>12,766,999</b>

	2015 \$'000	2014 \$'000
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##### RECOVERIES

Opening balance	386,630	450,253
Adjustment arising from changes in:		
• Actuarial assumptions	21,555	(5,959)
• Discount/inflation rates	9,620	10,507
• Risk margin	(2,213)	(8,870)
Recoveries incurred in current year	65,749	62,608
Recoveries received (excluding GST recoveries)	(84,914)	(97,562)
GST recoveries	(25,668)	(24,347)
<b>RECOVERIES RECEIVABLE 30 JUNE 2015</b>	<b>370,759</b>	<b>386,630</b>

##### 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.

	2015 \$'000	2014 \$'000
Outstanding claims liabilities (undiscounted):		
• Prior to 10 years ago	5,059,830	5,171,126
• 9 years ago	645,748	846,332
• 8 years ago	711,683	858,394
• 7 years ago	816,939	1,043,290
• 6 years ago	975,438	1,066,282
• 5 years ago	1,288,470	1,308,726
• 4 years ago	1,381,409	1,686,684
• 3 years ago	1,554,611	1,893,998
• 2 years ago	1,792,680	1,822,163
• up to 1 year ago	2,445,977	2,571,322
	<b>16,672,785</b>	<b>18,268,317</b>

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 16. OUTSTANDING CLAIMS (CONTINUED)

##### Claims liability maturity

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

	2015 \$'000	2014 \$'000
Outstanding claims net of recoveries maturing:		
• within 1 year	1,807,587	1,949,050
• 2 to 5 years	4,648,748	5,247,863
• more than 5 years	5,329,605	5,183,456
	<b>11,785,940</b>	<b>12,380,369</b>

##### Core claims liability variables

Actuarial analysis performed by the Scheme's consulting actuaries have determined that as the Scheme's benefit structure provides ongoing weekly benefits support to injured workers 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:

	2015 % pa	2014 % pa
<b>FOR THE FIRST SUCCEEDING YEAR</b>		
<b>Inflation rate</b>		
LPI	3.00	3.50
CPI	2.50	2.50
Discount rate	1.96	2.47
<b>FOR SUBSEQUENT YEARS</b>		
<b>Inflation rate</b>		
LPI	2.37 – 3.00	2.63 – 3.50
CPI	1.37 – 2.50	1.63 – 2.50
Discount rate	1.99 – 4.47	2.62 – 5.03

The weighted average discounted expected term from the balance date to settlement of the outstanding claims is estimated to be 7.5 years (2014: 7.0 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	2015 Impact on		2014 Impact on	
		profit/(loss) \$'000	liabilities \$'000	profit/(loss) \$'000	liabilities \$'000
Inflation rate	+1%	(312,433)	312,433	(316,179)	316,179
	-1%	297,790	(297,790)	301,968	(301,968)
Discount rate	+1%	317,898	(317,898)	259,136	(259,136)
	-1%	(340,987)	340,987	(272,451)	272,451

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 17. RECONCILIATION OF NET RESULT FOR THE YEAR TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2015 \$'000	2014 \$'000
Net result from operating activities:	1,433,407	2,249,811
Expenses/Revenues not involving cash inflows/outflows:		
Bad Debts written off	29,463	32,084
Increase/(decrease) in Impairment of trade receivables	(6,346)	(6,332)
Increase/(decrease) in actuarially assessed claim liabilities	(610,300)	(1,240,376)
Decrease/(increase) in actuarially assessed recoveries receivable	15,871	63,623
Increase/(reduction) in unearned premiums	(8,561)	(50,999)
Increase/(decrease) in unexpired risk premium	62,512	21,488
Unrealised loss/(gain) on investments	116,076	(98,614)
Decrease/(Increase) in operating assets:		
Financial assets	(345,950)	(1,202,352)
Interest and dividends receivable	(108,183)	52,421
Premiums receivable	(383)	85,869
Trade debtors and prepayments	(14,962)	(130)
(Decrease)/Increase in operating liabilities:		
Trade and other payables	(556,888)	296,996
Security deposits received	11,678	11,009
Collateral from brokers	76,639	(7,457)
<b>NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>	<b>94,073</b>	<b>207,041</b>

#### 18. LIABILITY ADEQUACY TEST

At 30 June 2015 the Scheme has an unearned premium provision of \$355 million (2014: \$364 million). This unearned premium was based on policies on risk during 2014/15 but where the period of coverage extends into 2015/16.

The present value of expected future cash flows for future claims relating to the unearned premium estimated to be \$361 million (2014: \$407 million), with this increasing to \$450 million (2014: \$433 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 \$6 million (2014: \$43 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 \$88 million is required to be made by the Scheme. In 2014 the actuaries determined that an unexpired risk provision of \$26 million was required.

