

Workers' Compensation & Rehabilitation Commission



Annual Report 2000 - 2001

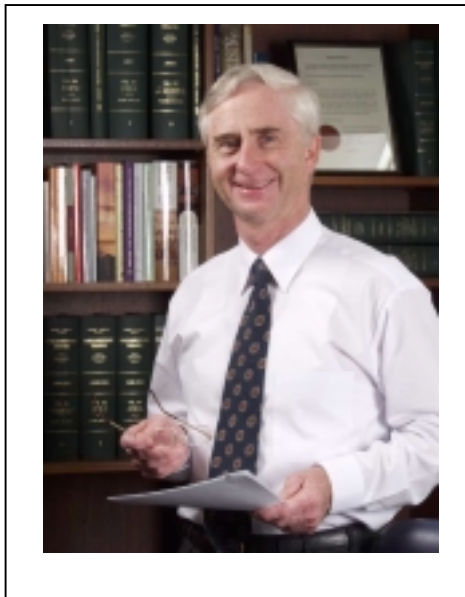
WorkCover

WESTERN AUSTRALIA



Hon John Kobelke

Minister for Consumer and Employment Protection



**The Hon John Kobelke MLA
Minister for Consumer and
Employment Protection**

In accordance with section 66 of the Financial Administration and Audit Act 1985, We hereby submit for your information and presentation to Parliament the Annual Report of the Workers' Compensation and Rehabilitation Commission (WorkCover) for the financial year ended 30 June 2001.

The report has been prepared in accordance with the provisions of the Financial Administration and Audit Act 1985.



B T BRADLEY

**Chairman
Workers' Compensation and
Rehabilitation Commission
28/08/2001**



H T NEESHAM

**Member
Workers' Compensation and
Rehabilitation Commission
28/08/2001**

In accordance with a resolution of the Workers' Compensation and Rehabilitation Commission on 28 August 2001.

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The Year in Review

Significant Issues

Premium Rates

Recommended premium rates for the 2001/2002 financial year were reduced overall by 8.2% for the expected claims experience. The cost of the 3% brokerage allowance was removed from the methodology used to calculate the recommended premium rates.

The combined effect of the 8.2% reduction for the expected claims experience and the 3.5% for the once off removal of the brokerage from the rates is a combined reduction of 11.7%.

The estimated average premium rate will reduce for 2001/2002 to 2.626% compared to 2.972% in 2000/2001. In 1999/2000 the initial average rate was 3.436% and reduced to 3.092% in November 1999. This compares with an average premium rate of 2.540% in 1998/1999 prior to the 35.3% increase to the 1999/2000 rates

Scheme Trends

The number of claims in the Western Australian workers' compensation system has been steadily decreasing. In 1999/2000 there were 24,140 claims lodged for compensation where the injury resulted in a day or more absence from work. Since 1996/1997 there has been a 13.5% decrease in the number of claims, from 27,902.

The rate of claims relative to work-force participation rates also shows significant downward trends. The frequency of claims has decreased 20.7% from 24.4 claims per million hours worked in 1996/1997 to 19.3 claims per million hours worked in 1999/2000.

A significant reduction in payments for approved insurers has also been identified since legislative amendments were introduced in October 1999. The most notable decreases have been to expenses for common law and other acts, which for the three quarters to March 2001 have decreased 50% when compared to the first three quarters of the previous financial year. Weekly payments have also decreased in the March 2001 quarter by 11% when compared to the March 2000 quarter. Consistent with the changes to access to redemptions of entitlements contained in the 1999 amendments there has been an increase of 79% in March 2001 compared to the same quarter of the previous year.

HIH Insurance in Liquidation

In March 2001 HIH Insurance was placed in provisional liquidation. Outstanding claims in WA are estimated at \$122 million, representing projected outstanding liabilities that are in inflated and discounted values and are inclusive of a prudential margin. It is anticipated that with prudent management the actual cost of the outstanding claims will be contained to approximately \$93 million.

In response to the collapse of HIH the Government amended the Employers' Indemnity Supplementation Fund Act 1980. The levy to be paid by employers and self insurers was reactivated and the level of the levy was raised from 1% to 5%.

The levy is required in order to raise sufficient funds to cover the cost of claims paid by employers who had current Employers' Indemnity Policies with HIH Insurance up to and including the 14 March 2001.

The size of the levy will be reviewed and reset annually following an actuarial analysis of outstanding claims to minimise the financial impact on employers. Depending on the level of outstanding HIH liabilities, it is hoped the percentage of the surcharge may be reduced each year.

One of the purposes of Employers' Indemnity Supplementation Fund is to protect workers from the collapse of an approved insurer. No worker will be materially disadvantaged because of the collapse of HIH Insurance.

Redemption of Weekly Payments

One aspect of the legislative changes effective from October 1999 is the amendment enabling easier access for a lump sum in redemption of weekly payments. Workers who have continued on weekly payments for more than 6 months, can redeem by the payment of a lump sum where the worker and the employer agree on the amount and the agreement is registered.

Redemptions provide worker's with a lump sum for the disability. A redemption puts an end to a worker's further entitlement to compensation and any right for the worker to sue their employer for civil damages.

To indicate the impact on the system of this change, there were 1299 redemptions in 2000/2001, (560 from October 1999 to 30 June 2000) compared with 17 in 1998/1999 and 20 in 1997/1998.

Review of Insurance Arrangements

On the 4 July 2000 the Review of Insurance Arrangements Committee chaired by Mr Campbell Ansell, and consisting of Mr Kim Mettam and Mr Frank Michell, forwarded their recommendations on the future of the privately underwritten scheme in Western Australia to the former Hon Minister for Labour Relations.

The Committee's methodology included background research, public submissions and interviews with stakeholders and international consultants. The Committee received a total of 37 public submissions and held 13 meetings with stakeholders during the five months of the Review.

The former Minister for Labour Relations established a Stakeholder Working Group which examined the recommendations and either:

- agreed with the recommendations; or
- disagreed with the recommendations; or
- agreed further policy work was required.

Government is currently reviewing the recommendations of the Stakeholder Working Group.

Review of Medical and Associated Costs

On 24 July 2000 Mr John Knowles (Chairman), Mr Nigel Glass and Dr Trevor Lord forwarded recommendations of a Review of Medical and Associated Costs (the Review) to the former Hon Minister for Labour Relations. The Review confirmed there had been an increase in medical and associated costs and examined the reasons for these increases.

The Reference Group utilised information from public submissions, discussions held with key parties, existing scheme data, a sample of data and case studies collected from three approved insurers, available literature, together with information on the WA scheme, and other national and international workers' compensation schemes.

The former Minister for Labour Relations released the report from the Review for public comment and established a Stakeholder Implementation Group to progress the recommendations.

The Government is examining the recommendations of the Review which will assist in developing appropriate measures for ensuring that injured workers receive the best medical care in an effective manner and at an affordable cost to the system.

Evaluation of Workers' Compensation System

Mr Robert Guthrie, Senior Lecturer with the Curtin University of Technology was seconded to assist with the implementation of the Government's proposed reforms to workers' compensation in Western Australia. Mr Guthrie's role is to advise the Government on strategies for implementing the Government's policy statement on workers' compensation and recommendations from previous reviews of workers' compensation.

Mr Guthrie is expected to report to Government by mid July 2001.



National Comparative Performance Monitoring

To help achieve a reduction in the incidence, severity and cost of workplace injury and disease the national comparative performance monitoring system aims to provide information on how different approaches influence outcomes in occupational health and safety and workers' compensation.

WorkCover has contributed to the development of the third annual report on performance monitoring, and will continue to provide assistance in refining the methodology used to ensure valid comparisons of scheme trends can be made.

Review of the Machinery of Western Australia's Government

The Machinery of Government (MOG) Taskforce was established in March 2001 to give effect to the Government's commitment to restructure the public sector around 14 key areas of government. The MOG Taskforce recommended to Government there should be 22 Ministerial portfolio areas, the majority of which should be supported by a single department of state, and 23 government departments.

Based on the recommendations made by the MOG Taskforce, the Workers' Compensation and Rehabilitation Commission (Commission) will become part of the Consumer and Employment Protection Portfolio.

In its recommendations the Taskforce recognised the unique status of the Commission in that it is not funded from the Consolidated Fund but from levies paid by employers through insurers and self insurers. It was the Government's view that this arrangement requires the Commission's operations to be highly transparent, particularly in relation to the collection and use of funds. Consequently the Commission's operations will remain separate from the new Department of Employment and Consumer Protection.

While remaining separate from the Department of Employment and Consumer Protection, the Commission will be pursuing options for greater cooperation and resource sharing with the Department.



Our Major Achievements

During 2000/2001 WorkCover:

- **Injury Management Week**

Coordinated an extremely successful “Injury Management Week” aimed at increasing community awareness of workers’ compensation and injury management. An estimated 1,600 people attended forty one events hosted by public and private sector sponsors. For the first time since its inception an Injury Management Week event was conducted in a regional area.

- **Policy - Legislation**

Drafted significant changes to workers' compensation legislation including the Workers' Compensation and Rehabilitation Amendment Act 2000 and the Employers' Indemnity Supplementation Fund Amendment Act 2000 and accompanying regulations.

- **Publications**

Updated the *Workers' Compensation Statistical Report 1996/1997 to 1999/2000* and published two workers' compensation statistical reports: *Report on Work-Related Stress Claims 1995/1996 to 1998/1999* and *Statistical Report on Female Workers 1995/1996 to 1998/1999*.

- **Community Information Program 2000**

Delivered a state-wide initiative to increase community awareness of workers' compensation and injury management through public information displays and seminars in metropolitan and regional areas.

- **Enquiries**

Responded to over 2,800 individual requests for information, providing responses to customer's questions by telephone, e-mail, letter or in person.

- **Information and Training Seminars**

Delivered information and training seminars addressing workers' compensation matters to over 2,500 stakeholders and service provider representatives. Ninety eight percent of attendees surveyed responded positively to the information provided.

- **Dispute Resolution**

Resolved 4,757 workers' compensation disputes, an increase of 4% over last year, with 82% of matters being resolved without the need to resort to review.

- **Registration of Agreements**

Registered 3,678 agreements. This was an increase of 50% over 1999/2000. The increase was primarily due to the number of redemptions being registered. Over 70% of common law transitional matters lodged at the Conciliation and Review Directorate were resolved.

Chairman's Review

The Hon John Kobelke MLA

Minister for Consumer and Employment Protection

I am pleased to present the Workers' Compensation and Rehabilitation Commission (Commission) Annual Report and audited Performance Indicators and financial statements for the year ended 30 June 2001.

Performance of the Scheme

To gain some perspective on the overall state of workers' compensation in Western Australia and the progress made in addressing areas of major concern, it is useful to review some of the trends in areas critical to the operation of the workers' compensation scheme.

During the latter part of the 1990s the Western Australian workers' compensation scheme experienced extreme increases in both the cost of claims and premiums paid by employers. In 1999 the Premium Rates Committee determined premium increases averaging over 35% for 1999/2000. It was recognised at the time the increases were primarily due to rising common law costs.

I am pleased to report that recent trends show a strong start has been made to address the underlying causes of past cost increases and to bring the scheme into balance.

Of particular significance is the easing of the premium rates burden on business. The Premium Rates Committee gazetted the 2001/2002 recommended premium rates on 17 April 2001. The new rates had effect from 30 June 2001. The recommended premium rates were reduced overall by 11.7%. The reduction included 8.2% for expected claims experience and a one-off 3.5% reduction for the removal of the brokerage allowance.

The estimated average premium rate will reduce to 2.626% for 2001/02 compared to 2.972% in 2000/01. In 1999/00 the initial average rate was 3.436% and reduced to 3.092% in November 1999. This compares with an average premium rate of 2.540% in 1998/99 prior to the 35.3% increase to the 1999/00 rates.

Other trends also point to a general improvement in the position of workers' compensation in Western Australia.

Both the number and frequency rates for lost time claims have steadily decreased since 1996/97 with the number of claims reducing by over 15% (from 27,897 in 1996/97 to 24,140 in 1999/2000) and the frequency rate by 20.7%. (from 24.4 to 19.3). Claims payments costs are also falling. Actual claims payments for 2000/2001 show an overall reduction of \$75.137 million (15.8%) compared to 1999/2000.

There is, however, continuing cause for concern in the persistence of long duration (60 days or greater) claims as a major cost factor in the workers' compensation scheme. While the overall number of claims is reducing, the number of long duration claims is increasing. Latest figures available (1998/99) show that while long duration claims represent just over 15% of all lost time claims, they account for almost 76% of the cost of lost time claims.

The Commission is monitoring the situation to ascertain if legislative amendments made in October 1999 will have an impact on reversing this trend. The Commission is also actively promoting the management of long duration claims through an injury management process. Injury management provides the employer, worker and medical practitioner with the opportunity to develop a process to achieve an early return to work for injured workers.

Impact of 1999 Legislative Amendments

Much of the improvement in scheme outcomes is due to legislative amendments introduced in 1999. The package of legislative amendments was aimed at addressing escalating workers' compensation costs and premium rates. Due to the nature of the workers' compensation scheme there is necessarily a delay between the introduction of structural changes and the results of those changes becoming apparent. It appears, however, the changes brought about by the 1999 legislative amendments are starting to have an impact within the workers' compensation scheme.

Noticeable movements in key areas over the last year (1999/2000 - 2000/2001) include:

- common law costs reduced by \$71,486,273 (47.02%);
- medical and associated costs reduced by \$10,221,500 (9.97%);
- weekly benefits costs reduced by \$11,973,054 (8.83%) and
- First schedule redemptions increased by \$20,009,909 (129%).

During the reporting period payments for legal expenses increased by .06% (\$19,628).

All amounts are actual claims payments costs.

One aspect of the legislative changes effective from October 1999 is the amendment enabling easier access for a lump sum in redemption of weekly payments. Workers, who have continued on weekly payments for more than 6 months, can redeem by the payment of a lump sum where the worker and the employer agree on the amount and the agreement is registered.

Redemptions provide workers with a lump sum for the disability. A redemption puts an end to a worker's further entitlement to compensation and any right for the worker to sue their employer for civil damages.

To indicate the impact on the system of this change, there were 1299 redemptions in 2000/2001, (560 from October 1999 to 30 June 2000) compared with 17 in 1998/1999 and 20 in 1997/1998.

Collapse of HIH Insurance

The collapse of HIH Insurance in March 2001 was of major consequence to workers' compensation in Western Australia. The insurer has been placed into provisional liquidation. A recent actuarial assessment estimates outstanding claims in WA to be \$122 million. This represents projected outstanding liabilities that are in inflated and discounted values and are inclusive of a prudential margin. I anticipate that, with prudent management, the actual cost of the outstanding claims will be contained to approximately \$93 million.

As the Employers' Indemnity Supplementation Fund had current funds of only about \$8.6 million, it was necessary for the Government to introduce amending legislation to re-activate the surcharge provisions of the Fund to cover these claims.

The legislation amended the Employers' Indemnity Supplementation Fund Act 1980 to allow the surcharge to be re-commenced whenever necessary and for both the period of the surcharge and the percentage amount to be prescribed by regulation. The legislation provides that for the first 5 years the surcharge will be limited to a maximum amount equal to 5% of the amount of premium payable in respect of an employer's workers' compensation policy. After 30 June 2006 the percentage will not be able to exceed 1%.

Reviews of the Workers' Compensation Scheme

Over the last year or so a number of comprehensive reviews into various aspects of workers' compensation in Western Australia have been commissioned. The recommendations of these reviews will provide guidance to the Commission when recommending future policy direction for the workers' compensation scheme.

On the 4 July 2000 the Review of Insurance Arrangements Committee chaired by Mr Campbell Ansell, and consisting of Mr Kim Mettam and Mr Frank Michell, forwarded their recommendations on the future of the privately underwritten scheme in Western Australia to the former Hon Minister for Labour Relations.

On 24 July 2000 Mr John Knowles (Chairman), Mr Nigel Glass and Dr Trevor Lord forwarded recommendations of a Review of Medical and Associated Costs (the Review) to the former Hon Minister for Labour Relations. The Review confirmed there had been an increase in medical and associated costs and examined the reasons for these increases.

In May 2001 Mr Robert Guthrie, Senior Lecturer with the Curtin University of Technology was seconded by the Commission to assist with the implementation of the Government's proposed reforms to workers' compensation in Western Australia. Mr Guthrie's role is to advise the Government on strategies for implementing the Government's policy statement on workers' compensation and recommendations from previous reviews of workers' compensation. Mr Guthrie is expected to report to Government by mid July 2001.

Strategic Management

Since 1994 the Commission has adopted a strategic management approach focused on improving the performance of the workers' compensation scheme in Western Australia.

In February 2001 members of the Workers' Compensation and Rehabilitation Commission adopted a strategic plan to provide broad direction for the Commission for the three years commencing July 1 2001. The plan focuses on achieving balanced outcomes for all workers' compensation scheme participants. It also promotes co-operation between scheme stakeholders as a means of fostering a shared commitment to achieving those outcomes.

In addition to a new mission and vision, the Commission identified key areas of focus seen as critical to improving scheme performance and achieving the vision. Each key area of focus is further supported by key strategies. The key strategies provide a broad description of what the Commission will do over the next three years towards achieving its vision. Finally, a number of strategic performance measures were devised to track progress toward achievement of the vision. A description of the Commission's strategic plan is included in the annual report.

Each year the Commission will implement Priority Initiatives that give effect to the strategic plan and implement the key strategies. Six Priority Initiatives have been identified for implementation in 2001/2002:

- Review Legislation
- Stakeholder Understanding
- Service Provider Guidelines
- WorkCover Claim Number
- Employer Compliance
- Consultation

Operations

At an operational level the Commission achieved a number of significant outcomes during the past year. Injury management Week was again a highly successful vehicle for increasing community awareness of workers' compensation and injury management. This year an estimated 1,600 people attended events hosted by public and private sector sponsors. Of particular importance was the extension of Injury Management Week for the first time into regional Western Australia.

During the year the Commission continued its commitment to the delivery of services to regional areas. In addition to the inclusion of regional centres in Injury Management Week activities, the Commission also delivered a state wide, community awareness initiative that included visits to seven regional centres including Albany, Bunbury, Karratha, South Hedland, Kalgoorlie, and Geraldton. Compliance activities in regional areas continued with two regional trips during the year.

The provision of information to scheme participants and stakeholders remains a priority. Over the last 12 months the Commission responded to over 28,500 individual requests for information and provided information seminars for over 2,500 people. This in addition to over 105,000 site visits to the Commission's Internet site.

Conclusion

The last three to four years have been characterised by increasing pressure on premium rates. During this time rapidly rising claim costs and premium rates were primary contributing factors to instability in the Western Australian workers' compensation scheme.

Action, in the form of significant legislative amendment, was taken in 1999 to address the structural deficiencies in the scheme. The results of the legislative changes are now beginning to have an impact on workers' compensation outcomes. Claim costs and premium rates are decreasing. This, coupled with the continued downward movement in the number and frequency of lost time claims, are encouraging signs pointing to the improving health of workers' compensation in this state.

As the recommendations of recent reviews into workers' compensation become available the Commission will be seeking ways to build on improvements delivered so far and assist Government implement its workers' compensation direction statement.

I would like to take this opportunity to express my appreciation for the contribution and commitment of my fellow Commission members during 2000/2001. Indeed, I also acknowledge the continued professional support and contributions of the staff of WorkCover.

A handwritten signature in black ink, appearing to read "B T Bradley".

B T BRADLEY

Chairman

**Workers' Compensation and Rehabilitation
Commission**

28/08/2001

About the Commission

Establishment and Enabling Legislation

The Workers' Compensation and Rehabilitation Commission (the Commission) was established in May 1982 upon proclamation of the Workers' Compensation and Rehabilitation Act 1981. The Commission is constituted under section 94 (1) of the Act.

Under an amendment to the Workers' Compensation and Rehabilitation Act 1981 that came into effect on 24 December 1993, the Commission is authorised to use and operate under the trading name WorkCover (WorkCover WA or WorkCover Western Australia).

Legislation Administered

The Commission administers:

- the Workers' Compensation and Rehabilitation Act 1981;
- the Employers' Indemnity Supplementation Fund Act 1980;
- the Waterfront Workers' (Compensation for Asbestos Related Diseases) Act 1986; and
- the Employers' Indemnity Policies (Premium Rates) Act 1990.

Authority and Funding

Funding for the Commission's activities is provided by an annual levy on premiums paid by employers to insurers approved to underwrite workers' compensation insurance in Western Australia and by self insurers.

Role

The primary role of the Commission is to administer the Workers' Compensation and Rehabilitation Act 1981, the purposes of which are:

- 1) to make provision for the compensation of:
 - i. Workers who suffer a disability; and
 - ii. Certain dependants of those workers where the death of the worker results from such a disability.
- 2) to promote the rehabilitation of injured workers with a view to restoring them to the fullest capacity for gainful employment of which they are capable;
- 3) to promote safety measures in and in respect of employment aimed at preventing or minimising occurrences of disabilities; and
- 4) to make provision for the hearing and determination of disputes between parties involved in workers' compensation matters in a manner that is fair, just, economical, informal and quick.

Functions

The Commission's functions are outlined under section 100 of the Workers' Compensation and Rehabilitation Act 1981:

To administer this Act and without limiting the generality of the foregoing -

- (a) to control and administer the General Fund and the Trust Fund;
- (b) where necessary or desirable, to participate in research into the causes, incidence, and methods of prevention of accidents, injuries, losses of functions, and diseases in respect of which compensation may be payable under this Act;
- (c) where necessary or desirable, to assist in encouraging the prevention or minimising of accidents, injuries, losses of functions, and diseases in respect of which compensation may be payable under this Act;

- (d) to make available upon request to employers such services or other assistance as it considers appropriate to facilitate the arranging of rehabilitation and to act as a rehabilitation provider;
- (da) to promote the rehabilitation of workers suffering a disability in respect of which compensation is or may be payable under this Act and to disseminate to workers and others information concerning rehabilitation;
- (e) to coordinate arrangements generally to secure the care, supervision, and assistance of workers suffering injury, loss of function, or disease in respect of which compensation is or may be payable under this Act;
- (f) to obtain from all insurers and self-insurers information and returns enabling the Commission to compile and record such statistics, records, and reports as it considers desirable for the better administration of this Act;
- (fa) to keep under review the sufficiency of the information provided to the Commission by insurers and self-insurers, and whether or not criteria developed by the Commission for assessing the performance of insurers and self-insurers are being met;
- (g) where necessary or desirable, to assist in investigating all matters relating to accidents, injuries, losses of functions, or diseases in respect of which compensation is or may be payable under this Act, to study the causes and various methods of treatment and the results of treatment of such accidents, injuries, losses of functions, and diseases;
- (h) formulating recommendations and preparing estimates for submission to Parliament of the cost of providing facilities for rehabilitation and re-employment of workers who have sustained permanent or temporary disablement from a compensable disability so as to minimise or remove any handicap suffered by the worker;
- (i) to provide support services to any medical panel established under section 36 and to any medical assessment panel; and
- (j) to provide the Committee with such statistics, records, reports, and other information as the Committee may reasonably require to enable it to perform its obligations under section 151(a).

Powers of Delegation

The power to delegate authorities, obligations and duties is conferred upon the Commission under section 101 (f) of the Workers' Compensation and Rehabilitation Act (1981).

Mission

The Commission's Mission describes the Government's aims in establishing the Agency and is couched in broad terms to include high level objectives:

To effectively administer the Workers' Compensation and Rehabilitation Act for the benefit of injured workers at a reasonable cost to employers and the community and to advise government on appropriate policy for this purpose.

Strategic Plan 2001 - 2004

Since 1994 the Commission has adopted a strategic management approach focused on improving the effectiveness of the workers' compensation system. In February 2001 members of the Commission agreed on a strategic plan to provide broad direction for the Commission over the three years commencing 1.07.2001.

The plan focuses on achieving balanced outcomes for all workers' compensation scheme participants. It also promotes co-operation between scheme stakeholders as a means of fostering a shared commitment to achieving those outcomes.

Under the new strategic plan the Commission's Mission will be modified to:

To minimise the social and economic impact on workers of work-related injury and disease and achieve cost effectiveness for employers and the community.

This will be achieved through effective administration of the Workers' Compensation and Rehabilitation Act, the provision of quality policy advice to government and excellent stakeholder relationships.

The mission is supported by the Vision:

Workers, employers, service providers and WorkCover working together to achieve a workers' compensation scheme that is fair, accessible to injured workers and affordable to employers and the community.

In addition to a new mission and vision, the Commission has identified key areas of focus seen as critical to improving scheme performance and achieving the vision. Each key area of focus is further supported by key strategies. The key strategies provide a broad description of what the Commission will do over the next three years towards achieving its vision.

Each year the Commission will implement Priority Initiatives which will give effect to the strategic plan and implement the key strategies.

Below is a summary of the 2001 - 2004 strategic plan.

Vision

Workers, employers, service providers and WorkCover working together to achieve a workers' compensation scheme that is fair, accessible to injured workers and affordable to employers and the community.

strategic plan 2001 - 2004

Mission

To minimise the social and economic impact on workers of work-related injury and disease and achieve cost effectiveness for employers and the community.

This will be achieved through effective administration of the Workers' Compensation and Rehabilitation Act, the provision of quality policy advice to government and excellent stakeholder relationships.

KEY AREAS OF FOCUS

| Scheme Design | Commitment & Compliance | Information Management | Injury Management |
|---|---|---|--|
| A scheme that achieves objectives for workers, employers and the community in a continually changing environment. | Stakeholders, service providers and WorkCover actively contribute to the achievement of scheme goals. | Stakeholders, service providers and WorkCover use accurate, timely scheme information to make informed decisions for the benefit of the workers' compensation scheme. | Maintenance in, or return to work outcomes for workers are enhanced and costs associated with claims are contained through the active involvement of employers, workers and the medical profession in the injury management process. |

KEY STRATEGIES

| Laying the Foundations | Twenty First Century Partnerships | Embracing Millennium Technology | Spreading the Word |
|--|--|--|---|
| <p>We will be proactive and lead in the development and operation of the scheme. This includes the use of investigative/ analytical methodologies to provide policy advice for:</p> <ul style="list-style-type: none"> ➤ development of workers' compensation legislation and operational policy; and ➤ facilitating the simplification of the scheme through a review of the Act and the supporting information infrastructure. | <p>We will work in partnerships with stakeholders and service providers to facilitate compliance and ensure commitment to scheme objectives. We will also promote stakeholder and service provider behaviour that is aligned with scheme goals and supports the development and implementation of Best Practice processes within the scheme.</p> | <p>We will develop and maintain information systems that use technology to enhance the efficiency and effectiveness of the scheme and its participants. Particular emphasis will be placed on:</p> <ul style="list-style-type: none"> ➤ accurate and timely data analysis; ➤ identifying scheme trends; ➤ recommending scheme design improvements; ➤ supporting accurate decision making; and ➤ developing and delivering initiatives such as education and commitment & compliance strategies. | <p>We will develop and implement, in partnership with stakeholders and service providers, education and information exchange opportunities to improve their knowledge and understanding of workers' compensation. This will offer the opportunity for stakeholders and service providers to embrace change and share a common vision.</p> |

Organisational Structure

The Commission's governing body is the Workers' Compensation and Rehabilitation Commission. This comprises a Chairman and six members. The Commission exercises the functions, powers and duties conferred under the Workers' Compensation and Rehabilitation Act 1981.

The day to day administration of the Commission has been delegated by the Commission to the Executive Director who directs the operations of the Agency.

The Executive Director, and all other personnel engaged by the Commission are employed under the provisions of the Public Sector Management Act 1994.

For the purposes of this report, when referring to the Commission as an organisation, the name WorkCover will be used. The names Commission or Workers' Compensation and Rehabilitation Commission will be used to refer to WorkCover's governing body.

Workers' Compensation and Rehabilitation Commission

Section 95 of the Workers' Compensation and Rehabilitation Act 1981 states that the Commission is to consist of a Chairman recommended by the Minister and appointed by the Governor.

The Chairman is a public servant who, in the opinion of the Hon Minister, has had administrative experience at a senior level.

In accordance with the provisions of the Act the Executive Director of WorkCover shall be a member of the Commission.

In addition, the Commission is to consist of five other nominee members who shall be persons respectively:

- experienced in management in commerce or industry, or both;
- experienced in trade union affairs;
- experienced in the insurance business but not employed in the Insurance Commission of Western Australia ;
- employed in the Insurance Commission of Western Australia; and
- a medical practitioner.

Under section 95 (4), deputy members to the members of the Workers' Compensation and Rehabilitation Commission may also be appointed.

Section 96 (1) of the Act states members of the Commission may hold office for a period not exceeding three (3) years, and are eligible for reappointment.

Membership to the Commission is for a three year period to 3 May 2003. Members of the Commission are as follows:

Mr Brian Bradley (Chairman)

Mr Bradley is the WorkSafe Western Australia Commissioner and Chief Executive Officer of WorkSafe Western Australia. He was appointed chairman to the Workers' Compensation and Rehabilitation Commission on 3 May 2000.

Mr Bradley is also the Western Australian representative on the National Occupational Health and Safety Commission. As of 1 July 2001, Mr Bradley is to be appointed Acting Director General of the Department of Consumer and Employment Protection.

Mr Harry Neesham (Member)

Mr Neesham is the Executive Director of WorkCover. He has served as the Deputy Chairman and a Member of the Workers' Compensation and Rehabilitation Commission since its inception in 1982.

Mr Vic Evans (Member)

Mr Evans is the Managing Director of the Insurance Commission of Western Australian and the nominee of the Insurance Commission of Western Australia. He has served as a Member on the Workers' Compensation and Rehabilitation Commission since 1992.

Mr Evans has extensive experience in insurance; is a member of the Road Safety Council; and a Fellow of the Australian Institute of Management, WA.

Mr Nigel Glass (Member)

Mr Glass was appointed as a member to the Workers' Compensation and Rehabilitation Commission in May 1997. Mr Glass is the Chamber of Commerce and Industry's (WA) nominee to the Commission. He is the Chief Executive Officer of the Paraplegic Quadriplegic Association of WA (Inc) and the Civilian and Maimed Limbless Association of WA Inc.

Mr Glass has had an extensive and ongoing interest in occupational safety and health issues and workers' compensation. He is the chairperson of the Health and Community Services Council, and the Occupational Health, Safety and Workers' Compensation Committee, as well as a board member of the Chamber of Commerce and Industry (WA).

Mr Glass is also a Fellow of the Australian Institute of Management, the Australian Society of Association Executives and is a Member of the Safety Institute of Australia.

Ms Miriam Angus (Member)

Ms Angus was appointed as a member of the Workers' Compensation and Rehabilitation Commission in July 1999 as a nominee of Unions WA.

Ms Angus has experience in trade union affairs, particularly in the area of workers' compensation, and is currently employed by Chapmans, Barristers and Solicitors.

Dr Robert Gillett (Member)

Dr Gillett is a specialist medical practitioner and a nominee of the WorkSafe Western Australia Commissioner to the Workers' Compensation and Rehabilitation Commission.

He has served as a member on the Commission since 1991 and has extensive experience in the area of occupational medicine and workers' compensation medicine.

Mr Daryl Cameron (Member)

Mr Cameron is the Group Manager, WA & NT, of the Insurance Council of Australia and has 28 years of experience in the insurance industry.

An affiliate of the Australian Insurance Institute, he has served in senior positions for several national and international insurance and banking companies.

Disclosure of Interest in an Existing or Proposed Contract

In accordance with Treasurers Instruction 903 the following Senior Officers have declared interests in existing or proposed contracts with WorkCover.

Commission member Mr Nigel Glass is Chief Executive Officer of the Paraplegic Quadriplegic Association of WA (Inc) which, during 2000/2001, received payment under a contract for the maintenance of the grounds of the Commission's premises at 2 Bedbrook Place in Shenton Park.

Commission member Mr Vic Evans is Managing Director of the Insurance Commission of WA which, for a fee, during 2000/2001 provided a claims management service for workers' compensation claims lodged against Employers' Indemnity Supplementation Fund and the Workers' Compensation and Rehabilitation General Fund.

Commission deputy member Mr Doug Pascoe is General Manager (Insurance) of the Insurance Commission of WA which, for a fee, during 2000/2001 provided a claims management service for workers' compensation claims lodged against Employers' Indemnity Supplementation Fund and the Workers' Compensation and Rehabilitation General Fund.

Corporate Governance

Commission Advisory Committees

The corporate governance responsibilities of the Workers' Compensation and Rehabilitation Commission are discharged in part by several advisory committees constituted under section 100(A) of the Workers' Compensation and Rehabilitation Act 1981, namely the:

- Accreditation and Monitoring Advisory Committee;
- Audit and Budget Advisory Committee;
- Grants Advisory Committee;
- Insurer and Self Insurer Advisory Committee;
- Legislative Review Advisory Committee; and
- Medical and Allied Services Advisory Committee.

Each Committee is chaired by a member of the Workers' Compensation and Rehabilitation Commission. Membership comprises members or deputy members of the Commission or a nominee of the representative body on the Commission.

Accreditation and Monitoring Advisory Committee

Under section 156A (2) of the legislation the Commission is responsible for the approval of a person as a rehabilitation provider.

In order to effectively discharge these responsibilities the Commission requires the Accreditation and Monitoring Advisory Committee to establish performance criteria against which it reviews new applications and existing approvals. It advises the Commission on whether each approved rehabilitation provider complies with the provisions of the legislation and approval guidelines.

Audit and Budget Advisory Committee

The Audit and Budget Advisory Committee undertakes the functions of audit and budget on behalf of the Commission. The Audit function relates to advising the Commission on the audit measures to achieve the effective and efficient administrative performance of the Commission. The budget function relates to the reviewing WorkCover's budget and making to the full Commission.

Grants Advisory Committee

The Grants Advisory Committee advises the Commission on priority initiatives for research into prevention and the workers' compensation system and the allocation of research funding.

Medical and Allied Services Advisory Committee

The Medical and Allied Services Advisory Committee provides the Commission with recommendations for fee structures and service schedules for the delivery of medical/allied health and vocational rehabilitation services.

Legislative Review Advisory Committee

The Legislative Review Advisory Committee reviews and recommends appropriate action to the Commission on issues relating to the Workers' Compensation and Rehabilitation Act 1981 and related legislation and regulations.

Insurer and Self Insurer Advisory Committee

The Commission relies on this forum as an opportunity to provide feedback and to consult with approved insurers and self-insurers in Western Australia on their performance within the workers' compensation system.

Corporate Structure

Corporate Executive

The administration of WorkCover has been delegated by the Commission to the Executive Director who directs the day to day operations of the agency. The Executive Director, Mr Harry Neesham, heads a corporate executive team responsible for overseeing the administration of the agency and establishing agency policy.

The Corporate Executive comprises:

Mr Harry Neesham – Executive Director

Ms Diane Munrowd - Director, Scheme Development and Operations;

Mr Ross Monger - Director, Conciliation and Review;

Mr Phil Scales – Director, Corporate and On-line Services;

Ms Gianna Cammarano - Executive Officer; and

Mr Robert Erickson - Corporate Development Officer.

Divisions

WorkCover's outputs are delivered and operations conducted within an administrative structure consisting of three divisions and Executive Support:

Executive Support

Executive Support provides direct support to the Executive Director, the Premium Rates Committee, the Commission and various committees of the Commission. It is also responsible for all corporate and strategic planning and performance evaluation.

Scheme Development and Operations

Director: Ms Diane Munrowd

This division provides a policy development and statistical/research function for the Commission and is involved in the development of all legislation.

In addition, the division is responsible for ensuring compliance with legislation, the accreditation/licensing and monitoring of service providers, and administration of noise induced hearing loss legislation.

The division also delivers information, education and training to our customers and is responsible for all promotional activities of the agency.

Conciliation and Review

Director: Mr Ross Monger

This division provides a service for the resolution of disputed workers' compensation claims and the registration of agreements between parties in the workers' compensation scheme.

This includes the recording of agreements and the resolution of disputes regarding the degree of workers' disabilities in cases where workers seek to take civil proceedings for damages against employers, independently of the Workers' Compensation and Rehabilitation Act 1981.

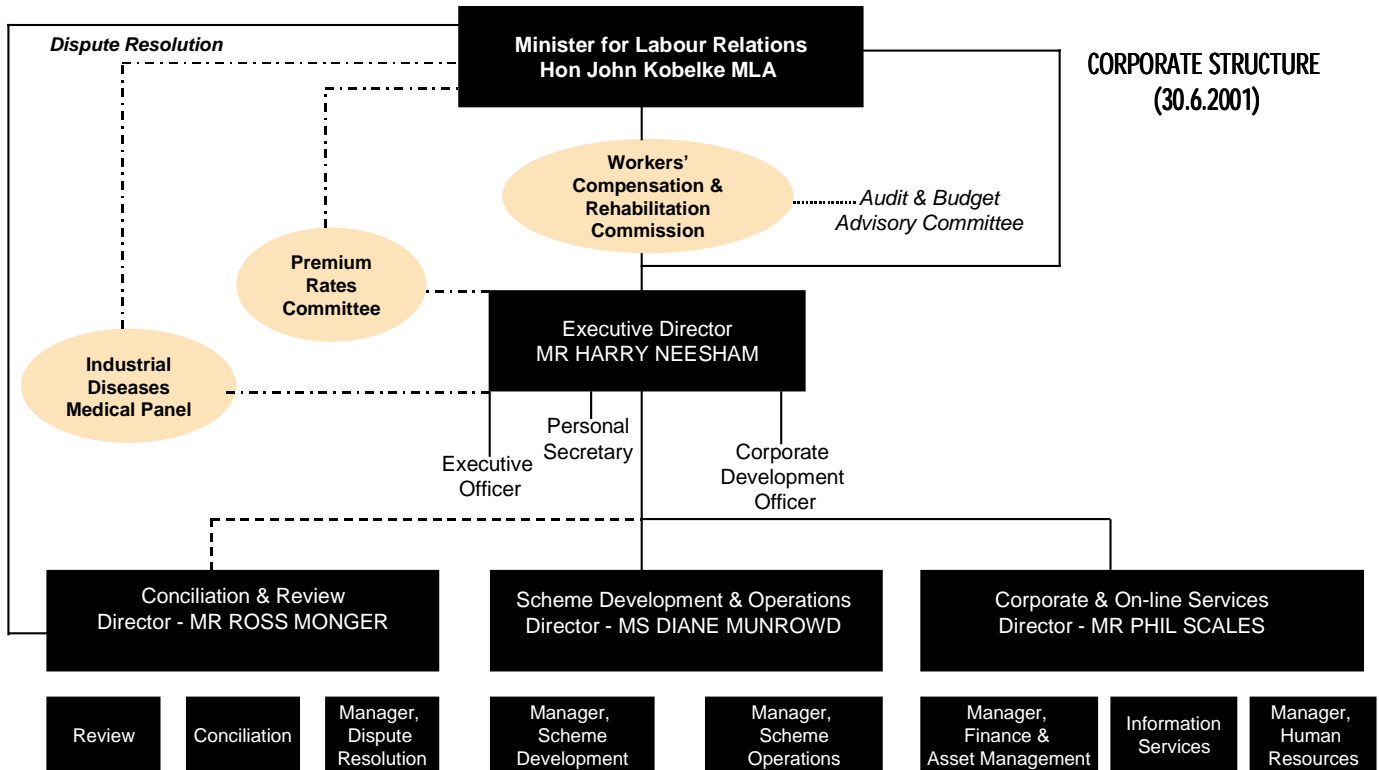
Corporate and On-line Services

Director: Mr Phil Scales

This division ensures the human, financial and physical resources are available to support the operations of the agency and the delivery of outputs.

The division is also responsible for WorkCover's on-line service delivery environment as well as managing various trust funds and providing support to the Industrial Diseases Medical Panel.

**CORPORATE STRUCTURE
(30.6.2001)**



• The Conciliation & Review Directorate is the dispute resolution body established to hear and determine workers' compensation disputes

• The Scheme Development & Operations Directorate is responsible for:

- policy and legislation
- statistics, research & special projects
- scheme compliance functions
- advisory and community awareness services
- administrating noise induced hearing loss legislation.

On-line and Support Services is responsible for:

- human resources management
- information systems
- finance & asset management
- the provision of administrative support to the Industrial Diseases Medical Panel



Annual Estimates

In accordance with the Treasurer's Instruction 953, statutory authorities not operating as divisions of the Consolidated Fund are required to include annual estimates for the current financial year in the Annual Report of the preceding year.

The following estimates of expenditure and revenue have been submitted and approved by the Minister for 2001/2002.

| | |
|---------------------------------|-------------------|
| EXPENDITURE | \$ |
| Information, Education & Advice | 1,497,397 |
| Scheme Regulation | 1,032,322 |
| Dispute Resolution | 4,521,569 |
| Other | 682,000 |
| Support Services | 3,870,703 |
| Non Program Items | 786,209 |
| Rollovers/Purchase Orders | 341,233 |
| TOTAL | 12,731,433 |
| REVENUE | |
| Information, Education & Advice | 27,300 |
| Scheme Regulation | 38,900 |
| Dispute Resolution | 12,500 |
| Support Services | 487,380 |
| Non Program Items | 50,000 |
| Contributions | 12,272,470 |
| Prior Year Deficit | (157,117) |
| TOTAL | 12,731,433 |

Outcomes and Outputs

Outcomes

To fulfill its mission WorkCover seeks to achieve three outcomes:

Information, Education and Advice

Workers' compensation scheme participants are aware of their rights and responsibilities and Government receives accurate, timely policy advice regarding workers' compensation and injury management;

Scheme Regulation

Workers' compensation scheme participants comply with legislative requirements and standards; and

Dispute Resolution

Workers' compensation disputes are resolved and agreements registered expeditiously.

Outputs

To achieve the Scheme Regulation, Dispute Resolution, and Information, Education and Advice, outcomes, WorkCover delivers the following outputs:

Information and Education

Information and education provided to workers' compensation scheme participants and the general community to increase their knowledge of their rights and responsibilities with respect to the scheme, and workers' compensation and injury management.

Policy Advice

The identification, review, development and implementation of policy and legislative options designed to maintain and improve the efficiency and effectiveness of the workers' compensation scheme.

Compliance

Inspections and investigations conducted to ensure compliance with workers' compensation legislation and prosecution of non complying parties.

Accreditation and Licensing

Monitoring and accreditation/licensing of workers' compensation scheme service providers to ensure compliance with workers' compensation legislation and the delivery of an appropriate standard of service.

Dispute Resolution

Effective resolution of worker's compensation disputes in a manner that is equitable, accessible and independent.

Registration of Agreements

Registration of memorandums of agreement in those cases whereby parties agree to settle a claim for compensation in accordance with the Act, and the recording of agreements and the resolution of disputes regarding the degree of workers' disabilities in those cases where workers seek to take civil proceedings for damages against employers independent of the Act.

Performance Measurement

WorkCover evaluates its performance at two levels: Corporate and operational.

Corporate Performance Indicators

At the Corporate level, performance is measured via Key Performance Indicators that indicate the extent to which the agency has achieved its outcomes (effectiveness) and the cost of delivering services (efficiency).

Achieving Outcomes Key Effectiveness Indicators

Key effectiveness indicators show the extent to which the agency has achieved the outcomes set by Government.

Outcome 1: Information, Education and Advice

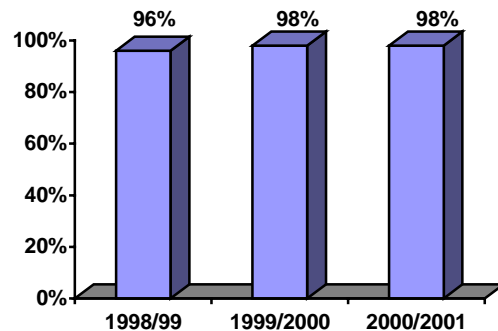
Workers' compensation scheme participants are aware of their rights and responsibilities and Government receives accurate, timely policy advice regarding workers' compensation and injury management.

People who receive information from WorkCover by way of attendance at information seminars and via the agency's telephone information service are surveyed to determine if the information provided to them increased their knowledge of their rights and responsibilities in regard to the workers' compensation scheme. The results of these surveys demonstrate WorkCover's effectiveness.

As the primary customer for policy advice provided by WorkCover, the Minister for Labour Relations is surveyed annually to determine the agency's effectiveness in the area of the provision of policy advice.

Effectiveness Indicator 1.1 – Seminar Attendees

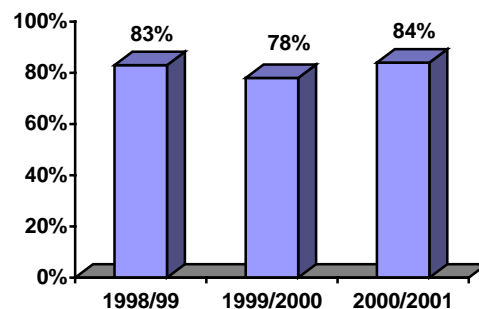
The percentage of attendees at WorkCover information and education seminars who reported an increase in their level of knowledge of the workers' compensation scheme as a result of the information/education provided to them:



Customer response to WorkCover's information seminars was extremely positive. For the third year in a row almost all survey respondents reported they had increased their knowledge as a result of attending the seminars.

Effectiveness Indicator 1.2 – Enquiries

Percentage of Info-line callers responding to a survey who indicated their level of knowledge of the workers' compensation scheme increased as a result of the information provided to them during their Info-line call:



This year there was a significant increase in the percentage of Info-line callers who reported an increase in knowledge.

Effectiveness Indicator 1.3 – Policy Advice

The Minister for Labour Relations rated policy advice provided by WorkCover as:

| | | |
|----------------|----------------|-------------|
| 1998 – 1999 | 1999 – 2000 | 2000 - 2001 |
| Very Effective | Very Effective | Effective |

The response to the survey reflects that the period covered by the survey was four months in which the Government was formalising its position on workers' compensation.

It is anticipated that as WorkCover and its staff become familiar with the Government's priorities the agency's effectiveness in providing relevant and timely policy advice will improve.

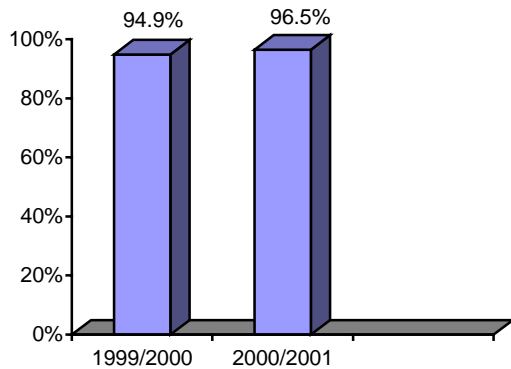
Outcome 2: Scheme Regulation

Workers' compensation scheme participants comply with legislative requirements and standards.

WorkCover staff inspect businesses to determine whether employers comply with the legislative requirement to hold adequate workers' compensation insurance coverage. The agency also monitors the performance of key workers' compensation scheme service providers to ensure they comply with legislation and deliver services to an agreed standard.

Effectiveness indicator 2.1 - Compliance

Percentage of new employers found to hold workers' compensation insurance at the time of inspection:

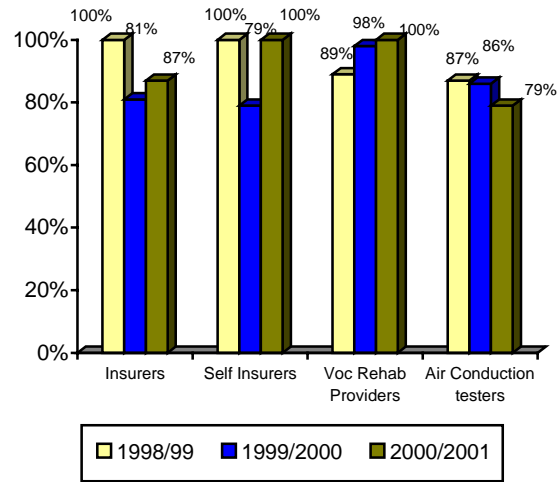


The Compliance Performance Indicator has been modified since it was reported last year. While the indicator still shows the level of insurance by employers, the method of measurement has been changed to better reflect the overall level of employer insurance.

Results based on the revised method of measurement are only available for the current year and 1999/2000.

Effectiveness indicator 2.2 – Accreditation and Licensing

Percentage of service providers which met accreditation/licensing standards:



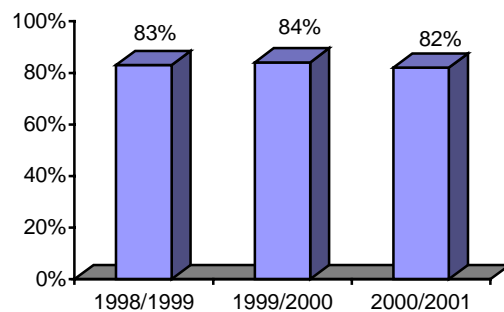
Outcome 3: Dispute Resolution

Workers' compensation disputes are resolved and agreements registered expeditiously.

WorkCover's Conciliation and Review Directorate seeks to resolve disputes between parties in the workers' compensation system through a system of conciliation and review hearings. As parties to a dispute must agree before a dispute is resolved at conciliation, conciliated resolutions are seen as the most equitable outcome to a dispute. Timeliness of dispute resolution is also a key objective of the process.

Effectiveness Indicator 3.1 – Dispute Resolution

Percentage of workers' compensation disputes lodged with WorkCover's Conciliation and Review Directorate resolved at conciliation:

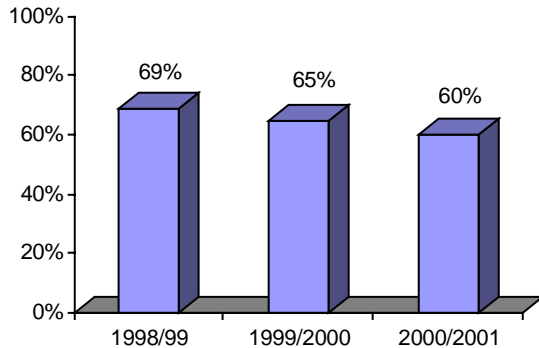


WorkCover's Conciliation and Review Directorate has maintained a high level of service delivery resolving over 80% of disputes at the conciliation stage for the third year in a row.



Effectiveness Indicator 3.2 – Dispute Resolution (Timeliness)

Percentage of workers' compensation scheme disputes lodged with WorkCover's Conciliation and Review Directorate resolved within 12 weeks of lodgement.



While the proportion of disputes that are resolved at conciliation has remained relatively stable, the percentage of disputes resolved within 12 weeks has decreased over the last 3 years,

This is due firstly, to the increase in the number of disputes resulting in a greater lead-time before conferences, and also due to the increase in the actual number of matters being resolved by review proceedings.