#### 19. COMMITMENTS

At 30 June 2015 the Scheme has a lease commitment with the State Property Authority.

	2015 \$'000	2014 \$'000
<ul style="list-style-type: none"> <li>• within 1 year</li> <li>• 1 to 5 years</li> <li>• more than 5 years</li> </ul>	1,060 965 -	683 - -
	<b>2,025</b>	<b>683</b>

As at the 30 June 2015 the NSW WorkCover Scheme was required to contribute \$282 million (2014: \$258 million) to the WorkCover Authority Fund in monthly instalments by 30th June 2016.

As at the 30 June 2015 the NSW WorkCover Scheme was required to contribute \$85 million (2014: \$81 million) to the Workers Compensation Dust Diseases Fund in monthly instalments by 30th June 2016.

As at the 30 June 2015 the NSW WorkCover Scheme was required to contribute \$9.7 million (2014: \$7.3 million) to the Mine Safety Levy in 4 equal quarterly instalments by 30th June 2016.

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# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## NSW WorkCover Scheme

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 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 2015, the Scheme held deposits of \$58 million (2014: \$46 million) and bank guarantees of \$865 million (2014: \$911 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.

#### 21. EVENTS AFTER THE REPORTING PERIOD

The Workers Compensation Amendment Act 2015 was introduced to Parliament in August 2015 and has been passed by both Houses. No date for the commencement of this Act has yet been proclaimed. The nature of the changes are to wind back some of the reforms that were introduced in 2012 as well as introduce other incentives to assist return to work. The changes contained in the Act constitute a material post balance date event.

The main elements of the Act are as follows:

- an extension of benefits and removal of certain benefit caps for weekly and medical benefits, especially for claimants with higher whole person impairment;
- an introduction of return to work and training grants to certain groups of claimants;
- the application of a new more generous sliding scale for Section 66 (permanent impairment) benefits;
- an increase in the fatality lump sum and funeral benefits; and
- changes to the payment of legal costs in certain work capacity review decisions and changes to the calculation of pre-injury average weekly earnings, both to be implemented through regulation changes.

The impact of the changes are expected to result in a material increase in the outstanding claims liability for the Nominal Insurer. There remains considerable uncertainty with respect to the potential impact of these reforms including:

- the commencement dates of some of the changes are unknown, as they depend on the date of assent;
- the way in which the changes will be practically implemented are still to be decided, which will have an impact on their effectiveness;
- to the extent that existing claims are impacted the approach to transition is still unclear;
- the regulation changes that will be used to implement certain reforms have not been finalised; and
- uncertainty with respect to how benefit utilisation will change.

It is not possible to estimate reliably the potential financial impact of those changes which will be implemented by regulation. For the other items it is estimated that the impact on the Nominal Insurer's insurance liabilities as at 30 June 2015 is an increase in the outstanding claims liability provision of the order of \$917 million and an increase in the premium deficiency provision of \$37 million.

**- END OF AUDITED FINANCIAL STATEMENTS -**

# APPENDICES

Appendix 1: Legislation	137
Appendix 2: Performance and numbers of senior executives	138
Appendix 3: Government Information (Public Access) Applications	138
Appendix 4: Credit card certification	143
Appendix 5: Response to significant matters raised in the outgoing audit report	144
Appendix 6: Accounts payable performance	144
Appendix 8: Consultants	146
Appendix 9: Grants	147
Appendix 10: Land disposal	148
Appendix 11: Insurance activities	149
Appendix 12: Price determination method as at 30 June 2015	149
Appendix 13: Licensed and self-insurers	149
Appendix 14: Board and committee meetings	151
Appendix 15: Publication notes	151

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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

- *Work Health and Safety Amendment (Miscellaneous) Regulation 2015*
- *Workers Compensation (Weekly Payments Indexation) Amendment (Current Weekly Earnings) Order 2015*
- *Workers Compensation Amendment (Costs of Claims) Regulation 2015*
- *Workers Compensation Amendment (Latest Index Number) Regulation 2015*
- *Workers Compensation (Weekly Payments Indexation) Amendment (Current Weekly Earnings) Order 2015*
- *Workers Compensation Amendment (Latest Index Number) Regulation (No 2) 2014*
- *Workers Compensation (Weekly Payments Indexation) Amendment Order (No 2) 2014*
- *Workers Compensation Amendment (Existing Claims) Regulation 2014*