Further, the complexity of disputes, particularly stress-related matters, often require additional time for decisions to be made.

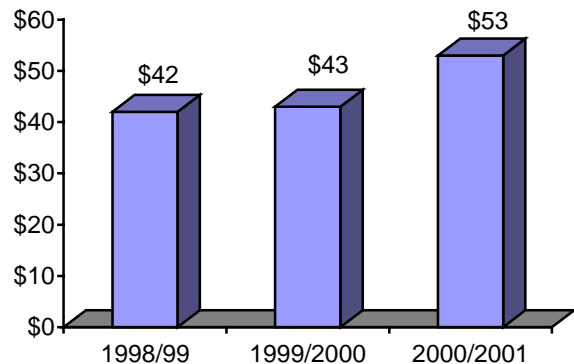
Achieving Outcomes Key Efficiency Indicators

WorkCover's efficiency is measured by way of Key Efficiency Indicators that measure the cost of services by cost per quantity unit delivered. Each efficiency indicator shows the cost per output unit for a particular output.

This year all WorkCover's efficiency indicators with the exception of output 3, Compliance, show an increase in the cost of delivering outputs. This is due largely to an unanticipated increase in the agency's superannuation liability and the creation of a doubtful debt expense for the contribution to the General Fund unpaid as a result of the liquidation of HIH Insurance. These added over \$1,000,000 to the overall cost of delivering outputs in 2000/2001.

Output 1

The cost per contact to provide information, education and training services:



In addition to the general increase in costs described above, the cost, per output unit, to deliver information and education to scheme participants increased as a result of a change in target audience.

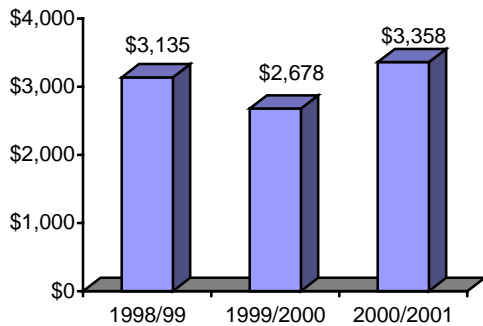
During 2000/2001 considerable resources were devoted to the delivery of information and education to the medical profession. In particular medical practitioners were targeted for the delivery of information and education to support the implementation of injury management.

Because of the nature of the target audience many information sessions were in small groups or in a one-on-one situation. This was considered a more effective way to achieve a change in doctors' behavior than the usual large group sessions.

Because of the change in delivery of information less seminar attendees were recorded and consequently the cost per attendee increased.

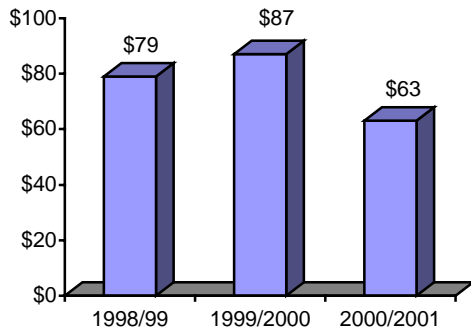
Output 2

The cost per item of advice to provide policy advice to Government:



Output 3

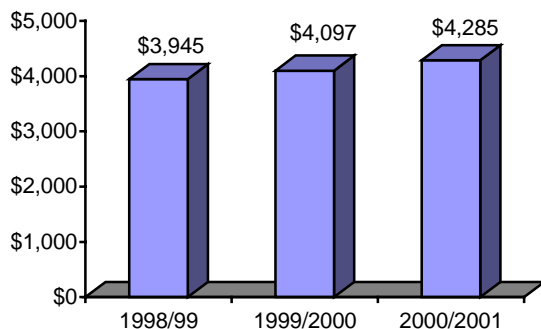
The cost per inspection to ensure compliance with the Workers' Compensation and Rehabilitation Act:



Implementation of the WorkCover Investigator (an automated case management system) involved a data verification process that created a backlog of lapsed policy reports. This resulted in an increase in the number of inspections conducted. As additional resources were not employed the cost per inspection was reduced compared to last year.

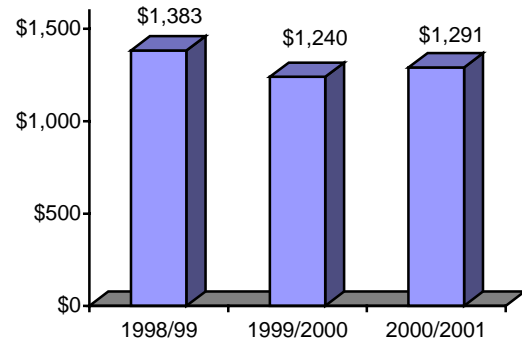
Output 4

The average weighted cost per service provider to monitor accredited/licensed service providers:



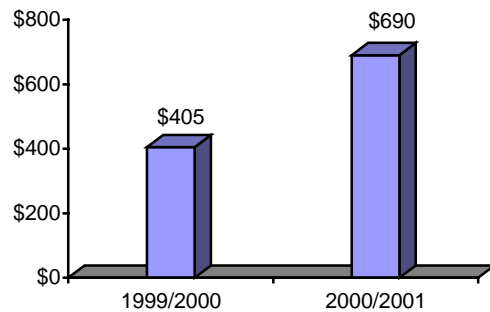
Output 5

The cost per dispute to resolve disputes:



Output 6

The cost per agreement to register agreements/determinations.



Following legislative amendments in October 1999 there were a number of transitional matters. It was estimated that the majority of those matters would be finalised by either an agreement or determination that would be registered. However many matters were not proceeded with, or they were withdrawn. Matters that are not proceeded with, or withdrawn, are not registered and therefore they are not included in the "Cost Per Agreement to Register Agreements/ Determinations". Therefore the cost of \$690 does not take into account those matters that were not proceeded with or withdrawn, and as there were fewer matters registered than was anticipated, the cost is higher than the Year 1999/2000.



Operational Performance Measures

Delivering Outputs

Treasurer's instruction 904 requires that output performance measures of quantity, quality, timeliness and cost are reported against the year's budget estimates. The following are WorkCover's performance measures of quantity, quality, timeliness and cost in relation to each of its six outputs.

This year, WorkCover's output costs have been impacted to varying degrees by an unanticipated increase in the agency's superannuation liability and the creation of a doubtful debt expense for the contribution to the General Fund unpaid as a result of the liquidation of HIH Insurance. These two factors added over \$1,000,000 to the total expenses of the Agency during 2000/2001.

| Output 1: Information and Education | 2000/2001 Estimate | 2000/2001 Actual |
|--|---------------------------|-------------------------|
| Information and education is provided to workers' compensation scheme participants and the general community to increase their knowledge of their rights and responsibilities in relation to the scheme and workers' compensation and injury management generally. | | |
| Quantity Number of : | | |
| • General enquiry contacts | 26,000 | 28,143 ⁽¹⁾ |
| • Information session attendees | 1,900 | 2,541 ⁽¹⁾ |
| Quality Percentage of callers/attendees who have increased their knowledge of the workers' compensation system as a result of information provided by WorkCover : | | |
| • Infoline callers | 80% | 84% |
| • Information session attendees | 94% | 98% |
| Timeliness | | |
| • Infoline callers who reported satisfaction with the time taken to respond to their information request | 90% | 72% ⁽²⁾ |
| • Information sessions held on time in accordance with planned session dates. | 100% | 100% |
| Cost | | |
| • General enquiry contact | \$26 | \$29 |
| • Information session attendee | \$362 | \$320 |
| Total Output Cost | \$1,377,267 | \$1,629,834 |

Significant Variations (1) The greater than anticipated number of general enquiries contacts and attendees at information sessions was primarily due to continuing community interest in workers' compensation issues such as legislation change implications, injury management and the collapse of HIH insurance.

- (2) 72% of Infoline callers reported satisfaction with the timeliness of the response to their calls. While this is below the result anticipated it represents a significant improvement on the 1999/2000 figure of 54%. Further improvement in the timeliness of WorkCover's response to telephone enquiries is anticipated following the introduction next year of new technology that will improve the agency's call handling facilities.

Output 2: Policy Advice

The identification, review, development and implementation of policy and legislative options designed to improve the efficiency and effectiveness of the workers' compensation scheme.

| | 2000/2001 Estimate | 2000/2001 Actual |
|--|-----------------------|--------------------------------|
| Quantity | | |
| Number of items of policy advice | 135 | 111 ⁽¹⁾ |
| Quality | | |
| Minister's degree of satisfaction with policy advice provided by WorkCover | Very Effective | Effective ⁽²⁾ |
| Timeliness | | |
| Minister's degree of satisfaction with timeliness of policy advice provided by WorkCover | Very Effective | Effective ⁽²⁾ |
| Cost | | |
| Cost per item of policy advice | \$3,574 | \$3,358 |
| Total Output Cost | \$482,447 | \$327,733⁽²⁾ |

Significant Variations

- (1) The number of policy outputs was less than the estimate due to the change in Government that occurred in February 2001. A reduced number of outputs was identified in four months following the election while the Government refined its position on workers' compensation matters.
- (2) The response to the survey reflects the fact the period covered by the survey was for a four month period in which the Government was formalising its position on workers' compensation.
- (3) Total output expenditure was less than the estimate due to the lower than anticipated number of outputs delivered.

Output 3: Compliance

Inspections and investigations to ensure compliance with workers' compensation legislation and prosecution of non complying parties.

| | 2000/2001 Estimate | 2000/2001 Actual |
|---|-----------------------|-----------------------|
| Quantity | | |
| Number of inspections conducted | 20,000 | 23,465 ⁽¹⁾ |
| Quality | | |
| Percentage of inspections which resulted in remedying a breach of legislation | 11% | 6.5% ⁽²⁾ |
| Timeliness | | |
| To be developed | | |
| Cost | | |
| Cost per inspection | \$68 | \$63 |
| Total Output Cost | \$1,365,464 | \$1,489,190 |

Significant Variations

- (1) Implementation of the WorkCover Investigator (an automated case management system) involved a data verification process that created a backlog of lapsed policy reports which in turn resulted in an increase in the number of inspections conducted.
- (2) The 2000/2001 estimate for the percentage of inspections that resulted in remedying a breach of the legislation did not take into account the impact of the October 1999 amendments to the legislation. The amendments resulted in workers' compensation cover becoming optional for working directors who are workers within the meaning of the Act.

Output 4: Accreditation and Licensing

Monitoring and accreditation of key workers' compensation scheme service providers to ensure compliance with workers' compensation legislation and the delivery of an appropriate standard of service.

| | 2000/2001 Estimate | 2000/2001 Actual |
|---|--|-------------------------------------|
| Quantity Number of providers subject to monitoring: <ul style="list-style-type: none"> • Insurers • Self insurers • Vocational rehabilitation providers • Air conduction testers | 13 23 43 300 | 16 24 42 276 |
| Quality Percentage of providers which met minimum standards: <ul style="list-style-type: none"> • Insurers • Self insurers • Vocational rehabilitation providers • Air conduction testers | 100% 100% 100% 86% | 87% 100% 100% 79% |
| Timeliness Percentage of providers reviewed in accordance with terms of accreditation/licensing: <ul style="list-style-type: none"> • Insurers • Self insurers • Vocational rehabilitation providers • Air conduction testers | 100% 100% 100% 100% | 100% 100% 100% 100% |
| Cost (revised) Cost per service provider <ul style="list-style-type: none"> • Insurers • Self insurers • Vocational rehabilitation providers • Air conduction testers | Not Available Not Available Not Available Not Available | \$7459 \$4972 \$5457 \$744 |
| Total Output Cost | \$559,158 | \$673,959 |

| Output 5: Dispute Resolution | 2000/2001 Estimate | 2000/2001 Actual |
|---|---------------------------|--|
| The resolution of workers' compensation disputes in a manner that is equitable, accessible and independent. | | |
| Quantity Number of: • Disputes resolved | 4,600 | 4,757 |
| Quality Percentage of: • Disputes resolved at conciliation | 83% | 82% |
| Timeliness Percentage of disputes resolved: • Within 4 weeks of lodgement • Within 4-8 weeks of lodgement • Within 8-12 weeks of lodgement | 35% 10% 20% | 24% ⁽¹⁾ 27% ⁽¹⁾ 10% ⁽¹⁾ |
| Cost Cost per: • Dispute resolved | \$1,148 | \$1,291 |
| Total Output Cost | \$5,280,101 | \$6,142,428 |

Significant Variances

- (1) The percentage of disputes resolved within four weeks was less than anticipated as there was a longer lead-time between the date of lodgement of disputes and the convening of a conciliation conference. The variation is in part reflected in the increase in disputes resolved within 4 - 8 weeks of lodgements.

| Output 6: Registration of Agreements | 2000/2001 Estimate | 2000/2001 Actual |
|---|---------------------------|--|
| Registration of memorandums of agreements where parties agree to settle a claim for compensation in accordance with the Act and recording of agreements regarding the degree of a worker's disability where workers seek to take civil proceedings for damages. | | |
| Quantity Number of Memorandums of Agreements finalised Number of degree of disability agreements/determinations | 2,500 1,200 | 3,104 ⁽¹⁾ 574 ⁽²⁾ |
| Quality Percentage of finalised memorandums of agreements that are registered Percentage of degree of disability agreements/determinations recorded | 90% 100% | 95% 100% |
| Timeliness Percentage of memorandums of agreements finalised within 4 weeks Percentage of degree of disability agreements registered within seven days | 90% 100% | 90% 100% |
| Cost • Cost per Memorandum of Agreement registered • Cost per Agreement/determination registered | \$159 \$2,302 | \$149 \$3,617 ⁽³⁾ |
| Total Output Costs | \$3,159,899 | \$2,538,730 |

Significant Variances

- (1) The number of memorandums of agreement finalised was 24% higher than estimated. The impact of legislative amendments (October 1999) in terms of allowing redemptions by agreement between the parties was unknown and difficult to estimate, as there was nothing with which to compare in order to make a more informed estimation.
- (2) The estimate took into account the number of transitional matters brought about by the legislative amendments in October 1999. It was estimated the majority of transitional matters would be finalised by either an agreement or determination. However, many matters were not proceeded with or were withdrawn. As with the memorandum of agreement there was no valid information with which to make an informed estimation.
- (3) Following the amendments (October 1999) there were a number of transitional matters. As indicated in (2) above, it was estimated that the majority of matters would be finalised by either an agreement or determination. However many matters were not proceeded with or were withdrawn. Matters that are not proceeded with or withdrawn are not included in the "Cost Per Agreement/Determination Registered". Therefore the respective costs of those matters is well above the estimation.

Report on Operations

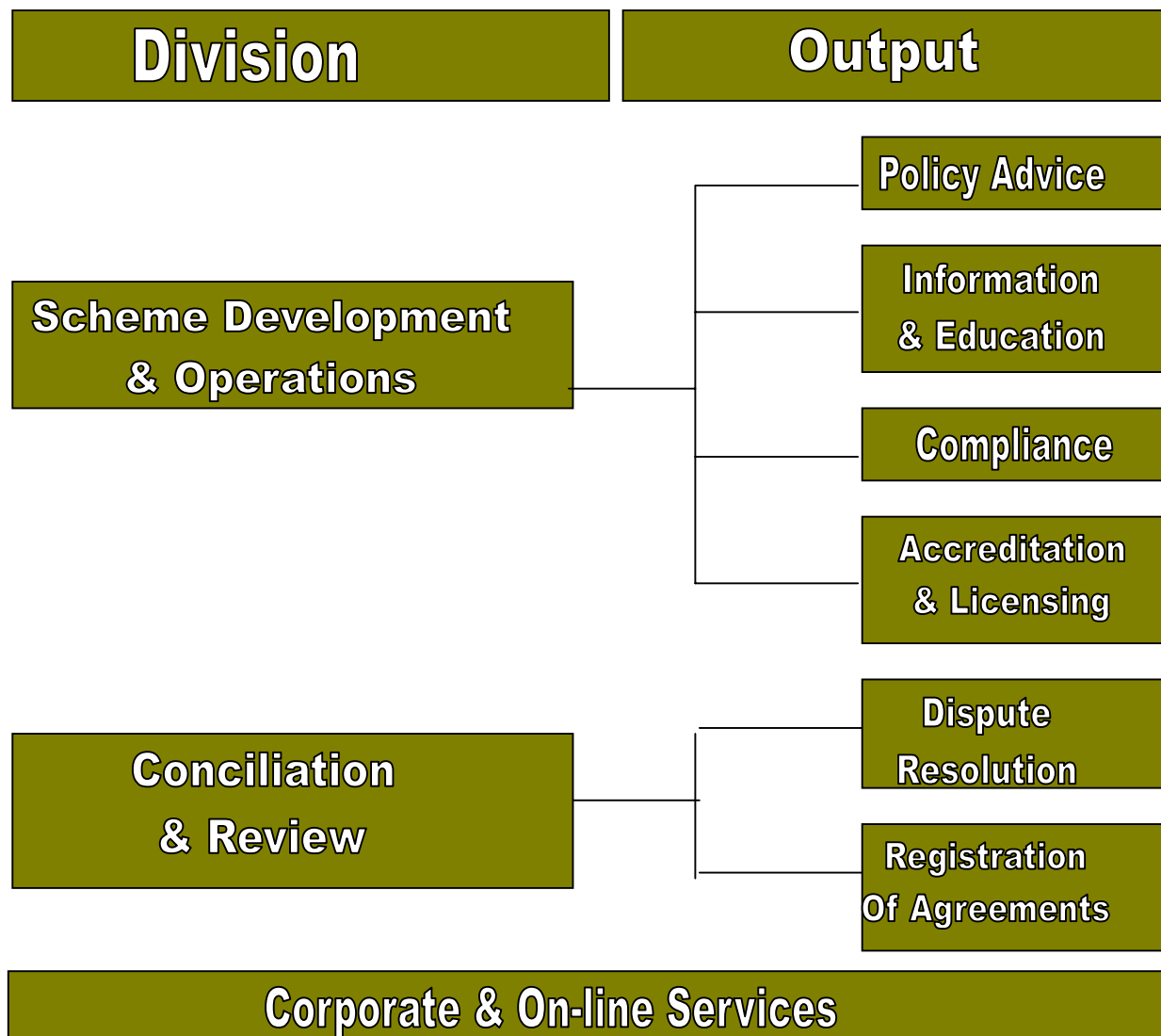
WorkCover seeks to achieve outcomes in the areas of Information Education and Advice, Scheme Regulation and Dispute Resolution. The Agency's activities during 2000/2001 were dedicated to the achievement of these outcomes and revolved around the delivery of our six key outputs

- Information and Education
- Policy Advice
- Compliance
- Accreditation and Licensing
- Dispute Resolution and
- Registration of Agreements.

Performance in relation to the achievement of outcomes and the delivery of outputs has been reported earlier in this report.

Outputs are delivered and other activities are undertaken within a divisional structure comprising three divisions: Scheme Development and Operations, Conciliation and Review and Corporate and On-line Services. The report on operations describes the role, activities and achievements for each division.

The table below summarises the outputs towards which each of the divisions contributes



Scheme Development and Operations

Director: Ms Diane Munrowd

The Scheme Development and Operations Division provides a policy development and statistical/research function for the Commission and is involved in the development of all legislation.

In addition, the division is responsible for ensuring compliance with legislation, the accreditation/licensing and monitoring of service providers, and administration of noise induced hearing loss legislation.

The division also delivers information, education and training to our customers and is responsible for all promotional activities of the agency.

The division is divided into two branches:

Scheme Development and
Scheme Operations

Scheme Development

The Scheme Development Branch provides a policy development and statistical/research function for the Commission and is involved in the development of all legislation.

Scheme Development contributes toward the delivery of the Policy Advice output.

Scheme Development Key Achievements for 2000/2001

- Prepared the *Workers' Compensation and Rehabilitation Amendment Act 2000*.
- Prepared the *Employers' Indemnity Supplementation Fund Amendment Act 2001*.
- Prepared regulations to support these Amendments Acts.

- On 29 September 2000, osteopathy was gazetted as approved treatment under section 5 of the *Workers' Compensation and Rehabilitation Act 1981*.
- Updated the *Workers' Compensation Statistical Report 1996/97 to 1999/2000*.
- Published the *Report on Work-Related Stress Claims 1995/96 to 1998/99* and the *Statistical Report on Female Workers 1995/96 to 1998/99*.
- Two research grant reports were produced entitled *Stress, Compensation and the General Practitioner* and a *Report on Occupational Stress: Factors that Contribute to its Occurrence and Effective Management*.
- Gazetted regulations providing an interim indexation of the scales of fees paid to medical and allied health service providers operating in the workers' compensation system, pending the development of a new methodology for the setting of these fees.

Policy and Legislation

During the reporting period the *Workers' Compensation and Rehabilitation Amendment Act 2000* was prepared. The aim of the Act was to ensure injured workers are not precluded from making an election where a dispute has not arisen or agreement has not been reached before the termination day.

The changes provide that even if there is a delay in the processing of a question referred under section 93D(6) the worker will always have 14 days, after the question is agreed or determined, in which to make an election.

The *Employers' Indemnity Supplementation Fund Amendment Act 2001* was prepared to amend the *Employers' Indemnity Supplementation Fund Act 1980*.

The Act was amended to allow the surcharge to be re-commenced whenever necessary and for both the period of the surcharge and the percentage amount to be prescribed by regulation. For the first 5 years the surcharge will be limited to a maximum amount equal to 5% of the amount of the premium payable in respect of an employer's workers' compensation policy. After 30 June 2006, the percentage will not be able to exceed 1%.

As a result of the recommendations of the Pearson Review, the Reviews of Medical and Associated Costs and Insurance Arrangements in Western Australia were completed. The Government is currently examining the recommendations of these reviews as part of a general evaluation of the workers' compensation system.

WorkCover assisted other workers' compensation jurisdictions in the resolution of policy and technical issues relating to implementing amendments to State and Territory workers' compensation legislation concerning coverage of workers employed temporarily in another jurisdiction.

WorkCover assisted in the preparation of amendments to the Corporations (Consequential Amendments) Bill 2001.

Research and Projects

In November 2000 WorkCover undertook to conduct a supplementary review of the workers' compensation legislation in accordance with National Competition Policy principles. An initial review had been completed in 1997.

To ensure service providers were given the opportunity to input into this Legislative Review, WorkCover sought written submissions.

All submissions received were considered as part of the review process as were the recommendations of the three recent reviews of the workers' compensation system. As a result the original Legislative Review Report was rewritten and updated. The finalised report was forwarded to the Hon Minister for Labour Relations on 18 June 2001.

The Workers' Compensation Statistical Report 1995/1996 to 1999/2000 and the Report on Work-Related Stress 1995/1996 to 1998/1999 were finalised for dissemination. These reports provide valuable information on workers' compensation claims in Western Australia to assist organisations and parties in prevention of workplace injuries and diseases.

A Statistical Report on Female Workers 1995/1996 to 1998/1999 was released to provide information on workers' compensation claims lodged by female workers. The report addresses issues raised in the 1994 Report of the Chief Justice's Taskforce on Gender Bias.

A presentation of recent research in workers' compensation, injury management and occupational safety and health issues was coordinated as part of Injury Management Week 2001.

Priority areas for research grants were developed based on an analysis of scheme data, a survey of WA stakeholders, and a state, national and international environmental scan.

Support and guidance has been provided to assist in the completion of the following research grant projects:

- A Literature Review on Workers' Compensation and Injury Recovery Rates in conjunction with the School of Occupational Therapy at Curtin University of Technology.
- Containing Economic and Human Costs in Occupational Stress Cases in conjunction with The Centre for Human Services, Griffith University.

A comprehensive literature review entitled Report on Occupational Stress: Factors that Contribute to its Occurrence and Effective Management was developed in conjunction with The Centre for Human Services, Griffith University. This report is the result of the first phase of the research grant project investigating methods to contain economic and human costs in occupational stress cases.

A research report entitled Stress, Compensation and the General Practitioner was developed and released in conjunction with the Royal Australian College of General Practitioners (RACGP WA Research Unit).

This research grant project aimed to identify perceived barriers to the optimal management of work-related stress claims. The report makes recommendations for strategies that will optimise the management of work-related stress claims at a general practice level.

WorkCover conducted a literature review examining the impact of legal representation on restoration of function and return to work.

National Projects

During the reporting period, statistical and technical information was provided for the following:

- Development of a national comparative performance monitoring system for Australia's workers' compensation and occupational safety and health systems. This resulted in a Workplace Relations Ministers' Council's Comparative Performance Monitoring Report: The Third Report into Australian and New Zealand Occupational Health and Safety and Workers' Compensation Programs; and
- Participation in a Heads of Workplace Safety and Compensation Authorities national consistency project regarding mutual recognition of workers employed temporarily in another workers' compensation jurisdiction.

Scheme Development

Major Planned Activities for 2001/2002

- Prepare a comprehensive 2001 Workers' Compensation and Rehabilitation Amendment Bill for introduction during the 2001 Spring Session. It is expected the bill will incorporate amendments proposed by the Government. This may also include implementation of recommendations of the Reviews of Insurance Arrangements and Medical and Associated Costs.
- It is expected legislation will be introduced into the 2001 Spring Session, concerning coverage of workers employed temporarily in another jurisdiction.
- Develop an actuarial methodology for scheme health indicators.
- Provide on-line statistical data to external parties via the Internet.
- Update the Workers' Compensation Statistical Report and other related reports.