# APPENDICES

## APPENDIX 2: PERFORMANCE AND NUMBERS OF SENIOR EXECUTIVES

	WorkCover Authority	Lifetime Care & Support Authority of NSW	Motor Accidents Authority of NSW	Workers' Compensation (Dust Diseases) Board*
<b>BAND 1</b>				
Male	27	1	3	0
Female	32	1	6	0
<b>Total</b>	<b>59</b>	<b>2</b>	<b>9</b>	<b>0</b>
Average Remuneration	157,644	175,342	151,051	0
<b>BAND 2</b>				
Male	6	1	2	0
Female	4	0	0	0
<b>Total</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>0</b>
Average Remuneration	230,603	245,968	234,993	0
<b>BAND 3</b>				
Male	2	0	0	0
Female	0	0	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
Average Remuneration	305,518	0	0	0
<b>Senior Executives Total</b>				
Male	35	2	5	0
Female	36	1	6	0
<b>Total</b>	<b>71</b>	<b>3</b>	<b>11</b>	<b>0</b>
<b>Employee Related Costs</b>				
Exec	15,181,978	732,245	1,890,072	4483
Non-Execs	94,917,807	6,919,306	7,053,757	3,160,702
<b>Total</b>	<b>110,099,785</b>	<b>7,651,550</b>	<b>8,943,828</b>	<b>3,165,186</b>
%	13.79%	9.57%	21.13%	0.14%

\* The General Manager Workers Compensation Dust Diseases Board was acting in another role at Census date in 2014/15

## APPENDIX 3: GOVERNMENT INFORMATION (PUBLIC ACCESS) APPLICATIONS

### GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

WorkCover NSW is committed to ensuring the public's right to information meets the requirements of the *Government Information (Public Access) Act 2009* (GIPA Act) and that responses to other requests for information are handled effectively.

#### Authorised proactive release of government information – Clause 7

Under section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be carried out at least once every 12 months.

#### How the agency carried out the review

WorkCover's Right to Information Unit administers and fulfils WorkCover's obligations under the *Government Information (Public Access) Act 2009* (GIPA Act).

During the 2014/15 financial year, 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.

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## Release of information

During the year, WorkCover proactively released large volumes of newly created or received information that would be of public interest to disclose or that 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
- information relating to 'Recover at Work' financial incentives and support programs for employers
- 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 rural Chemical Awareness Campaign to educate the NSW agricultural community about the risks of exposure to chemicals
- 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.
- the Scheme agent performance report.

We proactively release targeted safety alerts on our website. These safety alerts highlight an incident or unsafe practice, particularly in high risk industries, and provide prevention information. Examples include keeping workers safe in the heat, voids in house construction and working with dangerous or hazardous materials.

## Number of access applications received

During the reporting period WorkCover NSW received a total of 637 access applications (including withdrawn applications but not invalid applications). This total includes formal applications received but not decided during the 2014/15 reporting period.

## Number of refused access applications received

A total of two access applications received during the reporting period were refused in part by WorkCover because the information requested was information referred to in Schedule one of 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 (PPIP 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 *Privacy and Personal Information Protection Act 1998* (PPIP Act) and *Health Records and Information Privacy Act 2002* (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 the Privacy Management Plan. The plan can be accessed on WorkCover's web site.

We are currently undertaking a review of our privacy management practices to improve safeguards for all personal and health information we hold. The review will capture all relevant policies, procedures and systems, and will culminate in the development of an updated Privacy Management Plan for the organisation.

During 2014/15 WorkCover received one application to perform an internal review about conduct relating to the use, access or release of personal information. Investigations were carried out on the internal review and of the one application; one breach of privacy was found.

The privacy breach reviewed during the 2014/15 financial year was forwarded to the Administrative Decisions Tribunal pursuant to section 55 of the PPIP Act and/or section 21 of the HRIP Act.

\* 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 us directly. WorkCover utilises social media outlets, including Facebook, Twitter and YouTube, to direct members of the public to appropriate links on its website.

# APPENDICES

## Continuous improvement activities

### This year:

- we improved contact with applicants to clarify and/or refine requests, resulting in more timely provision of information
- improved workflow and operational competencies to ensure continuous improvement in the provision of government information.

### Next year:

- we will implement the IPC GIPA Tool to ensure our agency's compliance with legislation when processing and reporting

on government information access applications

- engage the IPC self-assessment tool to ensure our program for authorised proactive release of information meets both the letter and spirit of the GIPA Act
- developing and implementing strategies for digital recordkeeping and access to digital records and data.

WorkCover NSW is committed to ensuring the public's right to information meets the requirements of the Government Information (Public Access) Act 2009 (GIPA Act) and that responses to other requests for information are handled effectively.