- Publish the Statistical Report on Sprain and Strain Injuries 1995/96- 1999/00.
- Analyse research and statistical information for strategic planning and policy development purposes.
- Survey injured workers to identify outcomes of workers' compensation claims and the durability of return to work.
- Participate in the refinement of a national comparative performance monitoring system with increased transparency in the methodology and improved comparability of data.

Scheme Operations

The Scheme Operations Branch is responsible for ensuring compliance with legislation, the accreditation and monitoring of service providers and administration of noise induced hearing loss legislation.

The branch also delivers information, education and training to our customers and is responsible for all promotional activities of the agency.

Scheme Operations contributes toward delivery of the Information and Education, Compliance and Accreditation and Licensing outputs.

Scheme Operations Key Achievements for 2000/2001

- Delivered information and training seminars addressing workers' compensation matters to 3,029 stakeholders and service provider representatives.
- Coordinated and implemented "Injury Management Week 2001", with an estimated attendance of 1,600.
- Coordinated and implemented the "Community Information Program 2000", providing education to 538 contacts in the general community throughout metropolitan and regional sites.
- Revised the "Guidelines for Injury Management in the Workplace" and the "Complete Guide to Workers' Compensation" to incorporate industry developments and legislative changes.

- Promoted WorkCover's services and workers' compensation and injury management information in professional association and trade journals and community newspapers, with an estimated circulation of 906,391
- Responded to 24,694 individual requests for workers' compensation and rehabilitation related information.
- Inspected 23,465 businesses identified as being potentially uninsured.
- Contacted 3,964 new businesses to determine insurance status.
- Successfully prosecuted six employers for failing to insure.
- Conducted two regional trips to ensure compliance with the Act and provided workers' compensation information to the communities of Kalgoorlie and Albany.
- Completed a targeted inspection program of businesses that had been allocated a WorkCover Number but had not taken out a workers' compensation policy.
- Reviewed the approved procedures for full audiological assessments and developed standard minimum reporting requirements which were incorporated into the Noise Induced Hearing Loss Approved Procedures and Audiologist testing manual.

Information and Education

Information and education is provided to workers' compensation scheme participants and the general community, to increase their knowledge of their rights and responsibilities with respect to the scheme, and workers' compensation and injury management.

Stakeholder Education Programs

Provision of information and education to injured workers, employers, insurers, and medical and allied health professionals continues to be a priority for WorkCover. Initiatives focused on providing community information throughout the metropolitan and regional areas, the development of new training programs to meet the needs of insurer groups and approved vocational rehabilitation providers, and information provision to medical practitioners and their support staff.

Major activities undertaken by the Education and Enquiries Section during 2000/2001 included:

- Delivered information seminars addressing workers' compensation legislation, vocational rehabilitation and injury management to 366 injured workers, 492 employers, supervisors and managers, 228 health professionals, 128 insurers, and 449 medical practitioners and support staff.
- Provided training in workers' compensation and injury management to 143 employer based injury management co-ordinators.
- Provided training in workers' compensation, injury management and vocational rehabilitation to 560 participants from tertiary institutions, employer groups, provider groups and professional associations.
- Conducted needs analyses in the insurance and vocational rehabilitation industries, and as a result designed and delivered new training programs to these service providers. Sixty five insurance claims officers and seventy seven staff of approved vocational rehabilitation providers participated in these sessions.

Post-course evaluations were positive and supported further training initiatives. These courses will form a regular part of the training schedule in the coming year.

- Conducted seminars for 266 medical practice administrative staff through direct participation in sessions of the Medical Receptionist Course held by the Australian Medical Association (WA) Inc. and workshops held by the General Practice Divisions of Western Australia Ltd. in the metropolitan and regional areas (including Bussleton and Mandurah).

WorkCover expanded its strategy for general practitioners by offering individual practice visits to provide information on the legislation and injury management processes. These visits included one-on-one meetings or group presentations. Forty-six practice visits were conducted.

Additionally, WorkCover worked in cooperation with several Divisions of General Practice to deliver briefing sessions to provide medical practitioners with information on the legislation and injury management processes.

WorkCover continued to assist organisations, such as the Chamber of Commerce and Industry of Western Australia (CCI), the Industrial Foundation for Accident Prevention (IFAP), the Australian Mines and Metals Association (AMMA), and the Australian Medical Association (WA Branch) (AMA) in the delivery of regular occupational safety and health training initiatives.

In addition to the regularly scheduled sessions, WorkCover developed and delivered individually tailored seminars and training sessions to a further 20 organisations to educate participants on the workers' compensation system and injury management processes. Several of these companies requested multiple sessions to meet the demands of their workforce. The sessions were held in both the metropolitan and regional areas (including Collie and Port Hedland).

To provide further assistance to employers, WorkCover reviewed and provided feedback on 54 company injury management policies.

The WorkCover On-line Campus continues to be utilised for training purposes. During 2000/2001 WorkCover's On-Line Campus registered 469 new students.

WorkCover's website is maintained to ensure ongoing dissemination of information related to workers' compensation and injury management topics.

Community Awareness Programs

Community Information Program 2000

This year saw the development and delivery of a state-wide initiative aimed to increase community awareness of workers' compensation and injury management. The Community Information Program involved information displays and seminars in 7 metropolitan and 7 regional sites. Regional sites visited included Albany, Bunbury, Karratha, South Hedland, Port Hedland, Kalgoorlie and Geraldton.

Radio and print advertisements were utilised to promote the event and provide WorkCover information to the general community.

Injury Management Week 2001

Injury Management Week is an annual event coordinated by WorkCover to raise community awareness of workers' compensation and injury management in Western Australia. This year the Week was launched by the Hon John Kobelke Minister for Labour Relations, at a breakfast held at the Aquarium of Western Australia (AQWA).

Forty-one events were held by a variety of convenors throughout the metropolitan area, with an event also convened in a regional area for the first time since Injury Management Week commenced in 1996.

WorkCover convened four events including a hypothetical on a work-related stress claim and a seminar for medical practitioners on writing medical reports for use within the workers' compensation system. Estimated attendance at events during the Week was 1,600. Evaluations indicated 94% of attendees rated participation in the Week as being very beneficial.

Business Opportunities Expo 2001

WorkCover participated in this year's Business Opportunities Expo held at the Burswood Dome in May 2001. The information booth was displayed in conjunction with DOPLAR and WorkSafe Western Australia.

Promotional Activities

Comprehensive advertising of the injury management process was targeted towards medical practitioners, employers and workers. This occurred with advertisements published in professional journals, business or trade magazines, and community newspapers such Business News, Geraldton Guardian, Kalgoorlie Miner, North West Telegraph, South West Times, Australian Workers; Union News, Medicus, and the West Australian Newspaper. Total circulation of these publications is estimated at 906,391.

General Enquiry Service

The enquiry service provides responses to enquiries on all aspects of the workers' compensation system. Enquiries are received via WorkCover's Infoline, written correspondence, the Internet and counter enquiries.

The Infoline responded to a range of public enquiries including questions about workers' compensation claims procedure and claims difficulties, definition of "worker" and "wages", vocational rehabilitation and injury management, the dispute resolution process, premium rates and lump sum entitlements.

Numerous enquiries were also received regarding particular issues that arose throughout the year such as the collapse of HIH Insurance and claims by working directors.

Over 400 written enquiries were answered during the year ranging from simple requests for brochures to complex enquiries concerning the progress and/or outcome of the correspondent's workers' compensation claim.

The 274 counter enquiries provided during the year included provision of information specific to the individual's needs and general information on the workers' compensation system. This service is of particular assistance to those workers unable to attend the information seminars provided by WorkCover or who require the assistance of interpreter services.

WorkCover's website provides customers with access to a range of information and the popularity of this source of information continues to increase. A total of 105,878 user sessions were recorded on the website, an increase of more than 30 % compared to last year (73,291).

This year the website was expanded to include information in Chinese and Malay for workers and employers.

Rehabilitation Review Unit

The Rehabilitation Review Unit's main function is to facilitate the informal resolution of issues and concerns relating to injury management and vocational rehabilitation. The Unit is also responsible for the Injury Management Review System (IMRS) which acts as "safety net" for all injured workers, and the monitoring of the injury management process.

During the last 12 month period, 288 formal and 576 telephone issues have been referred to the Unit. Of the formal issues, 40% were referred by the Conciliation and Review Directorate, 29% by injured workers, 12% by approved insurers, 11% by approved vocational rehabilitation providers, 5% by employers and 3% by medical practitioners.

Of the telephone contacts, 33% were from injured workers, 29% from approved vocational rehabilitation providers, 13% from employers, 9% from medical practitioners and 6% from approved insurers.

The matters investigated included participation in rehabilitation, return to work and retraining, key party contact, service delivery plans and referral matters.

The Unit is also responsible for investigating complaints lodged against approved vocational rehabilitation providers. Over the 12 month period there were 18 formal complaints lodged. The majority of complaints were from injured workers relating to the cost of rehabilitation programs where no return to work outcome was achieved.

The Injury Management Review System (IMRS) has been operational for two years. All claims are monitored monthly and the Unit reviews those claims triggered as not having returned to work or being referred to rehabilitation. Approved insurers are required to submit monthly reports on the status of these claims.

The Unit monitors these responses and follows up claims identified as requiring further investigation and/or vocational rehabilitation assistance.

The cases that have been identified as requiring injury management are forwarded to the approved insurer, who is then responsible for contacting the employer regarding injury management activities. Evidence that vocational rehabilitation referrals have taken place if appropriate are confirmed via on-line data submitted to WorkCover.

For the period July 1999 to June 2001, 4,313 injured workers were identified by the IMRS and reviewed by approved insurers. The IMRS is currently being enhanced to allow electronic transmission and return of data to insurers on a monthly basis.

To ensure the injury management process is operating efficiently and providing injured workers with relevant information, injured workers referred to vocational rehabilitation after 3rd May 1999 are sent a questionnaire and pamphlets. The aim of this initiative is to ensure injured workers receive timely and appropriate information about workers' compensation and rehabilitation and are provided with an opportunity to provide feedback on the injury management system.

A total of 3,479 feedback questionnaires have been sent to injured workers this year, and 35% of the questionnaires were completed and returned.

Employers and medical practitioners are surveyed to elicit information regarding the referral process for vocational rehabilitation. The response rate for the employer survey was 61% while the response rate for medical practitioners was 48%.

Of the employers who responded 72% indicated they had contact with the medical practitioner regarding referral for specialised intervention. 57% of medical practitioners indicated they contacted the employer.

Compliance

The unit undertakes inspections and investigations to ensure compliance with workers' compensation legislation and prosecution of non-compliant parties.

During this year the Compliance Section:

- Continued to review internal operations in order to maximise efficiency when identifying non compliant parties.
- Undertook a post implementation review of the core functions of the WorkCover Investigator, a computerised case management system for compliance functions.
- Addressed underlying concerns specific industries encountered in complying with the Act.

Inspections

The Compliance Section adopted the following strategies in order to identify businesses employing workers:

- geographical inspections;
- lapsed policy inspections;
- processing of cancellations; and
- new business inspections.

WorkCover's compliance activities are focused on contacting businesses that are potentially in breach of the Workers' Compensation and Rehabilitation Act, 1981. Accordingly, only businesses that did not appear on WorkCover's database as having a current policy were targeted for inspection.

During 1999/2000 targeted inspection activities identified 1,516 businesses as failing to maintain a current policy of insurance compared with 1,537 businesses identified last year.

The additional premium collected as a result of businesses detected as being uninsured amounted to \$988,777. Of those uninsured employers, 95% were detected through inspections resulting from lapsed policies.

WorkCover processed 3,364 requests from insurers to cancel an employer's workers' compensation policy.

Prosecutions

During the 2000/2001 year 6 employers were successfully prosecuted for failing to have a current workers' compensation policy under the Act.

Total fines awarded during the year amounted to \$8,036 and a further \$12,513 in avoided premium was ordered to be reimbursed to the General Fund.

Three prosecutions are ongoing and consequently have been held over to the next financial year.

Contact with Stakeholders

During the 2000/2001 year, the Compliance Section has improved the information gathering process relating to the cancellation of policies and the investigation of lapsed policies.

The investigation of lapsed policies includes a high component of information and education.

WorkCover's compliance officers through the investigation of lapsed policies increase business proprietors' knowledge of the Workers' Compensation and Rehabilitation Act, 1981 and their requirement to comply with the legislation.

The education role of compliance officers also entails the distribution of WorkCover publications to injured workers and businesses during visitations.

Accreditation and Licensing

WorkCover monitors the performance of approved insurers, self insurers, approved vocational rehabilitation providers and air conduction testers to ensure compliance with workers' compensation legislation and the delivery of an appropriate standard of service.

Insurers and Self Insurers

WorkCover is responsible for monitoring the performance of approved insurers and self insurers against the provisions of the Act, and with the requirements of the Performance Criteria Guidelines as prescribed by the Commission.

Insurer licenses are reviewed on a five yearly basis with their performance evaluated annually. The annual evaluation considers insurer compliance with the level of material and financial resources held in the State to discharge its obligations. As part of prudential reporting requirements the Commission obtains quarterly solvency reports provided by the insurer to the Australian Prudential Regulation Authority to monitor their viability in the Scheme. In addition to this information nine other criteria relating to performance are also assessed.

Self insurers are also reviewed annually. The review includes the requirement to maintain adequate material and financial resources in the State.

As required by section 165 of the Act, the performance of 16 approved self insurers was reviewed. Fifteen self insurers had their approval extended for a further 12 months. Due to data issues and subject to a further review, one self insurer had its approval extended for 6 months.

The Commission approved the application of seven group employers for self insurance status and the incorporation of a number of self insurers' subsidiaries within their self insurance exemption.

Noise Induced Hearing Loss

The number of audiometric testers fluctuated during the year as a result of performance evaluations and accreditation of new testers into the system. At 30 June 2001, there were 217 approved testers in the system. Thirty nine new testers were approved and 59 testers cancelled as a result of not meeting performance criteria. There are currently 184 booths and 175 audiometers approved within the system.

During the year 9,934 workers were tested to determine whether they have had a 10% or greater increase in Percentage Loss of Hearing (PLH) compared to their baseline or subsequent hearing tests. Of those tested, 188 (1.9%) workers were identified as showing a 10% or greater increase in Percentage Loss of Hearing (PLH). Thirty five of those identified have had claims finalised by a Memorandum of Agreement Notification issued by the WorkCover Conciliation and Review Directorate.

WorkCover continues to provide training in the on-line application and legislative requirements of the Workers' Compensation and Rehabilitation Act, 1981 for potential Audiometric Officers as part of the Australian Hearing Services Audiometric Officers course.

Vocational Rehabilitation Providers

In February 2001, a review of Approved Vocational Rehabilitation Providers was undertaken based on self audit against the Quality Assurance Standards, together with assessment of performance as reported in the newly developed Case Activity Report. All providers were re-accredited.

The Accreditation and Monitoring Advisory Committee of the Commission has been involved in the development of parameters for benchmarking the performance of vocational rehabilitation providers. Preliminary benchmarks have been proposed and these will be developed further following review and analysis of data in February 2002.

As at 30 June 2001, 39 vocational rehabilitation providers were accredited, comprised of 20 agency providers, 8 single providers and 11 employer based providers.

Across all categories of providers, 2 applications for single provider status were made and 3 providers advised their intention to withdraw from accreditation.

In the 2000/2001 financial year, 3,790 referrals were made for vocational rehabilitation services, 90.2% to agency providers, 6.4% to single providers and 3.4% to employer based providers.

Medical practitioners were responsible for 29% of all referrals, and employers referred 35%. Insurers authorised to act on an employers behalf also referred 35%.

Agency and single providers closed 2,993 cases, with a 62% return to work rate. Employer based providers closed 121 cases, and 91% of these cases were returned to work.

Scheme Operations

Major Planned Activities for 2001/2002

- Develop and implement training programs for self-insurers on legislation and injury management issues.
- Reprint and disseminate the "Medical Practitioners Guide to the Western Australian Workers' Compensation and Rehabilitation System".
- Plan and coordinate Injury Management Week Conference 2002.
- Develop and implement an Injury Management Certificate program for employers.
- Develop and implement General Practitioner Seminars on legislation and injury management issues.
- Develop a mechanism to identify employers and processes to monitor their level of workers' compensation insurance coverage.
- Undertake targeted saturation inspection activities in selected metropolitan industrial and commercial locations
- Develop and pilot preliminary benchmarks for monitoring the performance of vocational rehabilitation providers.
- Review and further develop performance guidelines and criteria for the approval of noise induced hearing loss testers.
- Review sections of the noise induced hearing loss legislation and Regulations to further streamline the claims process.
- Develop a standard method for Otorhinolaryngological determination of occupational noise induced hearing loss percentage.

Conciliation and Review

Director: Mr Ross Monger

This division provides a service for the resolution of disputed workers' compensation claims and the registration of agreements between parties in the workers' compensation scheme.

The Conciliation and Review Division has two distinct operational output areas:

**Statutory Dispute Resolution; and
Registration of Agreements and Civil Proceedings**

Dispute Resolution

The Conciliation and Review Directorate seeks to resolve workers' compensation disputes in a manner that is equitable, accessible and independent. This is achieved initially by a process of conciliation to assist parties to resolve disputes by agreement.

Where agreement cannot be reached, disputes are heard and determined by a review officer. Appeals from decisions of review officers (on matters of law) are heard in the compensation magistrate's court.

Dispute Resolution Key Achievements 2000 – 2001

- Resolved 4,760 Workers' Compensation Disputes, an increase of 4% over last year.
- 82% of disputes resolved at conciliation.

The Conciliation and Review Directorate facilitates the resolution of disputes regarding statutory workers' compensation claims. The dispute resolution system provides procedures based on a conciliation and review process that is fair, economical, informal and quick in reaching agreement.

Conciliation and Review

The conciliation process is non-adversarial and seeks to bring parties to agreement rather than arbitrating the merits of a dispute. The process is informal, largely administrative and relatively free of regulation. Conciliation officers try to identify the real issues between the parties and use their skills to define the differences with a view to securing a mutually satisfactory agreement.

The review process is the more formal step in the system. Matters are referred to review when conciliation concludes without a satisfactory solution to the issues being reached or a party requests a matter to go to review. A review officer determines the issues after considering the evidence.

For the 12 months to 30 June 2001, 4,284 new disputes were referred to the Directorate, compared to 4,744 for the previous twelve month period. During the year: 4760 matters were resolved; 3,900 (82%) by conciliation, 857 (18%) following review and 3 by the compensation magistrate's court.

The percentage of matters resolved at each stage was approximately the same as for the previous three years.

Conciliation has maintained a rapid turnover of disputes. About 29% of disputes were resolved within four weeks of lodgment with a further 32% between four to eight weeks.

Of disputes resolved at review, 10% were resolved within four weeks of referral and a further 12% between four and eight weeks.

Registration of Agreements and Civil Proceedings

Registration of memorandums of agreement in those cases whereby parties agree to settle a claim for compensation in accordance with the Act. The recording of agreements and the resolution of disputes regarding the degree of workers' disabilities in those cases where workers seek to take civil proceedings for damages against employers independent of the Act.

Registration of Agreements Key Achievements 2000 – 2001

- Redemptions increased 231% over last year.
- A total of 3520 Memorandums of Agreement were registered. This represents an increase of 50%.
- 73% of the common law transitional matters lodged at the Directorate have been resolved.

Memorandums of Agreement

Where parties agree to settle a claim formally under the Act, a Memorandum of Agreement is registered in accordance with section 76.

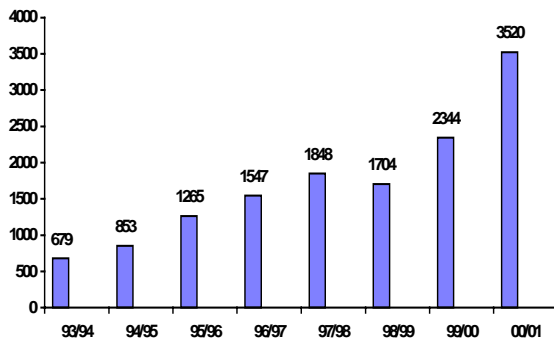
An amendment to section 67 of the Act, effective from October 1999, enables workers with a permanent partial incapacity to redeem their weekly payments of compensation for a lump sum, subject to certain conditions. Redemptions can only be made where both the worker and the employer agree to the redemption and the amount of the lump sum.

Agreements registered in accordance with section 76 comprised the following categories:

| | 1997/1998 | 1998/1999 | 1999/2000 | 2000/2001 |
|--------------|-------------|-------------|-------------|-------------|
| Schedule 2 | 1810 | 1663 | 1765 | 2208 |
| Schedule 5 | 18 | 24 | 19 | 13 |
| Redemption | 20 | 17 | 560 | 1299 |
| Total | 1848 | 1704 | 2344 | 3520 |

Since 1999/2000 redemptions have increased 231%. This came about due to the legislative amendments effective from October 1999.

The following graph shows the number of Memorandums of Agreement registered since 1993/1994:



Memorandum of Agreements Registered 1993/94 – 2000/2001

Civil Proceedings for Damages

Part IV of the Act provides that in certain circumstances a worker may take civil proceedings for damages against their employers in place of the statutory workers' compensation options. The provisions were amended in 1999.

In broad terms, damages can only be awarded against a worker's employer for a disability suffered by a worker: if the worker's disability is not less than 30%; or is not less than 16% and the worker elects to retain the right to seek damages; and the election is registered in accordance with the regulations.

The Director, Conciliation and Review Directorate records agreements regarding a worker's degree of disability. Where the worker and the employer cannot agree that the degree of disability is not less than the relevant level, the question may be referred to the Director. If the dispute is not then resolved the question is referred to a review officer for resolution.

A review officer determines whether the worker has a degree of disability of not less than the relevant level claimed. Appeals from decisions of review officers are heard in the compensation magistrate's court.

In those cases where a worker has a significant disability, i.e. the degree of disability is not less than 16% but is not 30% or more, the worker is required to elect to retain the right to seek damages. Subject to certain exceptions, elections must be lodged within six months after the commencement of weekly payments.

The Director is responsible for the registration of elections.

The amendments to Part IV of the Act in 1999 enabled workers' who had not met the previous thresholds to commence action for common law, subject to meeting the requirements of one of the relevant levels of disability. These are transitional matters.

There were approximately 1,600 transitional matters. As at 30 June 2001, 1,175 have been resolved.

Included on the following pages are some workload indicators for the registrations of agreements and civil proceedings.

Registration of Agreements Major Planned Activities for 2001 - 2002

- Implement the computer Case Management system for Civil Disputes.



Compensation Magistrate's Court

Matters before review officers may be referred to the compensation magistrate's court by a review officer for determination if a question of law arises or because of the complexity of issues. Review officers deal with all but the most complex of matters.

An appeal against a review officer's decision to the compensation magistrate's court must involve a question of law. The magistrate also has jurisdiction to hear offences under the Act as well as applications for enforcement and stays of orders made by conciliation and review officers.

Medical Assessment Panels

When there is a conflict of medical opinion, a conciliation officer, review officer, or the compensation magistrate may refer a question about the nature, extent or permanence of a disability, or of a worker's capacity for work, to a medical assessment panel. A review officer or the compensation magistrate may refer a question as to the degree of a worker's disability to a medical assessment panel for the purposes of an assessment in accordance with section 93D(2) of the Act.

A register of medical practitioners who are prepared to participate in panels for the purpose of conducting medical examinations of workers is kept by the Directorate. The register was created following consultation with the Western Australian Branch of the Australian Medical Association.

The medical assessment panel register comprises 288 medical practitioners from various specialties. During the year 143 workers were referred to a medical assessment panel.

Notifications under Section 57A and 57B

Sections 57A and 57B of the Act require both insurers and self-insurers to notify the Directorate within a period of 14 days when they are unable to accept liability for a claim.

The following table lists annual notifications lodged by approved insurers and self-insurers.

| | 93/94 | 94/95 | 95/96 | 96/97 | 97/98 | 98/99 | 99/00 | 00/01 |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Self-insurers | 36 | 33 | 188 | 156 | 212 | 1434 | 1469 | 1612 |
| Approved Insurers | 6095 | 5297 | 5283 | 5654 | 6306 | 5635 | 6860 | 6125 |
| Total | 6131 | 5330 | 5471 | 5810 | 6518 | 7069 | 8329 | 7737 |

RiskCover has been included in the category of self-insurers since 1 July 1998.

Regional Hearings

During this reporting period 10 hearings were convened at country locations. Conciliation conferences involving country workers are usually convened via telephone conference, but in appropriate cases review officers conduct hearings in country locations. Review officers have also used video conferencing where evidence has been taken from people outside Western Australia.

Non English Speakers

Official interpreters arranged through the Translating and Interpreting Service were used at 305 conferences or hearings. The use of interpreters has increased year by year.