**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	0	1	0	0	0	0	0	0	1
Members of Parliament	0	0	0	0	0	0	0	0	0
Private sector business	11	110	0	17	0	1	0	4	143
Not for profit organisations or community groups	0	1	0	0	0	0	0	0	1
Members of the public (application by legal representative)	26	223	0	112	1	0	0	14	376
Members of the public (other)	22	74	2	12	0	1	0	5	116
<b>Total</b>	<b>59</b>	<b>409</b>	<b>2</b>	<b>141</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>23</b>	<b>637</b>

\* 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)	3	4	0	3	0	0	0	0	10
Access applications that are partly personal information applications and partly other	58	413	2	128	1	2	0	23	627
<b>Total</b>	<b>61</b>	<b>417</b>	<b>2</b>	<b>131</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>23</b>	<b>637</b>

\* 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)	3
Application is for excluded information of the agency (section 43 of the Act)	2
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	5
Invalid applications that subsequently became valid applications	2

**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	4
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	68
Law enforcement and security	42
Individual rights, judicial processes and natural justice	351
Business interests of agencies and other persons	168
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	1
<b>Total</b>	<b>630</b>

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)	625
Decided after 35 days (by agreement with applicant)	7
Not decided within time (deemed refusal)	5
<b>Total</b>	<b>637</b>

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# APPENDICES

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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	0	0	9
Review by Information Commissioner*	0	0	4
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>13</b>

**TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)**

	Number of applications for review
Applications by access applicants	8
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

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## 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

3 September 2015

Our Ref: WC01358/15

The Hon Dominic Perrottet MP  
Minister for Finance, Services and Property  
Member for Hawkesbury  
GPO Box 5341  
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/s is in accordance with the Premier's Memorandum and Treasurer Directions.

On Behalf of Safety, Return to Work and Support I certify that all cardholders for the period of 1 July 2014 to 30 June 2015 have used their cards in accordance with SRWS Corporate and Purchasing Credit Card Policy and in accordance with the Premier's Memorandum and Treasurer Directions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Vivek Bhatia', with a horizontal line underneath.

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

# APPENDICES

## 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:

2014/15	June Quarter	March Quarter	December Quarter	September Quarter
<b>Current</b>	<b>\$2,211,963.07</b>	<b>\$567,139.59</b>	<b>\$625,278.87</b>	<b>\$843,737.41</b>
<30 days overdue	\$0	\$0	\$0	\$0
>30 and <60 days overdue	\$0	\$0	\$0	\$0
>60 days and <90 days	\$0	\$0	\$0	\$0
90 days and over	\$0	\$0	\$0	\$0

Amounts paid to suppliers at the end of each quarter of the year were:

2014/15	2014/15 Total	June Quarter*	March Quarter	December Quarter	September Quarter
Number of accounts due for payment	29,427	7,412	6,542	6,810	8,663
Number of accounts paid on-time	26,800	7,229	5,494	6,079	7,998
% accounts paid on-time (based on number of accounts)	91%	98%	84%	89%	92%
Dollar amount of accounts due for payment	\$106,066,746	\$31,637,161	\$23,722,980	\$22,716,967	\$27,989,638
Dollar amount of accounts paid on-time	\$93,439,066	\$30,813,385	\$18,722,204	\$19,707,040	\$24,196,437
% of accounts paid on-time (based on \$)	88%	97%	79%	87%	86%
Number of payments for interest on overdue accounts	0	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0	\$0

### PAYMENTS OF ACCOUNTS – SMALL BUSINESS SUPPLIERS

Amounts paid to identified small business suppliers at the end of each quarter of the year were:

2014/15	2014/15 Total	June Quarter*	March Quarter	December Quarter	September Quarter
Number of accounts due for payment	887	200	204	191	292
Number of accounts paid on-time	875	197	201	188	289
% accounts paid on-time (based on number of accounts)	99%	99%	99%	98%	99%
Dollar amount of accounts due for payment	798,668	\$265,997	\$231,474	\$134,934	\$166,263
Dollar amount of accounts paid on-time	782,795	\$264,029	\$221,428	\$132,246	\$165,092
% of accounts paid on-time (based on \$)	98%	99%	96%	98%	99%
Number of payments for interest on overdue accounts	0	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0	\$0

The WorkCover Authority has a target of 90 per cent accounts paid on-time. In 2014/15 this target was achieved in two of the four quarters with an average of 91% achieved across the year.

### INTEREST ON LATE PAYMENTS:

The WorkCover Authority paid no interest to Small Businesses in 2014/15.

## APPENDIX 7: OVERSEAS TRAVEL 2014/15

### WORKCOVER

Person travelling	Date (month – year)	Location	Purpose	Cost \$	Recovery \$	Net cost \$
Adrian Rietdijk	June 2014	New Zealand	Commercial testing business TestSafe Aust - Audits - FM Tait, FM Pertronic, FM Bondor - Testing - Gallagher New Zealand	1,049	1,049	-
Adrian Rietdijk	September 2014	New Zealand	Commercial testing business TestSafe Aust - Audits - Compaq Industries, Fm Tait, FM Pertronic New Zealand	1,165	1,165	-
Adrian Rietdijk	October 2014	South Africa	Commercial testing business TestSafe Aust - Audits - Transvaal Electric South Africa	3,584	3,584	-
Adrian Rietdijk	November 2014	New Zealand	Commercial testing business TestSafe Aust - Audits - FM Tait, FM Pertronic New Zealand	2,780	2,780	-
Adrian Rietdijk	February 2015	New Zealand	Commercial testing business TestSafe Aust - Audits - FM Tait, FM Pertronic New Zealand	1,764	1,764	-
Adrian Rietdijk	March 2015	Taiwan	Commercial testing business TestSafe Aust - Audits - Elfare Corporation Pty Ltd, Elmako Pty Ltd Taiwan	2,712	2,712	-
Xue Jie	March 2015	Taiwan	Commercial testing business TestSafe Aust - Audits - Elfare Corporation Pty Ltd, Elmako Pty Ltd Taiwan	3,041	3,041	-
Adrian Rietdijk	May 2015	New Zealand	Commercial testing business TestSafe Aust - Audits - FM Tait, FM Pertronic, FM Bondor, Gallagher, Giltech New Zealand	4,125	4,125	-
Gordana Ostojic	June 2015	China	Commercial testing business TestSafe Aust - Audits - IECeX Audits China	792	792	-
Inspector Exchange Program		New Zealand	Exchange Program with New Zealand for the Christchurch Rebuild Project - Invoice adjustment for 2013/14	-	1,217	(1,217)
<b>Total</b>				<b>21,012</b>	<b>22,229</b>	<b>(1,217)</b>

### 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 New Zealand	29 *	-	29
<b>Total</b>				<b>29</b>	<b>-</b>	<b>29</b>

\*This is a residual amount from travel that occurred in 2013/14.

### WORKCOVER INDEPENDENT REVIEW OFFICER

Person travelling	Date (month – year)	Location	Purpose	Cost \$	Recovery \$	Net cost \$
Kim Garling	Sep/Oct 2014	USA	Attend the 100th IAIABC (International Association of Industrial Accident Boards and Commissions) Conference Austin, Texas, USA.	1,753	-	1,753
<b>Total</b>				<b>1,753</b>	<b>-</b>	<b>1,753</b>

# APPENDICES

## APPENDIX 8: CONSULTANTS

### WORKCOVER CONSULTANTS 2014/15

Vendor	Description	Vendor total
Pricewaterhouse Coopers	Actuarial consulting services	367,836
Mercer Investments (Australia) Limited	Investment advice and retainer fee for dynamic asset allocation advice	321,706
Pricewaterhouse Coopers	Investigation of loose-fill asbestos	320,731
Gracosway Pty Ltd	Provision of strategic communications advice & support in relation to workers compensation & other injury prevention, rehabilitation & compensation legislation & policies	97,431
Australian Market Research	Research in relation to the workers compensation system	92,000
Centre for International Economics	Statutory review of 2012 amendments for NSW Workers Compensation	69,021
Thinkplace	Comprehensive review of existing fraud function	58,836
<b>Total greater than \$50,000</b>		<b>\$1,327,563</b>
<b>Plus 37 Consultants \$50,000 and under</b>		<b>478,472</b>
	Organisational Review	163,654
	Finance & Accounting/Tax	137,822
	Legal	136,632
	Engineering	39,536
	Training	828
<b>Total consultants</b>		<b>\$1,806,034</b>

### WORKERS COMPENSATION COMMISSION CONSULTANTS 2014/15

Vendor	Description	Vendor total
<b>Total Greater than \$50,000</b>		<b>0</b>
<b>Plus 2 Consultants \$50,000 and under</b>	Organisational Review	<b>31,625</b>
<b>Total consultants</b>		<b>31,625</b>

### WORKCOVER INDEPENDENT REVIEW OFFICE CONSULTANTS 2014/15

Vendor	Description	Vendor total
Roshana May	The Parkes Project	104,725
<b>Total greater than \$50,000</b>		<b>104,725</b>
<b>Plus 2 Consultants \$50,000 and under</b>		<b>19,400</b>
	Information Technology	14,400
	Organisational Review	5,000
<b>Total consultants</b>		<b>124,125</b>