Included on the next pages are some workload indicators. Those indicators also contain comparisons for previous financial years.

| 1998/1999 | 1999/2000 | WORKLOAD INDICATORS – STATUTORY DISPUTE RESOLUTION PROCEEDINGS | 2000/2001 |
|---|---|---|---|
| 4272 3548 = 83% 724 = 17% | 4560 3834 = 84% 726 = 16% | No disputes resolved at conciliation at review | 4757 3900 = 82% 857 = 18% |
| 42% 26% 9% 23% | 33% 30% 10% 27% | Timeframe: % disputes resolved at conciliation <4 weeks between 4 weeks and 8 weeks between 8 weeks and 12 weeks >12 weeks | 29% 32% 10% 28% |
| 18% 29% 12% 41% | 12% 27% 19% 42% | Timeframe: % disputes resolved from date of referral <4 weeks between 4 weeks and 8 weeks between 8 weeks and 12 weeks >12 weeks | 10% 12% 14% 65% |
| 35% 23% 11% 31% | 28% 26% 11% 35% | Timeframe: % disputes resolved from date lodged <4 weeks between 4 weeks and 8 weeks between 8 weeks and 12 weeks >12 weeks | 24% 27% 9% 41% |
| 4247 | 4744 | Workload: Referrals for conciliation filed | 4284 |
| 3543 722 5 | 3834 726 11 | Number finalised- at conciliation Number finalised- at review Number finalised- by Compensation Magistrate | 3900 857 3 |
| | | General | |
| 5440 362 831 4 89 35 62 | 5915 421 841 12 94 34 106 | Number of conciliation conferences Number of preliminary reviews Number of reviews Matters referred to Compensation Magistrate Number of appeals to Compensation Magistrate Other matters heard by Compensation Magistrate Matters referred to a Medical Assessment Panel | 6220 511 858 6 87 65 95 |

| 1998/1999 | 1999/2000 | WORKLOAD INDICATORS AGREEMENTS & CIVIL PROCEEDINGS | 2000/2001 |
|-----------|-----------|---|-------------|
| | | Agreements Registered – Section 76 | |
| 1663 | 1765 | Schedule 2 | 2208 |
| 24 | 19 | Schedule 5 | 13 |
| 17 | 560 | Redemption | 1299 |
| 1704 | 2344 | TOTAL | 3520 |
| N/A | 1612 | Referral of Question of Degree of Disability to Employers | 557 |
| N/A | 1469 | Disputes Referred to Review | 502 |
| | 502 | Disputes finalised | 672 |
| N/A | | Agreements Recorded | |
| N/A | 202 | Without Referral | 67 |
| N/A | 300 | After Referral | 268 |
| N/A | 378 | Elections Registered | 244 |
| N/A | 20 | Determinations Made | 242 |
| N/A | 3 | Referred to Compensation Magistrate | 18 |
| N/A | 15 | Appeals to Compensation Magistrate | 96 |
| N/A | 18 | Referred to Medical Assessment Panel | 48 |

Corporate and On-line Services

Director: Mr Phil Scales

The Corporate and On-line Services Division ensures the human, financial and physical resources are available to support the operations of the Department and the delivery of outputs.

Corporate and On-line Services Key Achievements for 2000/2001

- State Records Office approved the revised Retention and Disposal Schedule.
- Disposed of a large number of redundant records in accordance with timeframes of amended schedule.
- Developed a computerised Ministerial correspondence system. The system provides for electronic dissemination and tracking of ministerial correspondence and performance monitoring.
- Processed ten Freedom of Information Applications (three applications continued from the previous year).

Finance and Asset Management

Objectives

To provide finance and accounting services which support the Department's program objectives.

To manage assets and procurement policies and practices in line with Government policies and to provide the best value for money.

The financial management information system was enhanced to ensure compliance with the requirements of the Goods and Services Tax legislation.

Implemented electronic funds transfer to enable immediate payment to suppliers of goods and services and staff.

Risk Management - Treasurer's Instruction 109

The business risk register comprising high risks was reviewed. Continued monitoring and review of risks occurred in accordance with the Implementation Plan. A new Risk Management Action Plan was developed and implemented for January to December 2001.

Debtors

The number of outstanding debtors resulting from fines and penalties awarded under section 170, decreased from 26 to 20. Debts worth \$7,639.60 were written-off during the year. As at 30 June 2001, \$53,183.58 remained outstanding.

Funds Management

Objective

To manage specified funds for the protection of workers from failures in the scheme and for the benefit of dependants of deceased workers.

Employers' Indemnity Supplementation Fund

The purpose of the Employers' Indemnity Supplementation Fund is to protect workers from the collapse of approved insurers and to meet payment of claims lodged under the Waterfront Workers' (Compensation For Asbestos Related Diseases) Act.

The Employer's Indemnity Supplementation Fund was established by Act of Parliament and exists to guard against the collapse of any approved insurer.

Due to the collapse of HIH Insurance in March 2001, a 5% surcharge on employers' insurance policies was introduced on 25 June 2001.

Claims payments and receipts during the year for those insurers in liquidation are as follows.

| Insurers | Payments \$ | Receipts \$ |
|--|----------------|----------------|
| Palmdale\AGCI Insurance Co. | 3,650 | - |
| National Employers' Mutual Insurance Co. | 155,655 | 239,861 |
| Bishopsgate Insurance Co | - | - |
| Standard Insurance Co | 126,523 | - |
| HIH Insurance | 6,225,493 | - |

The United Kingdom liquidator paid a dividend for National Employers' Mutual Insurance Company, in liquidation, in December 2000. Funds recovered to date are \$1.93 million and payments to date exceed \$4.54 million.

In March 2001 HIH Insurance was placed in provisional liquidation. Outstanding claims in WA are estimated at \$122,312 million, representing projected outstanding liabilities that are in inflated and discounted values and are inclusive of a prudential margin.

The Fund also paid claims under the Waterfront Workers' (Compensation for Asbestos Related Disease) Act. Payments for claims amounted to \$81,842 and receipts of \$113,175 for this year. In total \$2.1 million has been paid for claims under the Act.

Trust Fund

The purpose of the Trust Fund is to maximise returns and security of funds invested for the benefit of the dependants of deceased workers.

The Workers' Compensation and Rehabilitation Trust Fund is maintained in accordance with section 110 of the Act.

Section 84F of the Act empowers the Conciliation and Review Directorate to order compensation to be paid in trust to WorkCover when it cannot immediately be paid to a person under a legal disability, or which is payable to dependants of a deceased worker. These funds are invested in accordance with Treasurer's guidelines.

Investment strategies employed provided an average yield for the year of 5.08% for all trust accounts. This is a favourable rate of return compared to returns offered by other financial institutions.

Uninsured Claims Management

The purpose of the uninsured claims management function is:

- to provide protection for injured workers by providing a source of compensation for workers of uninsured employers pursuant to section 174;
- to recover from uninsured employers funds paid to workers from the General Fund; and
- to provide evidence to the Conciliation and Review Directorate which enables them to verify a worker's entitlement to compensation.

During 2000/2001 36 claims made on the Fund were investigated compared to 22 last year.

There were 5 new claims paid from the fund this year and 9 continuing claims from previous financial years. Cost of new claims is \$120,000 and for ongoing claims the amount is \$38,000.

On the 30 June 2001, the total outstanding debt being recovered through the courts from uninsured employers is approximately \$845,000.

Information Services

Objectives

To increase awareness of the benefits of information technology when applied to the business needs of the organisation.

To manage and undertake (where required) the development and maintenance of information systems that support organisational objectives.

To develop and implement procurement policies for information system related products that provide WorkCover with the best value for money.

To provide a secure computing environment.

To develop and implement information management related policies that contribute to the best use of information.

To provide an accurate, timely database of employers, their workers' compensation policy history and current policy status – for both legal and analytical purposes.

To provide an accurate, timely database of the claims made on the Western Australian workers' compensation scheme.

To provide accurate, timely data for use in:

- *rehabilitation client contact activities;*
- *insurer performance monitoring;*
- *monitoring and analysing the state of the Western Australian workers' compensation scheme; and*
- *occupational health and other research by both internal and external parties.*

To ensure the Department meets its legislative obligations in relation to the Freedom of Information Act 1992.

To ensure the effective management of information, in accordance with Departmental and legislative standards and guidelines.

To ensure the delivery of timely and accurate corporate information within WorkCover.

To ensure information is available by improving access to Departmental information resources.

On-Line Services

WorkCover has continued to develop its online-based services, utilising Internet technologies. Several online applications were enhanced during 2000/2001 to improve the efficiency of the scheme data capture process. These developments enhanced and improved inter-service provider data sharing.

WorkCover continues to develop its provision of information to the public and provide specific or categorised information to interested parties based on their customised requirements.

Technical Services

The Technical Services Unit is responsible for the computing infrastructure, applications development, maintenance and data administration and process.

The 2000/2001 year was characterised by the revision of insurer or self-insurer data specification, improvement of Internet access to the WorkCover web site and security on the WorkCover web was further enhanced. It also saw a complete revision and implementation of the Case Management System.

The outlook for 2001/2002 will be marked by the upgrade of office desktops, introduction of an Internet monitoring system to the WorkCover Web site for security breaches, and the development and implementation of the revised insurer or self-insurer data specification.

Scheme Information

Scheme Information's primary role is data collection and quality assurance.

The Internet applications that deal with data collection, error correction and dissemination between WorkCover and approved vocational rehabilitation providers, approved audiometric officers and approved insurers are now in service.

This year Scheme Information focussed on the maintenance and enhancement to the on-line applications.

Changes were made to the Vocational Rehabilitation On-line application and the Approved Audiometric On-line application to improve the efficiency of the data entry process.

The Insurer On-line application was also enhanced to improve the efficiency of scheme data collection and provide Insurers with access to an expanded set of operational data.

To further the capture of quality workers' compensation claims data it was necessary to introduce new, or modify existing edits for claims processing.

The revised editions of the Type of Occurrence Classification (TOOCS2) and Australian Standard Classification of Occupations (ASCO2) were implemented during the year. Claim records previously coded to the earlier editions of these classifications (TOOCS 1 and ASCO1) were not converted.

Internet training for new approved audiometric officers, officers responsible for the creation and maintenance of the on-line accounts for the different on-line applications and officers responsible for the data entry and error correction of scheme data continues on a regular basis.

Corporate Information

The Corporate Information Branch is responsible for managing WorkCover's information resources. The objectives of the branch are to ensure the effective management of information in accordance with departmental and legislative guidelines and standards.

During the 2000/2001 financial year, Corporate Information presented a revised Retention and Disposal Schedule to the standing Committee on Public Records at the State Records Office.

The amended Schedule was approved and Corporate Information progressed with disposing of a large number of redundant departmental records in accordance with the new Schedule. The branch is currently arranging for the transfer of archival records to the State Records Office.

Corporate Information has continued focusing on increasing online access to information through the Department's Intranet. The Ministerial Online System, a facility that allows for the electronic dissemination of ministerials to appropriate officers for action, is currently awaiting approval for implementation.

Freedom of Information

The Corporate Information branch has continued to undertake the Department's Freedom of Information (FOI) function in accordance with the requirements of the Freedom of information Act 1992.

Parties seeking information from WorkCover are not restricted to the FOI process and where appropriate requests for information are handled outside of the Act.

The branch processed ten Freedom of Information applications during the 2000/2001 financial year, including a request for amendment to personal information. Third parties were consulted where appropriate and edited or full access was provided for seven of the nine requests for information. In relation to the request for amendment to personal information, documents were amended in accordance with the Information Commissioner's decision at external review.

Human Resources

Objectives

To facilitate the application of approved Human Resource practices, procedures and policies by the management and staff of WorkCover, in achieving agency goals and objectives.

To ensure WorkCover performance management system continues to:

1. *provide constructive feedback on work performance;*
2. *assist in the planning of staffing or expertise requirements throughout WorkCover;*
3. *manage poor performance; and*
4. *establish career development needs and training priorities.*

To ensure compliance with statutory, legal and other authorised work practices.

To provide a discrimination free work environment.

To provide effective staff management and the establishment of classification procedures.

Training

Areas of training covered for 2000/2001 include:

- computer skills;
- communication skills;
- dealing with aggressive and hostile clients;
- managing records into the new millennium;
- intellectual property;
- staff selection skills;
- e-government; and
- a range of training needs identified through the performance management process.

Staffing Levels

WorkCover's approved average staffing level (FTE) for the 2000/2001 financial year was 135. The following table provides details of WorkCover's employees categorised by gender and level with comparative totals for 2000.

| Level | 30 Jun 2001 | | | 30 June '00 |
|---------------|-------------|--------|-------|-------------|
| | Male | Female | Total | Total |
| Level 1 | 12 | 32 | 44 | 43 |
| Level 2 | 7 | 16 | 23 | 20 |
| Level 3 | 12 | 16 | 28 | 27 |
| Level 2/4 | 0 | 0 | 0 | 1 |
| Level 4 | 4 | 4 | 8 | 7 |
| Level 5 | 7 | 5 | 12 | 11 |
| Level 6 | 2 | 1 | 3 | 3 |
| Level 7 | 7 | 2 | 9 | 9 |
| Level 8 | 1 | 0 | 1 | 1 |
| Level 9 | 5 | 3 | 8 | 8 |
| Above Level 9 | 2 | 0 | 2 | 2 |
| | 59 | 79 | 138 | 132 |

1. The average employment figure (FTE) for 2000/2001 was 131.18. This was below the AASL of 135.
2. The total employee figure at 30 June 2001 is higher than the FTE figure due to part time staff.

Workers' Compensation and Rehabilitation for Departmental Officers

The following table provides details on workers' compensation and rehabilitation for Departmental officers.

| | 1996/97 | 1997/98 | 1998/99 | 1999/2000 | 2000/2001 |
|--|---------|---------|---------|-----------|-----------|
| Number of lost time injuries | 0 | 6 | 2 | 0 | 1 |
| Frequency rate (per million hours worked) | 0 | 24 | 8.51 | 0 | 3.74 |
| Incidence rate (per 100 workers) | 0 | 4.2 | 1.72 | 0 | 0.73 |
| Estimate cost of claims incurred per \$100 wage roll | 0.01 | 5.8 | 1.08 | 0.613 | 0.0992 |
| Premium rate (%) | 0.500% | 0.54% | 0.56% | 0.932% | 0.88% |
| Rehabilitation success rate: | | | | | |
| Finalised | Nil | Nil | Nil | Nil | Nil |
| Ongoing | 1 | 1 | 2 | 1 | 1 |

Corporate and On-line Services Major Planned Activities for 2000/2001

- Implement the Framework Employment Agreement to replace Enterprise and Workplace Agreements.
- Review Retention and Disposal Schedule.
- Transfer archival records to State Records Office.
- Address confidentiality requirements of departmental records in relation to risk management.
- Implement computerised Ministerial correspondence system.
- Move to a computerised recording of transactions for the Employers' Indemnity Supplementation Fund

Certificate of Public Sector Standards, Codes of Ethics and Code of Conduct

WorkCover has adopted guidelines and processes supporting the public sector standards in human resource management.

Policies and supporting guidelines and a code of conduct are included in the human resource section of WorkCover's intranet site which is accessible to all staff.

Directors are responsible for compliance with public sector standards and ethical codes. A monitoring and advisory role is played by the Manager Human Resources and staff in the human resources area. Transactions are checked for compliance with the standards.

During the induction process new staff are introduced to the public sector standards in human resource management and code of conduct.

Breach of Standard Applications 2000/2001

| | |
|---------------------------|-----|
| Number lodged | nil |
| Breaches found | nil |
| Multiple breaches | nil |
| Applications under review | nil |
| Material breaches | nil |
| Non-material breaches | nil |



Date 25/07/2001

H T NEESHAM
Executive Director
WorkCover

Industrial Diseases Medical Panel

Objective

To provide administrative support to the Panel and implementation of its determinations.

The Industrial Diseases Medical Panel is established to determine the questions prescribed in sections 38 and 93D of the Act. Panels operate independently, with WorkCover providing administrative support and funding only.

The majority of successful applications were associated with asbestos exposure at work.

Pneumoconiosis incidence is levelling out and may well decrease in the next few years, because of the impact of improved safety procedures particularly in underground mining. The trend for mesothelioma remains to be seen in the next few years.

Panel members are:

- Dr D Bucens
- Dr E Gabbay
- Dr F Heyworth (Chairman)
- Dr E Lee
- Prof A W Musk
- Dr S C Pang
- Dr J Philpott
- Dr M G Prichard
- Dr Psail-Savona
- Prof B Robinson
- Dr G R Ryan
- Dr Q Summers
- Dr M K Tandon
- Dr R Tarala
- Dr A W Tribe
- Dr K C Wan

| STATISTICAL ANALYSIS | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | Number | | | | |
| | 1996/ 1997 | 1997/ 1998 | 1998/ 1999 | 1999/ 2000 | 2000/ 2001 |
| Successful Applications | | | | | |
| Pneumoconiosis | 17 | 25 | 22 | 17 | 9 |
| Mesothelioma | 32 | 36 | 29 | 34 | 28 |
| Lung Cancer | 4 | 5 | 6 | 6 | 8 |
| Pneumoconiosis/lung Cancer | 6 | 2 | 2 | 5 | 2 |
| Pneumoconiosis/Mesothelioma | 0 | 1 | 2 | 1 | 0 |
| Total | 59 | 69 | 61 | 63 | 47 |
| Unsuccessful Applications | 11 | 1 | 18 | 3 | 4 |
| Total | 70 | 70 | 79 | 66 | 51 |
| Applications | | | | | |
| Reviewed | 17 | 5 | 12 | 12 | 4 |
| New | 53 | 65 | 67 | 54 | 47 |
| Total | 70 | 70 | 79 | 66 | 51 |
| Applications under – Section 93D | | | | | |
| Pneumoconiosis | | | | | 4 |
| Pneumoconiosis/lung Cancer | | | | | 1 |
| Lung Cancer | | | | | 1 |
| Total | | | | | 6 |

Equity, Access and Customer Focus

All Customers

WorkCover has maintained its use of customer feedback to determine our success in delivering outputs and achieving our outcomes. The results of customer surveys in critical areas of service delivery are included in our corporate performance measurement system at both output performance measure and at key performance indicator level.

Info-line Customer Survey

During 2000/2001 WorkCover undertook a survey of users of the Agency's telephone information service, Info-line. The purpose of the survey was to determine whether this key avenue for providing information to our customers is achieving its objective of providing timely, information which increased callers' knowledge of their rights and responsibilities whilst meeting their individual needs.

This is the third year the survey has been conducted and the results for 2000/2001 are shown below along with those for the past two years.

Summary of responses to Info-line customer survey:

| SURVEY QUESTIONS | % of Yes Responses | | |
|--|--------------------|-----------|-----------|
| | 1998/1999 | 1999/2000 | 2000/2001 |
| Do you know more about the workers' compensation system as a result of the information provided during your call to Info-line? | 83% | 78% | 84% |
| Did the information provided to you answer your query. | N/A | 90% | 94% |
| Do you feel the time taken to respond to your call was reasonable? | 93% | 54% | 72% |

*Question 2 was modified in 1999/2000 to more accurately reflect the objective of meeting the individual callers' needs.

The results for all questions in the survey show an improvement over last year. Increases in affirmative answers to questions 1 and 2 demonstrate Info-line's continued success as a medium for providing information to our customers.

The marked improvement in the response to question 3 reflects efforts taken by WorkCover to improve the timeliness of its responses to Info-line callers. It is anticipated the timeliness of responses telephone enquiries will further improve with the introduction in 2001/2002 of new technology to enhance the agency's call handling facilities.

Information Sessions

In addition to the Info-line survey WorkCover also regularly surveys attendees at information sessions delivered to key customer groups. The information session attendee surveys are intended to determine the extent to which the information provided by WorkCover meets customer needs by increasing their knowledge of their rights and responsibilities.

This is the third year the survey has been conducted. 98% of respondents either agreed or strongly agreed that the information provided to them increased their knowledge in relation to the seminar objectives

Women

Two Year Plan For Women

WorkCover has continued in the spirit of its commitment to the Government's Two Year Plan for Women for 1999 to 2001 by reporting specifically on workers' compensation data as they relate to female workers.

The Workers' Compensation Statistical Report includes analysis of claims by female workers and the Statistical Report on Female Workers: 1995/1996 to 1998/1999, published in November 2000, examines trends in workers' compensation lodged by female workers that result in time off work.

These reports are intended to assist in targeting prevention activities and reducing the impact of workers' compensation claims for female workers.

Young People

WorkCover recognises the needs of young people. Products and services delivered by WorkCover are available to all customer groups including young people.

Developing a New Government Plan for Women

WorkCover has participated in consultative activities to develop a government plan for women. This plan is expected to guide activities over the next five years in response to women's needs and expectations to advance the status of women in Western Australia.

Language Services/People of Non-English Speaking Background

WorkCover strongly supports the Government's commitment to encouraging the provision of services so that language difficulties are not a barrier for people with a hearing impairment or who are from a non-English speaking (NES) background.

Since the development of the Language Services Strategy in 1992, WorkCover has addressed the needs of its customers by ensuring:

- customers are aware through WorkCover publications and information seminars of the availability of interpreter services and their right to use them;
- where necessary WorkCover instigates the use of an interpreter and promotes the appropriate use of providers of accredited interpreting services;
- service providers are aware of and encouraged to use interpreter services on behalf of their clients; and
- a telephone service is available to the hearing impaired TTY (08) 9388 5537 located in the Infoline Service facility.

As part of its commitment to providing information in a variety of languages WorkCover has developed publications in Chinese and Malay. These have been published on WorkCover's website in the publications section. There are two pamphlets outlining the scheme for employers and workers and a third explaining the dispute resolution process.

People with a Disability

WorkCover provides services for hearing impaired persons by advertising its TTY service in pamphlets, on the Internet, in the press and via presentations. An audio loop is also available on 48 hours notice. Information can be made available in alternate formats for people with disabilities on request.

Regional Customers

WorkCover is committed to providing services to regional communities. Activities undertaken to support this commitment during 2000/2001 include:

- Promoting our 1800 freecall number for regional customers via its pamphlets, the internet, advertising and presentations.
- Providing WorkCover publications to DOPLAR and WorkSafe Western Australia regional offices for dissemination in the regions.
- Conducting a number of regional based presentations at the request of stakeholders and service providers in the scheme.
- Undertaking two regional compliance trips giving WorkCover a presence in these regions, ensuring employers and other parties are aware of their rights and obligations and are providing regional customers with relevant and useful information on the scheme.
- Conducting seminars and attending display booths in 7 regional centers including Albany, Bunbury, Karratha, South Hedland, Kalgoorlie, and Geraldton.

Statement of Expenditure – Electoral Act, 1907

Section 175 (Z)(e) of the Electoral Act, 1907 requires the publication of the details of certain classes of expenditure in agencies' annual reports.

The following is a statement of expenditure in accordance with Section 175 (Z)(e) of the Electoral Act, 1907:

| CLASS OF EXPENDITURE | AMOUNT | ORGANISATION |
|---------------------------------|--------------------|-------------------------|
| Advertising Agencies | | |
| Direct Mail Organisations | \$2,426.52 | Northside Distributions |
| Market Research Organisations | | |
| Media Advertising Organisations | \$11,034.10 | Media decisions WA |
| | \$35,292.35 | Marketforce Productions |
| | <u>\$46,326.45</u> | |
| TOTAL | \$48,752.97 | |

* Includes the cost of advertising vacant positions.

The Premium Rates Committee

The Premium Rates Committee is an independent body established under section 147 of the Workers' Compensation and Rehabilitation Act 1981. It is responsible for the determination of recommended premium rates for Employer Indemnity Policies.

The Premium Rates Committee operates independently of WorkCover, which provides administrative support only. The committee consists of three *ex officio* and three nominee members. The *ex officio* members are the Auditor General of Western Australia as Chairman, the Executive Director of WorkCover and the Managing Director of the Insurance Commission of Western Australia (formerly the State Government Insurance Commission).

The three nominee members shall be:

- a person experienced in management affairs in commerce or industry, or both;
- a person experienced in trade union affairs; and
- a person experienced in the insurance business but not employed by the Insurance Commission of Western Australia.

Membership

Membership to the Premium Rates Committee is a three year period ending on 3 May 2003:

Mr Des Pearson (Chairman)

Mr Pearson has been the Auditor General for Western Australia since 1991. He holds a Bachelor of Business degree and a Graduate Diploma in Management, and is the National President of CPA Australia, President of the Institute of Public Administration, WA Division and Past President of the Australian Institute of Management, Western Australia Inc.

He is also a former member of the Auditing Standards Board and Convenor of the Australasian Council of Auditors General.

Mr Harry Neesham

The Executive Director of WorkCover, Mr Neesham has extensive experience in the area of workers' compensation and premium rates. He has served on the committee for over 19 years.

Mr Vic Evans

As the Managing Director of the Insurance Commission of Western Australia, Mr Evans has served on the committee for over 9 years.

Mr Tony Cooke

The Secretary of Unions WA, Mr Cooke has been a member of the committee representing worker's interests since 1987 and has had a continuous involvement in the workers' compensation area since 1978.

Mr Brendan McCarthy

Mr McCarthy is the Chamber of Commerce and Industry (WA) nominee to the Committee. He is the Director, Operations, for the Chamber and has had a direct involvement in the workers' compensation arena for over 20 years. Mr McCarthy has been a member of the committee for over five years and a deputy member for 16 years. Mr McCarthy was also a member of the Review of Western Australian Workers' Compensation System (Pearson Review) in 1999.

Mr Garry Moore

Mr Moore was appointed Member to the Premium Rates Committee in March 1998. Mr Moore is the General Manager, Commercial, of SGIO Insurance and has worked in the insurance industry for over 30 years.

2001-2002 Recommended Premium Rates

The Premium Rates Committee concluded its deliberations for the determination of the 2001/2002 recommended premium rates following an actuarial analysis of the claims experience of the system over the last six underwriting years. Six months of claims data for the 2000/2001 year to 31 December 2000 was also considered in the actuarial assessment together with information concerning the status and experience of civil disputes.