## APPENDIX 9: GRANTS

### WORKCOVER GRANTS AWARDED IN 2014/15

#### 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)
AMOG Consulting Pty Ltd	\$222,440	Licensing of MHFs: Regulation vs red tape This research will investigate issues that will enable a comparison/benchmarking of the current NSW MHF licensing regulation against methods used by other international and national jurisdictions to ensure the safe operation of MHF's.
Northern Sydney Local Health District (Kolling Institute, RNS Hospital)	\$50,000	Addition of hand exercises to www.physiotherapyexercises.com This project will expand the free website www.physiotherapyexercises.com to include 80 hand exercises. This will benefit therapists with improved access to specific exercises developed by specialist hand therapy clinicians. On completion of the project, the exercises will be available on the website, physiotherapist App for mobile devices and patient App for mobile devices.
Employment Research Australia	\$136,654	Workplace health and safety of NSW homecare workers This study will identify the key psychosocial risks faced by homecare workers in NSW; outline the current strategies and practices used to prevent and reduce exposure to those risks; and, given the changing environment for homecare workers in NSW, provide an overview of interventions to support workers, service providers and clients to raise the standard of workplace health and safety across the sector into the future.
The George Institute for Global Health	\$39,995	Secondary prevention of work related back pain This project will undertake a trial of a secondary prevention to establish the effectiveness and cost-effectiveness of exercise and education in preventing recurrence of back pain, in workers who have recently recovered from an episode of back pain that led to work absence.
Australian Catholic University	\$20,232	Sporting Injuries Research with Australian Rugby Union This project aims to add to the limited knowledge on the relationship between workloads, maturation and injury in adolescent team sport athletes. A clearer understanding of the impact of workload demands and maturation variability on injury is necessary for a safer prescription of training and competition workloads in adolescent athletes.
University of Newcastle	\$18,058	Sporting Injuries Research with Cricket NSW The purpose of this study is to acquire new knowledge on safe sporting practices to reduce the incidence and severity of lumbar spine injury among the junior fast bowling population. An 8-week preseason intervention program will be implemented to modify key biomechanical injury risk factors of the fast bowling technique. The new knowledge generated will provide a strong evidence base to build an effective injury prevention strategy.
University of Canberra	\$18,844	Sporting Injuries Research with NSW Interschool Snowsports This research seeks to focus on the sequence of events that lead up to falls and injuries in snow sport terrain parks and to explore the most effective means of communicating injury prevention and risk management messages to the target audience.

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# APPENDICES

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Recipient Organisation	Amount of funding awarded	Nature and purpose (incl. aims, target clients and area of coverage)
University of Sydney	\$19,985	<p>Sporting Injuries Research with National Rugby League</p> <p>The broad aim of this research is to extend knowledge and effective management of concussive injuries sustained in elite junior rugby league games, in order to improve player safety and welfare. The project is a three-phase trial conducted concurrently over two years. Study 1 will be a survey probing the knowledge of concussion symptoms, treatment, and management in sport trainers, coaches and parents. Study 2 will be conducted during the 2015 and 2016 Junior Representative pre-season and competitive seasons, to systematically quantify and describe concussive events. Study 3 will evaluate the current practices and procedures of junior elite rugby league clubs in relation to the concussion policy.</p>
University of Western Sydney	\$18,770	<p>Sporting Injuries Research with Westfield Sports High School</p> <p>The purpose of this research proposal is to examine the optimal scheduling of the Federation Internationale de Football Association (FIFA) 11+ injury prevention program in relation to boys and girls youth soccer training sessions. Understanding the fatigue profile of youth players during training sessions subsequent to the FIFA 11+ will provide evidence based research to inform coaches and practitioners of the most safe and effective implementation of this injury prevention program.</p>

\*Funding agreements executed 2014/15 financial year

## APPENDIX 10: LAND DISPOSAL

WorkCover did not dispose of any property in 2014/15.