These deliberations resulted in an overall reduction of 8.2% for expected claims experience to the recommended premium rates for the 2001/2002 financial year relating to employer indemnity policies issued under the *Employers' Indemnity Policies (Premium Rates) Act 1990* and the *Workers' Compensation and Rehabilitation Act 1981*.

The Premium Rates Committee removed the cost of the 3% brokerage allowance from the methodology used to calculate the recommended premium rates, in line with the Committee's decision to determine rates which are transparent of costs associated with delivering statutory workers' compensation insurance to employers.

The Committee is currently assessing the determination of risk rates only, that is, rates which reflect the claims experience of each industry classification exclusive of all other costs. A decision on this issue will be made in conjunction with the determination of the 2002/2003 rates.

The combined effect of the 8.2% reduction for expected claims experience and the 3.5% for the once off removal of the brokerage from the rates is a combined reduction of 11.7%. This reduction was effective from 4.00pm 30 June 2001 for a period of twelve months. The recommended premium rates were gazetted on Tuesday 17 April 2001.

The estimated average premium rate will reduce for 2001/2002 to 2.626% compared to 2.972% in 2000/2001. In 1999/2000 the initial average rate was 3.436% and reduced to 3.092% in November 1999. This compares with an average premium rate of 2.540% in 1998/1999 prior to the 35.3% increase to the 1999/2000 rates.

The objectives of the actuarial analysis conducted on behalf of the Premium Rates Committee continue to be:

- Calculate the **total amount of premium income** required to meet the cost of claims plus expenses and margins with anticipated investment income;
- Recommend rates that are **broadly equitable** across different industry classes with no intentional cross subsidy of rates;
- Suggest an **appropriate overall increase or decrease** in relative premium rates with minimal cross subsidy of the rates;
- Use methods which give **relative stability** in the rate structure; and
- To assess the adequacy of insurers' outstanding claims reserves.

Relative premium rates per industry class have been calculated using an experience-based partial credibility method for the sixth time. The method adopted is consistent with the objective of recommending premium rates which are closely related to the risks involved.

The 2001/2002 premium rating basis includes the following major assumptions:

- stable and close to expected election option lodgements to 05/01/2001;
- better than expected claims experience to 30/06/2000 and for the half-year to 31/12/2000;
- the 9.7% reduction of the estimated claim numbers incurred from 55,649 (revised) for 1999 to 50,228 for 2000. This gives a 1% reduction in cost, assuming smaller claims are saved;
- the 2.9% reduction in total expenses;
- a 20% reduction in common law numbers with an altered mix of significant and serious claims, reduces costs by 4.2%;
- a decrease in market rates of interest at 31/01/2001 and stable assumed wage inflation leading to a decrease in real rates of interest, which increases premium rates by 2.8%;
- a further 2.9% reduction, after statutory benefit substitution, from the overall improvement in experience;
- removal of the 3% allowance for brokerage/commission leads to a 3.5% reduction in rates;
- the notional 1.25% allowance last year, is retained for ANTS/GST;
- does not include the 10% GST on premium itself; and
- a sixth accident year's data is used for relative premium rates.

The effect of the overall 11.7% decrease means that 47% of the rating classes (226 of 480 classes) have a rate decrease of more than 10%.

After applying the rate decrease employers will experience:

Table of movement in Recommended Premium Rates

| Movement in Recommended Premium Rates | Number of Recommended Rates which: | | | |
|---------------------------------------|------------------------------------|----------|-----------|-------|
| | Decrease | Increase | Unchanged | Total |
| 5% or less | 61 | 47 | 9 | 117 |
| more than 5% but 10% or less | 84 | 23 | 0 | 107 |
| more than 10% but 15% or less | 81 | 11 | 0 | 92 |
| more than 15% but 20% or less | 62 | 8 | 0 | 70 |
| more than 20% | 83 | 11 | 0 | 94 |
| Total | 371 | 100 | 9 | 480 |

Actuarial Review of the ANZSIC Based Classification System

The Premium Rates Committee sought an actuarial review of the ANZSIC Based Classification System the Premium Rates Committee following a five year operation of the system. The review was completed in October 2000.

The major findings of the review were:

- The review covers the five year period ending the 30 June 1999 resulting in recommended premium rates for underwriting years 1996/1997 to 2000/2001.

Over this period:

- Old occupation based premium rating data was phased out;
- Restrictions on maximum rate increases and decreases were removed;
- The minimum premium rate was significantly reduce (from \$0.67 to \$0.40);
- Returned wage data was variable; and
- Adverse common law frequency trends emerged.
- The four objectives of the classification system have been largely achieved.
- The ANZSIC classification system can be considered industry best practice and is progressively being adopted in other States, eg Queensland.
- The classification system was not the cause of the adverse claim experience or the rapid increase in premiums in the preceding years.
- Some issues of equity and cross- subsidy remained for:
 - disparate risks in composite rating classes
 - disparate risks in groups of rating classes
 - employer industries not mentioned as part of any class.

Forthcoming Initiatives

The Premium Rates Committee aims to determine recommended premium rates which are considered to be *best practice* and consequently has a continuous improvement program to achieve this objective.

Initiatives planned as part of this program include:

- undertaking a further analysis of the drivers within selected class/es to assist with the development of a strategy to resolve the remaining issues associated with the operation of the ANZSIC classification system.
- continuing to monitor claims costs and in particular the performance of the 1999 legislative amendments.
- reviewing of the methodology used by the Premium Rates Committee with a view to moving towards the determination of *risk rates*.

These initiatives include:

- a review of the Australian and New Zealand Industrial Classification System (ANZSIC) to ensure the risks rated for all employers remains equitable;
- a review of a sample of employers to determine the significance of alleged under-declaration of wages for the purpose of premium assessment; and
- monitoring claims costs and in particular the performance of the 1999 legislative amendments.

Workers' Compensation Scheme Statistical Information

In the following section, statistics should be interpreted in conjunction with the explanatory notes which accompany the data.

Premium Income and Claims Payments

Premium income of the scheme is derived from contribution returns provided by approved insurers and self insurers under section 109 of the Workers' Compensation and Rehabilitation Act. Approved insurers declare actual premiums received whilst self insurers declare a notional premium based on the gross wages paid and the industry premium rate.

Claims payments information comprises expenses attributed to the financial year of payment. The information is collected for the purpose of setting recommended premium rates for workers' compensation insurance and for strategic planning purposes. Claims payments information includes the expenses for all workers' compensation claims reported by approved and formerly approved insurers under section 161 of the Act, by the Insurance Commission of Western Australia in relation to insurance arrangements for State Government workers and industrial diseases, and by self-insurers.

Premium Income 2000/2001

The premium income of the scheme, for the year ending 30 June 2001, as reported in the contribution returns lodged by approved insurers and self insurers were as follows:

| Premium Income of the Scheme 2000/2001 | |
|--|------------------|
| | \$Million |
| Approved Insurers | \$636.475 |
| Approved Self Insurers (notional) | \$62.519 |
| Total | \$698.994 |

⁽¹⁾ The premium income for the Insurance Commission of WA is included in the category for Approved Insurers

In 2000/2001, a total of 13 approved insurers (inclusive of HIH Insurance who went into provisional liquidation on 15 March 2001) and the Insurance Commission of Western Australia had a combined premium income of \$698.994 million, while 23 approved self insurers had a combined notional premium of \$62.519 million. The total combined premium income of the scheme was \$698.994 million.

Premium Income History

The following table shows a history of premium income and notional premium income for the scheme from 1980/1981 to 2000/2001

| | Insurers | Self Insurers | Scheme Total |
|---------|------------------|--------------------|--------------|
| | (Premium Income) | (Notional Premium) | |
| | \$M | \$M | \$M |
| 2000/01 | 636.475 | 62.519 | 698.994 |
| 1999/00 | 610.733 | 56.937 | 667.670 |
| 1998/99 | 463.286 | 48.344 | 511.630 |
| 1997/98 | 401.007 | 37.026 | 438.033 |
| 1996/97 | 374.289 | 34.435 | 408.725 |
| 1995/96 | 346.531 | 25.840 | 372.371 |
| 1994/95 | 347.325 | 18.130 | 365.328 |
| 1993/94 | 323.500 | 24.494 | 347.994 |
| 1992/93 | 276.001 | 23.025 | 299.026 |
| 1991/92 | 258.734 | 26.302 | 285.036 |
| 1990/91 | 278.032 | 27.042 | 305.074 |
| 1989/90 | 297.525 | 27.459 | 324.984 |
| 1988/89 | 298.506 | 24.683 | 323.189 |
| 1987/88 | 280.125 | 19.054 | 299.179 |
| 1986/87 | 247.813 | 16.942 | 264.755 |
| 1985/86 | 228.437 | 16.634 | 245.071 |
| 1984/85 | 185.908 | 13.638 | 199.546 |
| 1983/84 | 160.936 | 12.420 | 173.356 |
| 1982/83 | 131.650 | 8.571 | 140.221 |
| 1981/82 | 90.951 | 12.572 | 103.523 |
| 1980/81 | 75.645 | 11.936 | 87.581 |

^{2000/01} Insurers premium income includes HIH, FAI and CIC Insurance up to 15 March 2001 when the company went into provisional liquidation.

Claims Payments

For the 2000/01 year, claims payments for the scheme were \$400.373 million, where approved insurers accounted for \$323.898million and self insurers \$76.475million.

Actual claim payments for all accident years in 2000/01 show an overall reduction from the 1999/00 of approximately \$75.137million.

2000/2001 Claims Payments by Category

In 2000/2001, weekly payments accounted for 30.9% and common law and other acts for 20.1% of the total claim payments. These two categories of payments accounted for 51.0% of the scheme payments. In 1999/00, these two categories accounted for 60.5% of total payments.

In 2000/01, payments for common law and other acts when compared with total scheme payments are at their lowest level in over six years.

The most significant change occurred for the redemption category, which accounts for 8.6% of payments compared with 2.9% in 1999/00. Medical practitioner and specialist payments have reduced as a total, but still account for 11% of the total payments. Legal expenses did not follow the decreasing common law payments trend in 2000/01 and in fact increased to 8.3% of total scheme payments compared with 7.0% in 1999/00.

| 2000/2001 Scheme | | |
|--|-----------------------|-------------------|
| Type of Claim Payment | Total | % of Scheme Total |
| Weekly Payments | \$ 123,691,539 | 30.9% |
| Redemptions | \$ 34,237,345 | 8.6% |
| Specific Injuries (Schedule 2) | \$ 16,468,544 | 4.1% |
| Fatal (including Funeral Expenses) | \$ 1,283,952 | 0.3% |
| Medical Practitioners & Specialists | \$ 42,592,475 | 10.6% |
| Hospital Expenses | \$ 12,779,689 | 3.2% |
| All Other Treatment (a) | \$ 21,847,442 | 5.5% |
| Vocational Rehabilitation (b) | \$ 15,066,317 | 3.8% |
| Miscellaneous (eg. Transport, maintenance) | \$ 18,709,881 | 4.7% |
| Legal Expenses (c) | \$ 33,137,409 | 8.3% |
| Common Law and Other Acts | \$ 80,558,539 | 20.1% |
| SCHEME TOTAL | \$ 400,373,132 | 100.0% |

- a) Comprised of payments made under Clauses 17(1), (3), (4), (5) and (6) of Schedule 1 of the Workers' Compensation and Rehabilitation Act 1981 ('Act') other than medical and hospital expenses.
- b) Comprised of payments made under Clause 17(1a) of Schedule 1 of the Act in respect of counseling, occupational training, work assessment, aids and appliances.
- c) Comprised of insurers' and self insurers' cost of legal advice and representation, witness fees and the costs of these services incurred by the worker where the insurer or self insurer is ordered to meet these costs.
- These are costs reported as at 30 June 2001 and may be subject to change due to payment variations subsequently reported by approved, former approved insurers and self insurers.
 - Claims payments represents the actual payments and do not reflect liabilities incurred but not yet paid.

Claims Payments History

Claims payments represent the actual payments for all accident years but do not reflect liabilities incurred but not yet paid. Actual claims payments amounts (with no adjustment for inflation) are provided in the following table.

| | Insurers \$M | Self Insurers \$M | Scheme Total \$M |
|---------|-----------------|----------------------|---------------------|
| 2000/01 | 323.898 | 76.475 | 400.373 |
| 1999/00 | 393.857 | 81.653 | 475.510 |
| 1998/99 | 367.232 | 81.200 | 448.433 |
| 1997/98 | 389.451 | 17.487 | 406.938 |
| 1996/97 | 359.924 | 14.425 | 374.349 |
| 1995/96 | 312.127 | 13.938 | 326.065 |
| 1994/95 | 309.494 | 15.289 | 324.783 |
| 1993/94 | 304.451 | 13.653 | 318.104 |
| 1992/93 | 278.553 | 11.745 | 290.298 |
| 1991/92 | 242.977 | 10.636 | 253.613 |
| 1990/91 | 221.733 | 10.459 | 232.192 |
| 1989/90 | 211.565 | 8.329 | 219.894 |
| 1988/89 | 204.860 | 7.485 | 212.345 |
| 1987/88 | 192.770 | 6.368 | 199.138 |
| 1986/87 | 170.530 | 6.241 | 176.771 |
| 1985/86 | 154.131 | 4.845 | 158.976 |
| 1984/85 | 137.901 | 4.600 | 142.501 |
| 1983/84 | 113.734 | 3.609 | 117.343 |
| 1982/83 | 108.12 | 3.286 | 111.406 |
| 1981/82 | 77.669 | 2.814 | 80.483 |
| 1980/81 | 61.734 | 2.026 | 63.760 |

- The term 'Insurers' for premium income comprises those approved and formerly approved under section 161 of the Workers' Compensation and Rehabilitation Act 1981 and the Insurance Commission of Western Australia (formerly the State Government Insurance Commission) in relation to insurance arrangements for Government workers and industrial diseases (ie. mining).
- Actual premium income received in the year shown does not necessarily reflect the premium earned in the year ie. it may include premium outstanding from the previous year or pre paid for the following year.
- Claims payments represent the actual payments for all accident years and do not reflect liabilities incurred but not yet paid.
- The notional premium income of self insurers is calculated by applying recommended premium rates to declared wages. The premium income statistics of insurers are actual and account for surcharges and discounting.
- Actual premium income and claim payments represent returns as at 30 June each year and may be subject to change due to income and payment variations subsequently reported by approved, former approved insurers and self insurers.
- From 1998/99 onwards the Insurance Commission of Western Australia's claims payments data is included under Self Insurers.

Claims

Claims data represents information on lost-time workers' compensation claims by the financial year in which the claim was lodged. This is in contrast to claims payments, which reflect actual payments during a financial year. Claims data is analysed based on average costs, with costs attributed to the financial year the claim was lodged. It should be noted that no adjustments have been made to costs to account for inflation, as costs are grouped according to the year the claim was lodged, and expenses may span more than one year.

While claims payments represent the total cost, claims data includes many other claim details, such as worker demographics and details of the incident (arranged by year of lodgment), enabling detailed analysis.

The WorkCover Insurer On-Line system went into production in March 2000. All policy and claim data goes through a comprehensive validation process. Data will not write to the WorkCover database unless the policy and claim record is error free.

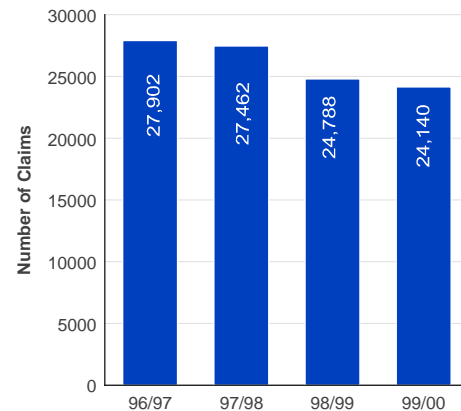
WorkCover continuously updates its lost-time claims database as information is received from approved insurers and self-insurers. As claims information is dynamic in nature, this report should be considered as a snapshot in time of the workers' compensation system in WA. The claims data for the report was extracted at the end of December 2000.

It should be noted that over time a greater proportion of lost-time claims become finalised and subsequent snapshots of the system provide more up-to-date claims information. For example, when data used for the present report was extracted, 69.8% of claims lodged in 1999/2000 were finalised, and 87.6% of claims lodged in 1998/1999 were finalised.

To maintain consistency the following claims were excluded from descriptions of lost-time claims:

- Journey claims between home and work;
- Asbestos-related diseases, including mesothelioma and pneumoconiosis;
- Duplicated or disallowed claims;
- Claims with less than one working day absence from work; and
- Claims with less than one whole shift absence from work.

Number of Claims Lodged

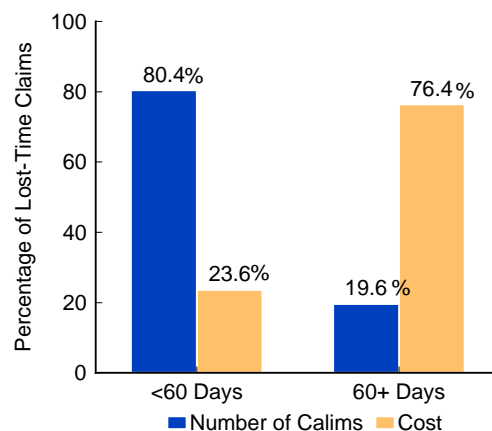


In 1999/2000, 24,140 lost-time workers' compensation claims were lodged. The number of claims lodged between 1996/1997 and 1999/2000 decreased over each successive year, indicating an overall decrease of 13.5% in the four-year period.

In 1999/2000, 74.1% of all lost-time claims were reported by male workers, representing a decrease in claims lodged since 1996/1997 of 15.0%.

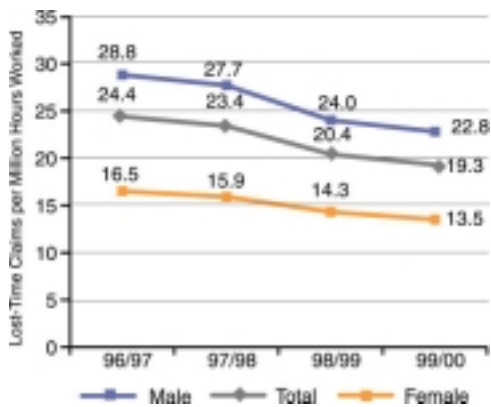
In 1999/2000, 25.9% of all lost-time claims were reported by female workers, representing a decrease in claims lodged since 1996/1997 of 8.7%.

Proportion of Claims and Cost: 1999/2000



Long-duration lost-time claims (claims of 60 or more working days absence from work) accounted for 19.6% of reported claims, and 76.4% of the reported cost in 1999/2000.

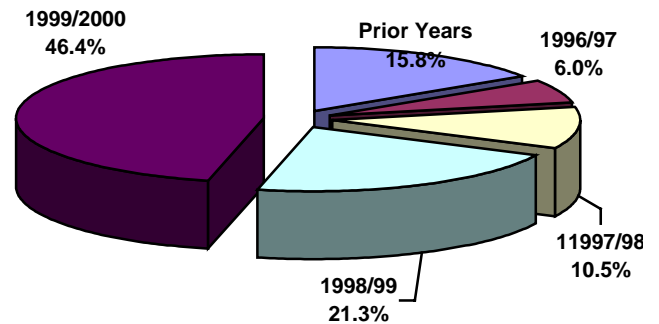
Frequency Rate by Gender



Frequency rate represents the number of lost-time claims per million hours worked. Since 1996/1997 the frequency rate for male workers has been consistently higher than for female workers. There has been an overall decrease of 20.7% in the frequency rate of lost-time claims for both male and female workers over the four-year period.

Frequency rates for male workers have declined more rapidly than frequency rates for female workers. For the period between 1996/1997 and 1999/2000 the frequency rate for male workers decreased by 21.0%. In the same period the frequency rate for female workers decreased by 18.3%.

Claims Active in 1999/2000



¹ Only claims lodged after 1991/1992 have been included in the figure.

In 1999/2000, 52,257 active lost-time claims were reported. Of these, 24,140 were lodged in 1999/2000, and 28,117 were lodged prior to 1999/2000 but after 1991/1992 (and unfinalised at 1 July 1999). Of claims active in 1999/2000, 32.6% were lodged in or prior to 1997/1998.

Performance Indicators

Audit Opinion



Auditor General

To the Parliament of Western Australia

**WORKERS' COMPENSATION AND REHABILITATION COMMISSION
PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 2001**

Scope

I have audited the key effectiveness and efficiency performance indicators of the Workers' Compensation and Rehabilitation Commission for the year ended June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

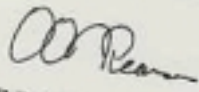
The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Workers' Compensation and Rehabilitation Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the year ended June 30, 2001.



D D R PEARSON
AUDITOR GENERAL
August 28, 2001

4th Floor Dumas House 2 Havelock Street West Perth WA 6005 Western Australia Tel: (08) 9222 7300 Fax: (08) 9222 2664



Certification of Performance Indicators

We hereby certify that the accompanying Performance Indicators are based on proper records and they fairly represent the performance of the Workers' Compensation and Rehabilitation Commission for the period July 1, 2000 to June 30, 2001.

A handwritten signature in black ink, appearing to read "Bruce Bradley", with a long horizontal flourish extending to the right.

B T BRADLEY
CHAIRMAN
WORKERS' COMPENSATION AND REHABILITATION COMMISSION
28.08.2001

A handwritten signature in black ink, appearing to read "H T Neesham", with a long horizontal flourish extending to the right.

H T NEESHAM
MEMBER
WORKERS' COMPENSATION AND REHABILITATION COMMISSION
28.08.2001

Performance Indicator Report

For the year ended 30.06.2001.

Rationale

WorkCover's Mission is:

To effectively administer the Workers' Compensation and Rehabilitation Act 1981 for the benefit of injured workers at a reasonable cost to employers and the community and to advise Government on appropriate policy for that purpose.

To achieve the broad aims embodied in the Mission Statement WorkCover seeks to achieve three primary outcomes; Information, Education & Advice, Scheme Regulation and Dispute Resolution. Outputs produced by the Agency directly support achievement of these outcomes. Achievement of the outcomes in turn influences the broader aims of our Mission.

Outcomes

The outcomes WorkCover seeks to achieve, and against which the agency's effectiveness is measured, are:

1. Information, Education & Advice

Workers' compensation scheme participants are aware of their rights and responsibilities and Government receives accurate, timely policy advice regarding workers' compensation matters;

2. Scheme Regulation

Workers' compensation scheme participants comply with legislative requirements and standards;

3. Dispute Resolution

Workers' compensation disputes are resolved and agreements registered expeditiously.

Outputs

To achieve the outcomes of scheme regulation, dispute resolution, and information, education and advice, WorkCover delivers the following outputs:

1 Information and Education

Information and education is provided to targeted workers' compensation scheme participants. This aims to increase their knowledge of their rights and responsibilities regarding the scheme and workers' compensation and injury management matters.

WorkCover targets specific groups of participants to maximise the impact on the scheme.

Information and education is delivered:

- through seminar style sessions tailored to meet the needs of targeted groups and
- by way of a general enquiry service which provides answers to relevant questions from individual scheme participants.

2 Policy Advice

The overall performance of the workers' compensation scheme depends on the legislative and policy framework within which it operates. WorkCover assists the Minister for Labour Relations; the Minister responsible for administration of the Workers' Compensation and Rehabilitation Act, to maintain and enhance this framework by providing policy advice.

Policy advice provided to the Minister is designed to meet the needs of the Minister and includes briefing papers, Executive Council papers, Cabinet submissions, policy position papers and drafting instructions.



3 Compliance

Inspections and investigations are conducted to ensure compliance with workers' compensation and legislation and prosecution of non-complying parties.

WorkCover is responsible for assisting the Minister for Labour Relations in the administration of the Workers' Compensation and Rehabilitation Act. In line with this responsibility the agency seeks to secure compliance with the provisions of the Act.

It is fundamental to the operation of the scheme that employers hold a workers' compensation insurance policy. Large-scale non-compliance would result in increased premium rates and pressure on the Uninsured Fund. WorkCover seeks to ensure employers hold appropriate workers' compensation insurance cover through workplace visits and contact with employers by letter and telephone.

4 Accreditation and Licensing

Key service providers i.e. insurers and self-insurers, vocational rehabilitation providers and air conduction (hearing) testers, are subject to accreditation or licensing and their activities are monitored. Service providers that do not consistently deliver services to the agreed standard have sanctions imposed upon them.

5 Dispute Resolution

WorkCover acts to resolve disputes between scheme participants through a system of conciliation and review. The initial process seeks to assist parties to resolve disputes by agreement through a system of conciliation conferences. Where the parties cannot reach agreement, disputes are heard and determined by a review officer. Appeals from decisions of review officers are heard in the compensation magistrate's court.

6 Registration of Agreements

WorkCover registers agreements between scheme participants where:

- parties agree to settle a claim for compensation in accordance with legislation or;
- there is agreement or a determination of the degree of disability of an injured worker prior to proceeding to civil action for common law damages.

Key Effectiveness Indicators

Key Effectiveness Indicators measure the extent to which WorkCover has achieved its Outcomes during the preceding year.

Key Efficiency Indicators

Key Efficiency Indicators measure the cost of producing outputs. Output costs include all expenditure of the agency with the exception of costs associated with the Employers' Indemnity Supplementation Fund (\$131,511,159), uninsured claims payments (\$310,774), research grants (\$58,624), the management of trust funds (\$18,671), tenant costs for the agency's West Perth property (\$115,195) and fulfillment of WorkCover's obligations under the Service Delivery Agreement with the Commonwealth for delivery of services to Cocos and Christmas islands (\$117,198). These costs do not contribute to the delivery of outputs.

Notes to the Performance Indicators

The following Performance Indicators should be read in conjunction with the accompanying Notes to the Performance Indicators.



EFFECTIVENESS

Key Effectiveness Indicators measure the extent to which WorkCover has achieved its Outcomes during the preceding year.

OUTCOME 1 INFORMATION, EDUCATION AND ADVICE

Workers' compensation scheme participants are aware of their rights and responsibilities and Government receives accurate, timely policy advice regarding workers' compensation matters.

WorkCover has adopted a two pronged approach to its delivery of information and education.

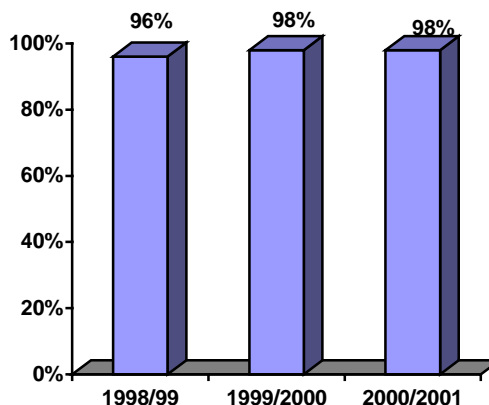
Firstly, key groups of scheme participants are targeted for delivery of information and education in seminar style sessions. This approach directs specific information to those most in need.

Secondly, answers are provided to individual scheme participant's enquiries on a one-to-one basis through WorkCover's general enquiry service.

WorkCover also provides policy advice to the Minister for Labour Relations. This is varied in form. Examples include briefing papers, Executive Council papers, Cabinet submissions, policy position papers and drafting instructions.

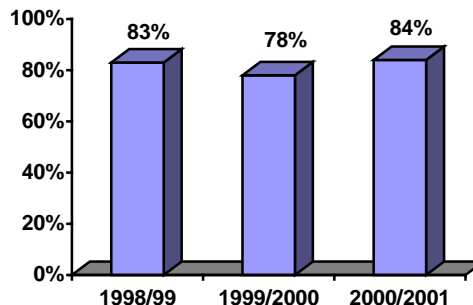
Effectiveness Indicator 1.1 – Seminar Attendees

The percentage of people attending WorkCover information and education seminars who reported an increase in their level of knowledge of the workers' compensation scheme as a result of seminar.



Effectiveness Indicator 1.2 – Enquiries

The percentage of Info-line callers who said their level of knowledge of the workers' compensation scheme increased as a result of their call:



Effectiveness Indicator 1.3 – Policy Advice

The Minister for Labour Relations rated policy advice provided by WorkCover as:

| 1998 – 1999 | 1999 – 2000 | 2000 - 2001 |
|----------------|----------------|-------------|
| Very Effective | Very Effective | Effective |



OUTCOME 2. SCHEME REGULATION

Workers' compensation scheme participants comply with legislative requirements and standards.

WorkCover seeks to secure compliance with the provisions of Workers' Compensation legislation and monitors service providers within the workers' compensation scheme to ensure they deliver an appropriate standard of service.

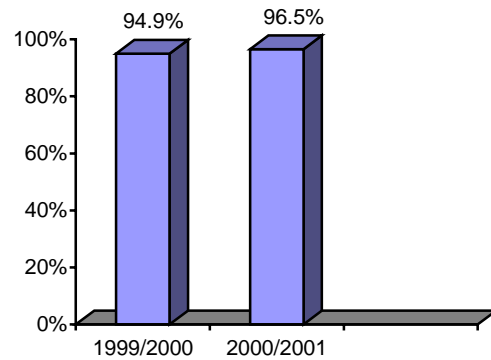
Effectiveness indicator 2.1 - Compliance

Percentage of new employers found to hold workers' compensation insurance at the time of inspection:

Note

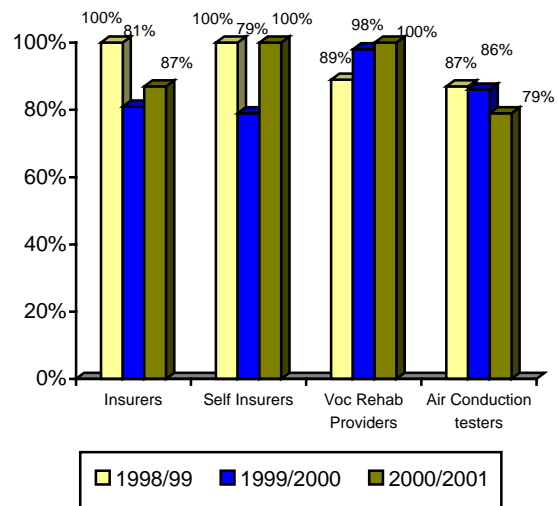
The Compliance Performance Indicator has been modified since it was reported last year.

Previously the indicator measured the percentage of all employers contacted by WorkCover who did not have a workers' compensation insurance policy at the time of contact. This year the indicator is based on the results of contacts with new employers only.



Effectiveness indicator 2.2 – Accreditation and Licensing

Percentage of service providers that met accreditation or licensing standards:



OUTCOME 3. DISPUTE RESOLUTION

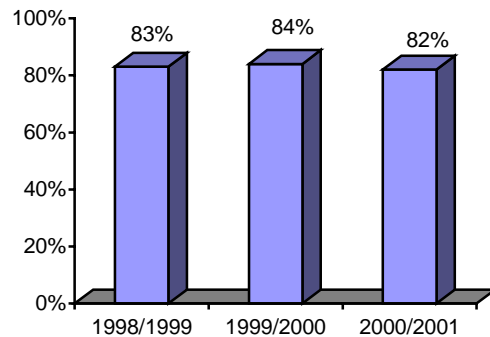
Workers' compensation disputes are resolved and agreements registered expeditiously.

WorkCover seeks to resolve disputes between scheme participants through a system of conciliation and review.

This contributes to the achievement of WorkCover's Mission by protecting the rights of workers and employers in a cost effective manner whilst maintaining equity within the system through the use of an impartial conciliator or arbitrator.

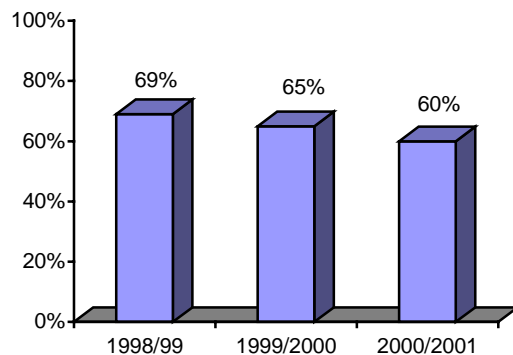
Effectiveness Indicator 3.1 – Dispute Resolution

Percentage of workers' compensation disputes lodged with WorkCover's Conciliation and Review Directorate resolved at conciliation:



Effectiveness Indicator 3.2 – Dispute Resolution (Timeliness)

Percentage of workers' compensation scheme disputes lodged with WorkCover's Conciliation and Review Directorate resolved within 12 weeks of lodgement.





EFFICIENCY

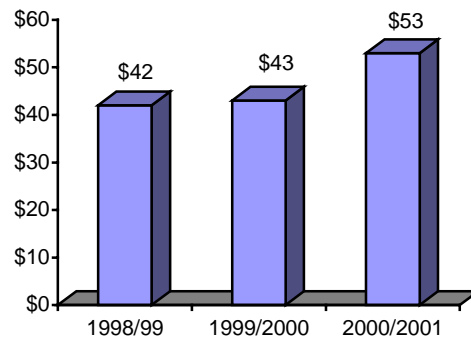
Key Efficiency Indicators measure the cost of producing outputs.

This year WorkCover's output costs, and therefore the Efficiency Indicators, have been impacted to varying degrees by an unanticipated increase in Agency expenses. Firstly, the Agency's superannuation liability for 2000/2001 was greater than that provided for last year. Secondly, a doubtful debt expense was created for the contribution to the General Fund unpaid as a result of the liquidation of HIH Insurance (see note 29 in the Notes to the Financial Statements). These two factors added over \$1,000,000 to the total expenses of the Agency during 2000/2001.

As these expenses are considered indirect costs they are apportioned across the outputs based on numbers of FTEs in the output area. Consequently the impact on output costs and efficiency indicators is variable depending on the number of output units produced and the number of FTEs in the output area.

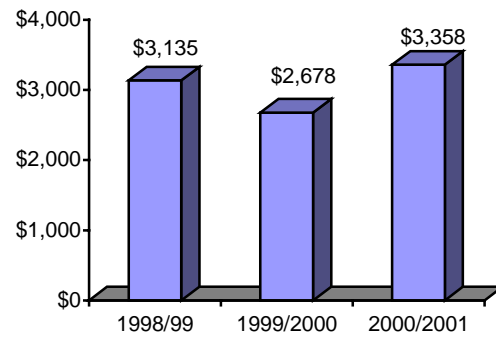
Output 1

The cost per contact to provide information, education and training services:



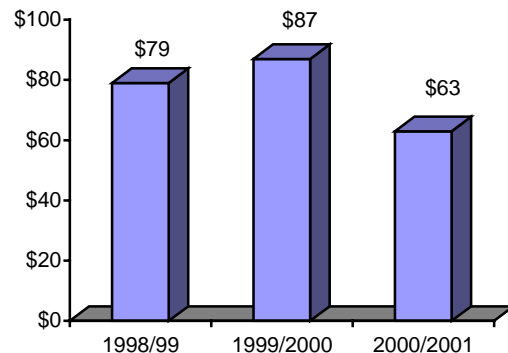
Output 2

The cost per item of advice to provide policy advice to Government:



Output 3

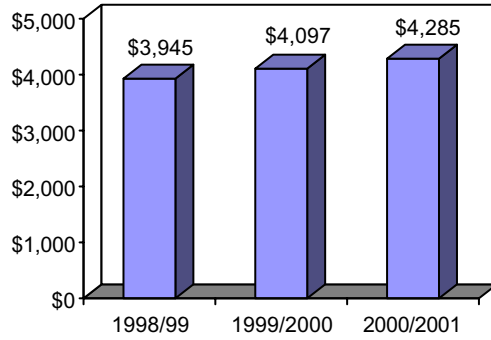
The cost per inspection to ensure compliance with the Workers' Compensation and Rehabilitation Act:





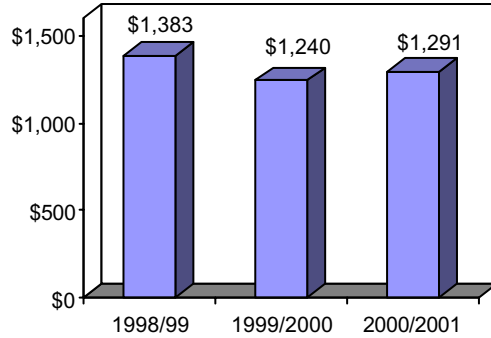
Output 4

The average weighted cost per service provider to monitor accredited or licensed service providers:



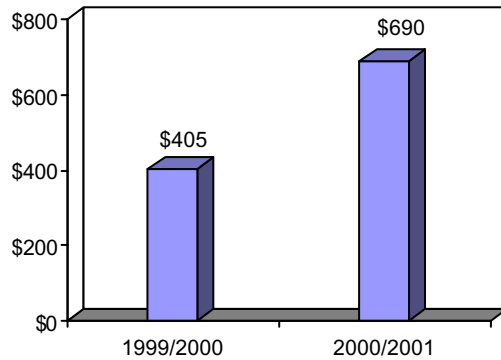
Output 5

The cost to resolve each dispute:



Output 6

The cost per agreement to register agreements or determinations.



Notes to the Performance Indicators

How were the performance indicators derived?

Effectiveness Indicator 1.1 – Information Seminars

The indicator was derived from a survey of information and education session attendees. At the conclusion of each session people who attended were requested to complete a survey form with a four point rating scale. The respondents rated their level of agreement (from strongly disagree through disagree and agree, to strongly agree) with a statement indicating they had increased their knowledge of workers' compensation as a result of their attendance at the seminar.

The proportion of "agree" and "strongly agree" responses to total responses is reported as an indication of an increase in the attendees' level of knowledge of the workers' compensation scheme and their rights and responsibilities.

The information and education session attendees surveyed belong to targeted segments of WorkCover's primary customer groups: workers, employers and service providers. Of the 2,366 persons who attended information or education sessions, 1,702 were surveyed, with 1276 providing useable responses. This is a response rate of 75% with a sampling error rate of $\pm 1.86\%$ at a 95% confidence level assuming 0.5 as the proportion of incidence in the population.

Effectiveness Indicator 1.2 – Enquiries

The indicator is derived from a survey of Info-line callers. At the conclusion of their Info-line call a sample of callers was asked the question; Do you know more about the workers' compensation scheme as a result of the information provided to you during your call to Info-line? The proportion of "yes" answers to total responses forms the basis of this indicator.

During 2000 – 2001 385 Info-line callers were surveyed out of a total of 23,967 calls received. 362 of those surveyed provided useable responses. This is a response rate of 94% with a sampling error rate of $\pm 5.11\%$ at a 95% confidence level assuming .5 as the proportion of incidence in the population.

Effectiveness Indicator 1.3 – Policy Advice

WorkCover's effectiveness in providing policy advice to Government is measured by surveying the Minister for Labour Relations to assess his perception of how effectively WorkCover has provided Government with accurate, timely policy advice consistent with Government requirements.

The Minister for Labour Relations rated the policy advice provided by WorkCover by responding to the question "How effectively has WorkCover provided the Minister with accurate, timely policy advice consistent with Government's requirements". The rating was provided on a 4 point scale consisting of ineffectively, effectively, very effectively and extremely effectively.

Effectiveness Indicator 2.1 – Compliance

The indicator is derived from the results of monitoring carried out by WorkCover WA. WorkCover inspects businesses to determine their compliance with the requirement to hold workers' compensation insurance. One of the primary categories of businesses subject to inspection is new businesses. The indicator shows the percentage of new businesses inspected with workers' compensation insurance as prescribed by the Act at the time checks were made. An inspection may consist of an on site visit or other contact such as a letter or telephone call.

It should be noted that since all employers are not monitored the data for this performance indicator result are indicative only.

Effectiveness Indicator 2.2 – Accreditation & Licensing

WorkCover accredits and licenses key service providers and monitors their activities to ensure services are being delivered to the agreed standard. Service providers subject to monitoring are insurers, self insurers, vocational rehabilitation providers and air conduction (hearing) testers.

The Accreditation & Licensing effectiveness indicator is derived from internal records of the results of service provider monitoring for compliance with legislation and standards.

Effectiveness Indicators 3.1 & 3.2 - Dispute Resolution

The Dispute Resolution effectiveness indicators are derived from case records of all disputes held by WorkCover's Conciliation and Review Directorate.

Efficiency Indicators

Efficiency indicators are formulated to measure the cost per output unit. Cost data is taken from the financial statements (See note 30 in the Notes to the Financial Statements). Quantity measures are extracted from the agency's Output Based Management reporting system and agency files.

What are the differences from previous performance indicators?

The Scheme Regulation effective indicator for employer compliance (*the percentage of employers found to hold workers' compensation insurance at the time of inspection*) is derived from the outcomes of inspections carried out by WorkCover. The indicator has been reported for the last 3 years and continues to be a key indicator of effectiveness.

The methodology for measuring results for this indicator has been modified for 2000/2001. In the past, the indicator results were based on the outcomes of all inspections carried out by WorkCover. This included inspections specifically targeted at uninsured employers and employers whose policies had lapsed. Because of the targeting mechanisms the percentage of uninsured employers found was greater than would normally be expected in the general population.

This year the targeted inspections have been excluded from the measurement process and the indicator is based on inspection of a sample of new business registrations.

Why are the indicators relevant to the outcomes and outputs?

WorkCover's outcomes for 2000/2001 were:

- **Outcome 1: Information, Education & Advice**
Workers' compensation scheme participants are aware of their rights and responsibilities and Government receives accurate, timely policy advice regarding workers' compensation matters.
- **Outcome 2 – Scheme Regulation**
Workers' compensation scheme participants comply with legislative requirements and standards.
- **Outcome 3**
Workers' compensation disputes are resolved and agreements are registered.



Effectiveness Indicators 1.1 and 1.2

In order to maximise the impact on the workers' compensation scheme, WorkCover has adopted a two pronged approach to its delivery of information and education. Firstly, key groups of scheme participants are identified and targeted for delivery of information and education seminar style sessions. This approach directs specific information to those most in need.

Secondly, answers are provided to individual scheme participants' enquiries on a one-to-one basis through WorkCover's general enquiry service. The vast majority of enquiries are via WorkCover's Info-line telephone enquiry service.

Effectiveness indicators 1.1 and 1.2 are directly relevant to the information & education component of Outcome 1 in that they measure the increase in targeted scheme participants' level of knowledge of the workers' compensation scheme achieved as a result of outputs of the agency.

Effectiveness Indicator 1.3

As the agency responsible for providing workers' compensation related policy advice to Government, WorkCover provides advice to the Minister for Labour Relations. The Minister's satisfaction with policy advice provided by the agency directly measures the extent to which WorkCover has achieved the policy advice component of Outcome 1.

Effectiveness Indicator 2.1

The indicator shows the percentage of sampled employers with workers' compensation insurance at the time checks were made.

This indicator supports Outcome 2 in that it indicates the extent to which employers comply with the provisions of the Workers' Compensation and Rehabilitation Act relating to requirements to hold workers' compensation insurance policies.

Effectiveness Indicator 2.2

The percentage of service providers that met agreed standards is directly relevant to Outcome 2 in that it measures the extent to which service providers complied with the provisions of the Workers' Compensation and Rehabilitation Act and agreed standards.

Effectiveness Indicator 3.1 and 3.2

In 1993 the Government amended the Workers' Compensation and Rehabilitation Act 1981 to streamline the dispute resolution process. The amended process is aimed at resolving disputes in a manner that is fair, just, economical, informal and quick. These objectives are implicit in the Dispute Resolution Outcome.

As parties to a dispute must agree for a dispute to be resolved at conciliation, conciliated resolutions are the most equitable outcome to a dispute. Also, disputes resolved in a timely manner contain costs and promote an early return to work for injured workers.

Effectiveness indicators 3.1 and 3.2 directly measure these aspects of the dispute resolution process and are therefore directly relevant to the Outcome 3 – Dispute Resolution.

Efficiency Indicators

The efficiency indicators are based on the cost and quantity measures for each Output and as such gauge the overall efficiency in achieving desired Outcomes.





Why are they key indicators of performance

The indicators reported directly measure WorkCover's effectiveness and efficiency in producing outputs and achieving Outcomes.

How can the indicators assist the reader to assess performance

The effectiveness indicators inform the reader of the extent to which:

Targeted workers' compensation scheme participants perceived the information and education provided by WorkCover increased their knowledge of the workers' compensation scheme;

WorkCover provided accurate, timely advice regarding workers' compensation matters to the Government, as perceived by the Minister for Labour Relations;

Key workers' compensation scheme participants complied with legislative and other standards and

Disputes between parties in the workers' compensation scheme were resolved in an equitable and timely manner.

Efficiency indicators show the cost of each output based on a measurable unit of quantity.

Performance indicator results are presented as simple percentages, ratios or plain English statements. In most cases results can be compared with previous years' performance.

What major movements in measurements occurred as a result of unusual events or circumstances?

This year WorkCover's output costs, and therefore the Efficiency Indicators, have been impacted to varying degrees by an unanticipated increase in Agency expenses. Firstly, the Agency's superannuation liability for 2000/2001 was greater than that provided for last year. Secondly, a doubtful debt expense was created for the contribution to the General Fund unpaid as a result of the liquidation of HIH Insurance (see note 29 in the Notes to the Financial Statements). These two factors added over \$1,000,000 to the total expenses of the Agency during 2000/2001.

As these expenses are considered indirect costs they are apportioned across the outputs based on numbers of FTEs in the output area. Consequently the impact on output costs and efficiency indicators is variable depending on the number of output units produced and the number of FTEs in the output area.



Financial Statements

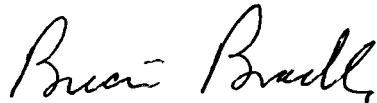
Audit Opinion



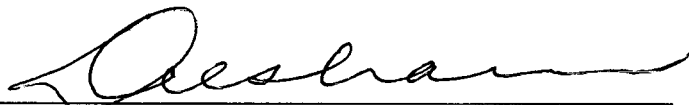
Certification of financial statements

We hereby certify that the accompanying financial statements of the Workers' Compensation and Rehabilitation Commission have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the period July 1, 2000 to June 30, 2001 and the financial position as at June 30, 2001.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



B T BRADLEY
CHAIRMAN
WORKERS' COMPENSATION AND REHABILITATION COMMISSION
28.08.2001



H T NEESHAM
MEMBER
WORKERS' COMPENSATION AND REHABILITATION COMMISSION
28.08.2001



M D'OIDIO
ACTING PRINCIPAL ACCOUNTING OFFICER
WORKERS' COMPENSATION AND REHABILITATION COMMISSION
28.08.2001

Financial Statements

WORKERS' COMPENSATION & REHABILITATION COMMISSION
Statement of Financial Performance
For the year ended 30 June 2001

| | Note | 2001 \$ | 2000 \$ |
|---|------|----------------------|-------------------|
| REVENUE | | | |
| Revenues from ordinary activities | | | |
| Insurer contributions | | 9,479,077 | 9,692,191 |
| Goods and services | 2 | 384,052 | 312,316 |
| Commonwealth grants and contributions | 3 | 41,852 | 31,000 |
| Interest revenue | | 757,908 | 681,350 |
| Fines and penalties | | 30,831 | 24,284 |
| Other revenues from ordinary activities | 4 | 396,593 | 988,302 |
| Total revenues from ordinary activities | | 11,090,313 | 11,729,443 |
| EXPENSES | | | |
| Expenses from ordinary activities | | | |
| Employee expenses | 5 | 6,989,335 | 6,327,374 |
| Supplies and services | 6 | 1,383,216 | 1,243,559 |
| Depreciation and amortisation expense | 7 | 822,537 | 843,222 |
| Doubtful debts expense | | 418,182 | 18,917 |
| Administration expenses | 8 | 1,025,450 | 1,145,627 |
| Accommodation expenses | 9 | 582,474 | 564,880 |
| Charge to provisions | 10 | 124,075,220 | 816,160 |
| Uninsured claims | | 230,706 | 160,480 |
| Refund of Commonwealth grant | | 111,098 | - |
| Net loss on sale of non-current assets | 11 | 8,089 | 33,446 |
| Other expenses from ordinary activities | 12 | 9,332,207 | 540,561 |
| Total expenses from ordinary activities | | 144,978,514 | 11,694,226 |
| Profit/(loss) from ordinary activities before grants and subsidies from Government | | (133,888,201) | 35,217 |
| Resources received free of charge | | 100,642 | 75,023 |
| Net Profit/(loss) from ordinary activities | | (133,787,559) | 110,240 |
| Net (increase)/decrease in asset replacement reserve | | (101,246) | 11,649 |
| Total revenues, expenses and adjustments recognised directly in equity | | (101,246) | 11,649 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS | | (133,888,805) | 121,889 |

The Statement of Financial Performance should be read in conjunction with the accompanying notes.

WORKERS' COMPENSATION & REHABILITATION COMMISSION
Statement of Financial Position
As at 30 June 2001

| | Note | 2001 \$ | 2000 \$ |
|---------------------------------------|--------|----------------------|-------------------|
| Current Assets | | | |
| Cash assets | 13 | 24,641 | 1,300 |
| Restricted cash resources | 14 | 2,419,157 | 8,881,777 |
| Receivables | 15 | 177,108 | 91,682 |
| Investments | 16 | 4,074,831 | 4,984,420 |
| Other assets | 17 | 58,639 | 70,340 |
| Total Current Assets | | <u>6,754,376</u> | <u>14,029,519</u> |
| Non-Current Assets | | | |
| Property, plant, equipment & vehicles | 18, 32 | 8,577,993 | 9,167,626 |
| Relocation capitalisation | 19 | 31,571 | 85,024 |
| Total Non-Current Assets | | <u>8,609,564</u> | <u>9,252,650</u> |
| Total Assets | | <u>15,363,940</u> | <u>23,282,169</u> |
| Current Liabilities | | | |
| Payables | 20 | 3,206,091 | 688,955 |
| Provisions | 21 | 40,707,723 | 1,959,617 |
| Total Current Liabilities | | <u>43,913,814</u> | <u>2,648,572</u> |
| Non-Current Liabilities | | | |
| Provisions | 21 | 87,389,411 | 2,785,323 |
| Total Non-Current Liabilities | | <u>87,389,411</u> | <u>2,785,323</u> |
| Total Liabilities | | <u>131,303,225</u> | <u>5,433,895</u> |
| NET ASSETS | | <u>(115,939,285)</u> | <u>17,848,274</u> |
| Equity | | | |
| Capital | 22 | 12,852,126 | 12,852,126 |
| Reserves | | 229,361 | 128,115 |
| Retained profits/(accumulated losses) | | (129,020,772) | 4,868,033 |
| TOTAL EQUITY/(DEFICIT) | | <u>(115,939,285)</u> | <u>17,848,274</u> |

The Statement of Financial Position should be read in conjunction with the accompanying notes.