## APPENDIX 11: INSURANCE ACTIVITIES

### CLAIMS MANAGEMENT PERFORMANCE

	2014/15	2013/14	2012/13	2011/12
<b>Workers Compensation:</b> (policy inclusive of WCC & WIRO)				
No. of employees	1234	1250	1193	1267
No. of claims	31	25	23	53
No. of claims per employee	0.03	0.02	0.02	0.04
<b>Total cost of claims</b>	<b>\$1,076,963</b>	<b>\$608,884</b>	<b>\$1,265,649</b>	<b>\$1,036,899</b>
Average claim cost	\$34,741	\$24,355	\$55,028	\$19,563
Note: Information about workers compensation claims is current at reporting date 30 June 2015. For 2011 to 2014, data has changed accordingly.				
<b>Motor vehicles:</b> (total claims)				
Vehicles	330	330	330	340
Number of claims	133	140	112	105
No. of claims per vehicle	0.40	0.42	0.34	0.31
<b>Total cost of claims</b>	<b>\$456,007</b>	<b>\$398,808</b>	<b>\$257,072</b>	<b>\$230,575</b>
Average cost per claim	\$3,428	\$2,849	\$2,296	\$2,196
Average cost per vehicle	\$1,381	\$1,209	\$779	\$678
<b>Property:</b>				
Number of claims	9	6	6	11
No. of claims per employee	0.01	0.0048	0.006	0.009
<b>Total cost of claims</b>	<b>\$8,508</b>	<b>\$7,637</b>	<b>\$11,566</b>	<b>\$61,338</b>
Average cost per claim	\$945	\$1,272	\$1,928	\$5,576
Average cost per employee	\$7	\$6	\$11	\$53
<b>Liability:</b>				
Number of claims	Nil	Nil	Nil	Nil
<b>Total cost of claims</b>				
Average claim				
<b>Miscellaneous:</b>				
Number of claims	Nil	Nil	Nil	Nil
<b>Total cost of claims</b>				
Average claim				

## APPENDIX 12: PRICE DETERMINATION METHOD AS AT 30 JUNE 2015

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 13: LICENSED AND SELF-INSURERS

### Self-insurers

3M Australia Pty Limited	Liverpool City Council
Ausgrid	Mars Australia Pty Ltd
Bankstown City Council	NSW Trains
BOC Limited	Pacific National (NSW) Pty Ltd
Campbelltown City Council	Qantas Airways Limited
Council of the City of Blacktown	Rocla Pty Limited

# APPENDICES

Council of the City of Lake Macquarie	Shoalhaven City Council
Council of the City of Newcastle	Southern Meats Pty Limited
Council of the City of Sydney	Sutherland Shire Council
Council of the City of Wollongong	Sydney Trains
Delta Electricity	Transfield Services (Australia) Pty Limited
Electrolux Home Products Pty Ltd	Transport Service of NSW
Endeavour Energy	UGL Rail Services Pty Limited
Fairfield City Council	University of New South Wales
Fletcher International Exports Pty Limited	University of Wollongong
Gosford City Council	Veolia Environmental Services (Australia) Pty Ltd
Hawkesbury City Council	Warringah Council
Inghams Enterprises Pty Limited	Westpac Banking Corporation
ISS Property Services Pty Ltd	Wyong Shire Council

## Group self-insurers

Arrium Limited	JELD-WEN Australia Pty Ltd
Australia and New Zealand Banking Group Limited	McDonald's Australia Holdings Limited
BlueScope Steel Limited	Myer Holdings Limited
Brambles Industries Limited	Northern Co-operative Meat Company Limited
Brickworks Limited	Primary Health Care Ltd
Coles Group Limited	Skilled Group Limited
Colin Joss & Co Pty Limited	The NSW Self-Insurance Corporation
CSR Limited	Toll Holdings Limited
Echo Entertainment Group Limited	Unilever Australia (Holdings) Pty Ltd
Holcim (Australia) Holdings Pty Ltd	Woolworths Limited

## Specialised insurers

Catholic Church Insurances Limited	Hospitality Employers Mutual Limited
Coal Mines Insurance Pty Ltd	Racing NSW
Guild Insurance Limited	StateCover Mutual Limited

## Licences not renewed, cancelled or suspended

### Self-insurers

Forestry Corporation of New South Wales – Self-insurer licence cancelled at 4pm 30 June 2015.	Rail Corporation New South Wales – Self-insurer licence expired on 4pm 31 December 2014 and not renewed.
The Star Pty Limited – Self-insurer licence cancelled and endorsed under Echo Entertainment Group Limited group self-insurer licence effective from 4pm 30 June 2015.	Transport Cleaning Services – Self-insurer licence expired on 4pm 31 December 2014 and not renewed.

### Specialised insurers

North Insurances Pty Ltd – Specialised insurer licence cancelled at 4pm 30 September 2014.
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## APPENDIX 14: BOARD AND COMMITTEE MEETINGS

### DIRECTORS' MEETINGS

During 2014/15, the SRWS meetings held and attendance by directors were:

SRWS Board	Number eligible to attend	Number attended
Michael Carapiet (Chair)	11	11
Raymond Whitten (Deputy Chair)	11	11
Gavin Bell - Director	11	10
Elizabeth Carr - Director	11	11
Mark Lennon - Director	11	10
Peeyush Gupta - Director	11	11
Vivek Bhatia (CEO)*	10	10
Julie Newman (former CEO)	1	1

\*Mr Vivek Bhatia was appointed as CEO of SRWS in August 2014

### BOARD COMMITTEES

The Board is able to establish committees to assist with the performance of its general functions. There are currently three 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.

#### SRWS AUDIT AND RISK COMMITTEE ATTENDANCE

SRWS audit and risk committee	Number eligible to attend	Number attended
Raymond Whitten (Chair)	6	6
Elizabeth Carr	6	6
Mark Lennon	6	4
Ray Petty	6	5
Vivek Bhatia (CEO)*	5	5
Julie Newman (former CEO)	1	1

\* The CEO is a standing invitee. Mr Vivek Bhatia was appointed as CEO of SRWS in August 2014

#### 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.

#### INVESTMENT COMMITTEE ATTENDANCE

Investment committee	Number eligible to attend	Number attended
Peeyush Gupta (Chair)	10	9
Michael Carapiet	10	10
Gavin Bell	10	7
Raymond Whitten	10	9
Vivek Bhatia (CEO)*	9	9
Julie Newman (former CEO)	1	1

\* The CEO is a standing invitee. Mr Vivek Bhatia was appointed as CEO of SRWS in August 2014

#### 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.

#### HUMAN RESOURCES COMMITTEE ATTENDANCE

Human resources committee	Number eligible to attend	Number attended
Gavin Bell (Chair)	4	4
Elizabeth Carr	4	4
Michael Carapiet	4	4
Vivek Bhatia	4	4

## APPENDIX 15: PUBLICATION NOTES

A copy of the WorkCover NSW Annual Report 2014/15 can be downloaded from the WorkCover NSW website, at [workcover.nsw.gov.au](http://workcover.nsw.gov.au). The cost of the 2014/15 Annual Report was \$11,135.00.

# INDEX

<b>A</b>		<b>I</b>		<b>S</b>	
About Safety, Return to Work and Support Board	12	Independent Auditor's Report – WorkCover	53	Safety, Return to Work and Support Board	12, 14
Accounts payable performance	144	Independent Auditor's Report – WorkCover Scheme	105	Safety, Return to Work and Support Executive	14
Actuarial Certificate WorkCover Authority of NSW	51	Independent review bodies	8	Small business rebate program	32
Actuarial Certificate - WorkCover Scheme	102	Indigenous employees	41	Specialised insurers	23
Appendices	136	Insurance activities	149	Statement by the Chief Executive Officer and Chairman – WorkCover Scheme	104
Audit and risk committee	151	Insurer	6	Statement by the Chief Executive Officer – WorkCover	50
<b>B</b>		Internal Audit and Risk Management Statement	47	Statement of cashflows for the year ended 30 June 2015 – WorkCover Scheme	110
Board and committee meetings	151	Investment committee	151	Statement of changes in equity for the year ended 30 June 2015 – WorkCover	57
Budget and Estimates for 2015/16	97	Investment performance	24	Statement of changes in equity for the year ended 30 June 2015 – WorkCover Scheme	109
<b>C</b>		<b>L</b>		Statement of comprehensive income for the year ended 30 June 2015 – WorkCover	55
Chair/CEO Review	10	Land disposal	148	Statement of comprehensive income for the year ended 30 June 2015 – WorkCover Scheme	107
Changes to legislation administered by WorkCover	137	Legislation	137	Statement of Financial Position as at 30 June 2015 – WorkCover	56, 58
Consultants	146	Legislative and regulatory reform	8	Statement of financial position as at 30 June 2015 – WorkCover Scheme	108
Corporate governance	44	Letter to the Minister	2	Statutory insurance regulation	24
Credit card certification	143	Licensed and self-insurers	149	<b>T</b>	
Culture of achievement and leadership	38	Licensing and registration	36	Training and development	38
<b>D</b>		<b>M</b>		<b>W</b>	
Digital Information Security Attestation Statement	48	Multicultural policies and services program	42	Women	42
Disability	41	<b>N</b>		Workers compensation reforms	18
<b>E</b>		National and international initiatives	33	Workers compensation regulation	20
Engagement and response initiatives	31	Notes to and forming part of the financial statements for the year ended 30 June 2015 – WorkCover Scheme	111	Workforce diversity and inclusion	41
Enhancements to workers compensation laws	20	Notes to the Financial Statements – WorkCover	59	Work health and safety performance and employee wellbeing	40
<b>F</b>		NSW WorkCover Scheme Financial Performance – Overview	101	Work, health and safety regulation	26
Fatalities and serious incidents	29	<b>O</b>		Workplace health	30
Financial Statements - WorkCover	49	Organisational chart	9		
Financial Statements - WorkCover Scheme	100	Overseas travel	145		
<b>G</b>		<b>P</b>			
Government Information (Public Access) Applications	138	Price determination method	149		
Grants	147	Purpose and values	6		
<b>H</b>		<b>R</b>			
High consequence low frequency	29	Regulator	6		
Human resources committee	151	Risk based harm prevention programs	28		

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