WORKERS ' COMPENSATION & REHABILITATION COMMISSION
Statement of Cash Flows
For the year ended 30 June 2001

| | Note | 2001 \$ | 2000 \$ |
|--|-----------|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Insurer contributions | | 9,060,895 | 9,692,191 |
| Goods and services | | 376,412 | 290,177 |
| Interest Received | | 766,018 | 670,506 |
| GST Receipts on sale | | 46,852 | - |
| GST Receipts from taxation authority | | 233,403 | - |
| Other receipts | | 457,004 | 1,027,302 |
| Payments | | | |
| Employee entitlements | | (7,796,634) | (6,889,626) |
| Supplies and services | | (3,149,902) | (3,044,618) |
| GST Payments on purchases | | (340,160) | - |
| Other payments | | (6,806,626) | (423,895) |
| Net cash provided by/(used in) operating activities | 23 | <u>(7,152,738)</u> | <u>1,322,037</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of non-current physical assets | 11 | 42,953 | 77,203 |
| Purchase of non-current physical assets | | (234,925) | (280,120) |
| Net cash provided by/(used in) investing activities | | <u>(191,972)</u> | <u>(202,917)</u> |
| Net increase (decrease) in cash held | | (7,344,710) | 1,119,120 |
| Cash at the beginning of the financial year | | <u>13,863,339</u> | <u>12,744,219</u> |
| Cash at the end of the financial year | 23 | <u>6,518,629</u> | <u>13,863,339</u> |

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

1 Significant Accounting Policies

The following accounting policies have been adopted in the preparation of the financial statements. Unless otherwise stated these policies are consistent with those adopted in the preceding year.

General Statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group (UIG) Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

The statements have been prepared on the accrual basis of accounting using the historical cost convention. Additions to non-current physical assets are stated at cost.

The statements are a consolidation of the transactions of the Workers' Compensation and Rehabilitation General Fund established under section 106 of the Workers' Compensation and Rehabilitation Act 1981, and the Employers' Indemnity Supplementation Fund established under section 5 of the Employers' Indemnity Supplementation Fund Act 1980.

(a) Commonwealth Grants and Contributions

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Authority obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

(b) Depreciation of non current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided for on the straight line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

| | |
|------------------------------|----------------|
| Buildings | 20 to 25 years |
| Office furniture & equipment | 10 to 15 years |
| Information technology | 5 years |
| Motor vehicles | 2 years |

(c) Workers' Compensation Board-relocation costs/Conciliation and Review
Directorate-office re fit

Costs for 15 Rheola Street West Perth are being amortised over 10 years using the straight-line method.

(d) Provisions

Annual leave

This entitlement is recognised at current remuneration rates and is measured at the amount unpaid at the reporting date in respect to employees' service up to that date.

Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted using interest rates to obtain the estimated future cash outflows.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements".

WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

Superannuation

Staff may contribute to the Superannuation and Family Benefits Act scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992.

The liability for superannuation charges incurred under the Superannuation and Family Benefits Act pension scheme, together with the pre transfer service liability for employees who transferred to the Gold State Superannuation Scheme, are provided for at reporting date.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by regular payment of employer contributions to the Government Employees Superannuation Board.

The note disclosure required by paragraph 51(e) of AAS 30 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. State scheme deficiencies are recognised by the State in its whole of government reporting. The Government Employees Superannuation Board's records are not structured to provide the information for the Authority. Accordingly, deriving the information for the Authority is impractical under current arrangements, and thus any benefits thereof would be exceeded by the cost of obtaining the information.

(e) Receivables

Trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised where some doubts as to collection exists.

(f) Accrued Salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. The Authority considers the carrying amount approximates net fair value.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

(g) Payables

Payables, including accruals not yet billed, are recognised when the Authority becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

(h) Investments

Investments are brought to account at the lower of cost and recoverable amount.

Interest revenues are recognised as they are accrued.

(i) Resources Received Free of Charge or For Nominal Value

Resources received free of charge or for nominal value which can be reliably measured are recognised as revenues and as assets or expenses as appropriate at fair value.

(j) Revenue Recognition

Revenue from the sale of goods and disposal of other assets and the rendering of services, is recognised when the agency has passed control of the goods or other assets or delivery of the service to the customer.

(k) Provision for Uninsured Claims Pursuant to Section 174

Provision is made to meet payments required under section 174 of the Workers' Compensation and Rehabilitation Act 1981 where the Conciliation and Review Directorate have made an order and the worker has not received the compensation due from the General Fund by 30 June 2001.

(l) Asset Replacement Reserve

The Commission set up the reserve to address the specific area associated with computing technology because of the cost and high rate of change in technology applications. Funds are set aside in the reserve for the following assets:

PC's

IT hardware and software

PABX

Printers

The parameters for inclusion in the reserve is if the asset costs more than \$5,000 and there is an ongoing need for it.

(m) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|--|------------|------------|
| 2 Goods and Services | | |
| Revenue from tenant | 302,236 | 225,690 |
| Transcripts | 23,796 | 33,046 |
| Other | 58,020 | 53,580 |
| | 384,052 | 312,316 |
| 3 Commonwealth grants and contributions | | |
| The Commonwealth Government has a Service Delivery Arrangement with the Commission for the provision of services to Christmas Island and Cocos-Keeling Island. | | |
| Opening balance | 111,098 | 93,847 |
| Funding received from the Commonwealth | 41,852 | 31,000 |
| | 152,950 | 124,847 |
| Payments by Program | | |
| Statistical Database | 1,343 | 1,182 |
| Policy & Legislation | 1,389 | 140 |
| Noise Induced Hearing Loss | 242 | 241 |
| Dispute Resolution | 366 | 133 |
| Community Awareness | 5,037 | 1,176 |
| Compliance | 119 | 9,141 |
| Support | 3,409 | 1,736 |
| Refund of Grant to the Commonwealth | 111,098 | - |
| Total Payments | 123,003 | 13,749 |
| Balance carried forward | 29,947 | 111,098 |
| 4 Other revenues from ordinary activities | | |
| <u>General Fund</u> | | |
| Recoveries from uninsured employers | 9,772 | 348,477 |
| Sale of software | - | 40,000 |
| Seminars | 30,545 | 9,500 |
| Other | 130 | 19,155 |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Recovery | 354,156 | 571,170 |
| Other | 1,990 | - |
| | 396,593 | 988,302 |
| 5 Employee expenses | | |
| Wages and salaries | 5,996,751 | 5,448,215 |
| Superannuation | 573,807 | 495,291 |
| Other related expenses | 418,777 | 383,868 |
| | 6,989,335 | 6,327,374 |



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|--|------------------|------------------|
| 6 Supplies and services | | |
| Actuarial Fees | 174,994 | 168,943 |
| Advertising | 46,894 | 53,383 |
| Court Recording | 100,188 | 90,243 |
| Legal | 123,158 | 110,993 |
| Library | 39,233 | 43,826 |
| Medical Panels | 567,482 | 339,198 |
| Motor Vehicle | 54,200 | 52,989 |
| Office Equipment | 14,537 | 36,905 |
| Printing | 78,714 | 144,899 |
| Professional Fees | 64,764 | 117,270 |
| Other expenses | 119,052 | 84,910 |
| | <u>1,383,216</u> | <u>1,243,559</u> |
| 7 Depreciation and amortisation expense | | |
| Depreciation expense | | |
| Fixtures and Fittings | - | 290 |
| Buildings | 453,568 | 453,167 |
| Information Technology | 238,219 | 241,816 |
| Furniture & Equipment | 31,254 | 39,134 |
| Motor Vehicles | 46,102 | 55,421 |
| Amortisation expense | | |
| Relocation costs | 53,394 | 53,394 |
| | <u>822,537</u> | <u>843,222</u> |
| 8 Administration expenses | | |
| Insurance | 104,966 | 97,586 |
| Information Technology | 581,734 | 699,192 |
| Photocopy & Fax Running Costs | 37,521 | 30,245 |
| Postage | 87,867 | 93,743 |
| Staff Training | 27,289 | 37,242 |
| Stationery | 26,441 | 25,587 |
| Telephone | 136,543 | 149,985 |
| Other expenses | 23,089 | 12,047 |
| | <u>1,025,450</u> | <u>1,145,627</u> |
| 9 Accommodation expenses | | |
| Accommodation expenses - West Perth | 308,795 | 269,425 |
| Accommodation expenses - Shenton Park | 273,679 | 295,455 |
| | <u>582,474</u> | <u>564,880</u> |

WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|--|--------------------|----------------|
| 10 Charge to provisions | | |
| <u>General Fund</u> | | |
| Annual Leave | 491,098 | 323,598 |
| Long Service leave | 320,638 | 44,381 |
| Superannuation | 951,484 | 448,181 |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Claim payments | 122,312,000 | - |
| | <u>124,075,220</u> | <u>816,160</u> |
| 11 Net loss on sale of non-current assets | | |
| Loss | | |
| Furniture & Equipment | 244 | 11,237 |
| Motor Vehicles | 6,251 | 15,160 |
| Information Technology | 1,594 | 7,049 |
| Net Loss | <u>8,089</u> | <u>33,446</u> |
| Gross proceeds from disposal of assets | <u>42,953</u> | <u>77,203</u> |
| 12 Other expenses from ordinary activities | | |
| <u>General Fund</u> | | |
| Research Grants | 56,211 | 68,765 |
| Sitting Fees | 12,279 | 30,428 |
| Seminars | 40,625 | 19,684 |
| Other expenses | 23,933 | 68,194 |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Claim Payments | 9,157,985 | 311,128 |
| Insurance Commission of WA expenses in recovery | 31,836 | 32,668 |
| Other | 9,338 | 9,694 |
| | <u>9,332,207</u> | <u>540,561</u> |
| 13 Cash assets | | |
| Bank account | 23,341 | - |
| Cash on hand | 1,300 | 1,300 |
| | <u>24,641</u> | <u>1,300</u> |





WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---|------------------|------------------|
| 14 Restricted Cash Resources | | |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Supplementation Fund cash balance at Treasury | 2,389,210 | 8,770,679 |
| <u>Commonwealth Funding - Christmas & Cocos Keeling Island</u> | | |
| The Commonwealth Government provides funding in accordance with the Service Level Agreement. Under the agreement the Commission provides a range of workers' compensation related services. | | |
| Unspent funds for Christmas & Cocos-Keeling Island | 29,947 | 111,098 |
| | <u>2,419,157</u> | <u>8,881,777</u> |
| 15 Receivables | | |
| Current | | |
| Trade debtors | 478,978 | 46,756 |
| Provision for doubtful debts | (437,542) | (27,000) |
| Fines and penalties | 67,932 | 68,245 |
| GST receivable | 67,740 | 3,681 |
| | <u>177,108</u> | <u>91,682</u> |
| 16 Investments | | |
| Current | | |
| At cost: | | |
| -Short Term Money Market | 1,200,345 | 852,392 |
| -Funds held at Treasury | 385,397 | 251,865 |
| -Bank Bills | 2,489,089 | 3,880,163 |
| | <u>4,074,831</u> | <u>4,984,420</u> |
| 17 Other assets | | |
| Current-Accrued income | | |
| Administration fee - Trust Fund | 1,517 | 5,108 |
| Interest - General Fund | 13,122 | 21,846 |
| Interest - Employers' Indemnity Supplementation Fund | 44,000 | 43,386 |
| | <u>58,639</u> | <u>70,340</u> |



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---|------------------|------------------|
| 18 Property, plant, equipment & vehicles | | |
| Plant, equipment & vehicles | | |
| At cost | 1,946,595 | 1,882,099 |
| Accumulated depreciation | (1,196,843) | (1,007,630) |
| | <u>749,752</u> | <u>874,469</u> |
| Office furniture & equipment | | |
| At cost | 356,922 | 407,106 |
| Accumulated depreciation | (226,525) | (248,534) |
| | <u>130,397</u> | <u>158,572</u> |
| Freehold land | | |
| At cost(I) | <u>1,588,828</u> | <u>1,588,828</u> |
| | <u>1,588,828</u> | <u>1,588,828</u> |
| Buildings | | |
| At cost(I) | 11,382,052 | 11,365,283 |
| Accumulated depreciation | (5,273,036) | (4,819,526) |
| | <u>6,109,016</u> | <u>6,545,757</u> |
| | <u>8,577,993</u> | <u>9,167,626</u> |

- (I) The valuations reported above are different from the Government Property Register Report. That report shows land and buildings valued at \$10.15 million in the name of the Commission. The difference is due to the Commission values being based on the historical cost convention whereas the Government Property Register Report values are based on the Valuer General's assessment of current market values.

19 Relocation Capitalisation

| | | |
|---------------------------|---------------|---------------|
| Relocation Capitalisation | | |
| At cost | 533,941 | 533,941 |
| Accumulated amortisation | (502,370) | (448,917) |
| | <u>31,571</u> | <u>85,024</u> |

20 Payables

| | | |
|--|------------------|----------------|
| Current | | |
| <u>General fund</u> | | |
| Trade payables | 257,802 | 265,605 |
| Salaries | 179,205 | 161,094 |
| Superannuation | 13,335 | 90,719 |
| GST payable | 4,154 | - |
| Other creditors | 18,238 | 36,149 |
| <u>Employers' Indemnity Supplementation Fund</u> | | |
| Claim payments | <u>2,733,357</u> | <u>135,388</u> |
| | <u>3,206,091</u> | <u>688,955</u> |





WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---|------------|------------|
| 21 Provisions | | |
| Current | | |
| <u>General Fund</u> | | |
| Annual leave | 474,307 | 397,633 |
| Long service leave | 489,483 | 510,000 |
| Superannuation(I) | 389,933 | 1,051,984 |
| Uninsured Claims | 25,000 | - |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Liability for estimated future claim payments | 39,329,000 | - |
| | 40,707,723 | 1,959,617 |
| Non-current | | |
| <u>General Fund</u> | | |
| Long service leave | 641,900 | 491,908 |
| Superannuation(I) | 3,764,511 | 2,293,415 |
| <u>Employers' Indemnity Supplementation Fund (See note 24)</u> | | |
| Liability for estimated future claim payments | 82,983,000 | - |
| | 87,389,411 | 2,785,323 |
| <u>Provision for Employee Entitlement</u> | | |
| The aggregate employee entitlement liability recognised and included in the financial statements is as follows: | | |
| Provision for employee entitlements: | | |
| Current | 1,353,723 | 1,959,617 |
| Non-current | 4,406,411 | 2,785,323 |
| | 5,760,134 | 4,744,940 |

- (1) The superannuation liability has been established from an actuarial assessment of the present value of the employer's unfunded liability for superannuation associated with the Commission, and the present value of the amounts of that liability that will be met by the Treasurer without recovery from the Commission. The assessment is dated 30 June 2001 and is based on salary and wage inflation of 4%, pension inflation of 3% and a discount rate of 6%.

The Commission considers the carrying amount of employee entitlements approximates the net fair value.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---------------------------------------|----------------------|-------------------|
| 22 Equity | | |
| Capital | | |
| This represents equity in buildings. | | |
| Rheola Street, West Perth | 4,117,766 | 4,117,766 |
| Bedbrook Place, Shenton Park | 8,734,360 | 8,734,360 |
| | <u>12,852,126</u> | <u>12,852,126</u> |
| Reserves | | |
| Asset Replacement Reserve(I): | | |
| Opening balance | 128,115 | 139,764 |
| Transfer to reserve | 159,000 | 104,000 |
| Transfer from reserve | (57,754) | (115,649) |
| Closing balance | <u>229,361</u> | <u>128,115</u> |
| Retained profits/(accumulated losses) | | |
| Opening balance | 4,868,033 | 4,746,144 |
| Net profit/(loss) | (133,787,559) | 110,240 |
| Transfer (to reserve)/from reserve | (101,246) | 11,649 |
| Closing balance | <u>(129,020,772)</u> | <u>4,868,033</u> |

(I) The Asset Replacement Reserve is used to replace/purchase non-current assets, as described in accounting policy note 1(l).

23 Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| | | |
|---------------------------|------------------|-------------------|
| Cash assets | 24,641 | 1,300 |
| Restricted cash resources | 2,419,157 | 8,881,777 |
| Investments | 4,074,831 | 4,984,420 |
| Bank overdraft | - | (4,158) |
| | <u>6,518,629</u> | <u>13,863,339</u> |

(b) Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the Statement of Cash Flows.





WORKERS' COMPENSATION & REHABILITATION COMMISSION
 Notes to the Financial Statements
 For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---|--------------------|------------------|
| (c) Reconciliation of profit/loss from ordinary activities to net cash flows provided by/(used in) operating activities | | |
| Profit/(loss) from ordinary activities | (133,787,559) | 110,240 |
| Non-cash items: | | |
| Depreciation & Amortisation expense | 822,537 | 843,222 |
| Loss on sale of assets | 8,089 | 33,446 |
| Asset write off & recoup asset cost from insurer | 4,432 | 25,475 |
| (Increase)/decrease in assets: | | |
| Current receivables(III) | (21,367) | (3,222) |
| Other assets | 11,701 | (10,068) |
| Payables | | |
| Net GST receipts/(payments)(I) | 233,403 | - |
| Change in GST receivables/(payables)(II) | (293,308) | - |
| Increase/(decrease) in liabilities | | |
| Accounts payable | 2,517,140 | 167,454 |
| Current provisions | 38,748,106 | 3,963 |
| Non-current provisions | 84,604,088 | 151,527 |
| Net cash provided by/(used in) operating activities | <u>(7,152,738)</u> | <u>1,322,037</u> |

(I) This is the net GST paid/received, ie. cash transactions.

(II) This reverses out the GST in accounts receivable and payable.

(III) Note that ATO receivable/payable in respect of GST and receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they are not reconciling items.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

2001 **2000**
\$ \$

24 Employers' Indemnity Supplementation Fund (EISF)

The EISF was established by the Employers' Indemnity Supplementation Fund Act (the Act) to provide for payment of workers' compensation claims in Western Australia:

- in the event an approved insurer collapses.
- to waterfront workers suffering from asbestos related diseases under the Waterfront Workers' (Compensation for Asbestos Related Diseases) Act.

HIH Insurance was placed into provisional liquidation on 15 March 2001. All claims up to and including this date are required to be met from the EISF.

In accordance with Australian Accounting Standard 26 "Financial Reporting of General Insurance Activities" the outstanding claims liability of \$122.312 million has been assessed at inflated and discounted values including an 80% prudential margin. However, the outstanding claims liability excluding a prudential margin using inflated and undiscounted values is estimated to be \$114.214 million. A provision of \$122.312 million has been included in the financial statements as a liability. See note 21.

For the purposes of addressing the outstanding claims liability, a 5% surcharge on employers' insurance policies was introduced on 25 June 2001. Revenue collected from the surcharge will be used to reduce this liability.

Revenue for the 2001/2002 year is expected to be approximately \$30 million.

25 Remuneration and Retirement Benefits of Members of the Accountable Authority and Senior Officers

Remuneration of Members of the Accountable Authority

The number of members of the Accountable Authority, whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are:

| | | |
|-----------------------|---|---|
| \$0 - \$10,000 | 6 | 6 |
| \$140,001 - \$150,000 | 0 | 1 |
| \$150,001 - \$160,000 | 1 | 0 |

The total remuneration of the members of the Accountable Authority is: 163,966 152,883

Retirement Benefits of Members of the Accountable Authority

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

| | | |
|---|---------------|---------------|
| 1) Total contributions to Gold State Superannuation Scheme and West State Superannuation Scheme | <u>15,323</u> | <u>14,820</u> |
|---|---------------|---------------|

No members of the Accountable Authority are members of the Superannuation and Family Benefits Act Scheme.





WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|---|------------|------------|
| Remuneration of Senior Officers | | |
| The number of Senior Officers other than the members of the Accountable Authority, whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, fall within the following bands are: | | |
| \$70,001 - \$80,000 | 0 | 1 |
| \$90,001 - \$100,000 | 1 | 1 |
| \$100,001 - \$110,000 | 1 | 1 |
| \$110,001 - \$120,000 | 1 | 0 |
| The total remuneration of senior officers is: | 317,137 | 275,374 |

Retirement Benefits of Senior Officers

The following amounts in respect of retirement benefits were paid or became payable for the financial year:

| | | |
|---|--------|--------|
| 1) Total contributions to Gold State Superannuation Scheme and West State Superannuation Scheme | 29,195 | 28,536 |
|---|--------|--------|

No Senior Officers are members of the Superannuation and Family Benefits Act Scheme.

26 Remuneration of Auditor

The total of fees paid to the Auditor General during the financial year is as follows:

| | | |
|--|--------|--------|
| Auditing the accounts and performance indicators | 25,500 | 20,000 |
|--|--------|--------|

27 Supplementary Information

Write-Offs

Debts written off by the agency during the financial year

| | | |
|---------------------|--------|--------|
| Uninsured Claims | 16,400 | - |
| Fines and penalties | 7,639 | 21,455 |
| | 24,039 | 21,455 |

Losses Through Theft, Defaults And Other Causes

Losses of public moneys and public and other property through theft

| | | |
|------------------------------------|-------|--------|
| Amount recovered through insurance | 3,596 | 19,538 |
| | 3,596 | 19,538 |
| | - | - |



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

| | 2001 \$ | 2000 \$ |
|--|------------------|------------------|
| 28 Workers' Compensation & Rehabilitation Trust Fund | | |
| The purpose of the Trust Fund is to hold funds paid into the custody of the Commission pursuant to section 110 of the Workers' Compensation and Rehabilitation Act 1981. | | |
| Income And Expenditure Statement For the year ended 30 June 2001 | | |
| Income | | |
| Amounts paid to the custody of the Commission | 332,411 | 809,491 |
| Interest on Investments | 135,879 | 120,393 |
| | <u>468,290</u> | <u>929,884</u> |
| Expenditure | | |
| Payments by the Commission | 676,261 | 1,113,267 |
| Administration Fee | 21,211 | 22,325 |
| | <u>697,472</u> | <u>1,135,592</u> |
| Surplus/(Deficit) | (229,182) | (205,708) |
| Balance July 1, | 2,114,182 | 2,319,890 |
| Balance June 30 | <u>1,885,000</u> | <u>2,114,182</u> |
| Balance of funds held represents: | | |
| Bank | 11,803 | 119,605 |
| Investments | 1,866,740 | 1,989,293 |
| | <u>1,878,543</u> | <u>2,108,898</u> |
| Add Accrued Interest | 8,125 | 10,392 |
| Less Accrued Expenses | (1,668) | (5,108) |
| | <u>1,885,000</u> | <u>2,114,182</u> |



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

29 Explanatory Statement

(i) Significant variations between actual revenues and expenditures for the financial year and revenues and expenditures for the immediately preceding financial year for the General and Supplementation Fund.

Details and reasons for significant variations between actual results with the corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$50,000.

| | 2001 \$ | 2000 \$ | Variance \$ |
|---|-------------|------------|----------------|
| Goods and services | 384,052 | 312,316 | 71,736 |
| Interest revenue | 757,908 | 681,350 | 76,558 |
| Other revenues from ordinary activities | 396,593 | 988,302 | (591,709) |
| Employee costs | 6,989,335 | 6,327,374 | 661,961 |
| Supplies and services | 1,383,216 | 1,243,559 | 139,657 |
| Doubtful debts expense | 418,182 | 18,917 | 399,265 |
| Charge to provisions | 124,075,220 | 816,160 | 123,259,060 |
| Uninsured claims | 230,706 | 160,480 | 70,226 |
| Refund of Commonwealth grant | 111,098 | - | 111,098 |
| Other expenses from ordinary activities | 9,332,207 | 540,561 | 8,791,646 |

Goods and services

The variance is due to an increase in rent payable by the tenant.

Interest revenue

The variance is due to additional interest earned on various accounts during the financial year.

Other revenues from ordinary activities

The variance is due to a reduction in the amount of money recovered from uninsured employers and dividends received from the liquidator.

Employee costs

The variance is due to additional resources required to manage transitional changes in legislation.

Supplies and services

The variance is due to legislative changes that allow the Medical Assessment Panel to consider a worker's capacity to return to work and an increase in the number of civil dispute applications that require a determination on liability.

Doubtful debts expense

This represents contribution to the General Fund that is outstanding from HIH Insurance due to it being placed into provisional liquidation.

WORKERS' COMPENSATION & REHABILITATION COMMISSION

Notes to the Financial Statements

For the year ended 30 June 2001

Charge to provisions

The variance represents an increase in the Commission's:

- a) Superannuation liability. For the year ending 30 June 2001 the liability was actuarially assessed. For the previous year the agency determined the liability based on a methodology prepared by an actuary.
- b) Estimated claim payments due to workers under the Employers' Indemnity Supplementation Fund as a consequence of HIH Insurance being placed into provisional liquidation.

Uninsured claims

The variance is due to an increase in payments to workers of uninsured employers during the financial year.

Refund of Commonwealth grant

This year the Commission returned excess money to the Commonwealth Government that was in excess to its requirements.

Other expenses from ordinary activities

The increase in cost relates to workers' compensation claim payments from the Employers' Indemnity Supplementation Fund due to HIH Insurance being placed into provisional liquidation.

(ii) Significant variations between estimates and actual results for the financial year for the General Fund.

Details and reasons for significant variations between estimates and actual results are detailed below. Significant variations are considered to be those greater than 10% and \$50,000.

| | <u>Estimate</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------|-----------------|---------------|-----------------|
| Supplies and services | 1,891,741 | 1,383,216 | (508,525) |
| Doubtful debts expense | 5,000 | 418,182 | 413,182 |
| Administration expenses | 1,205,274 | 1,025,450 | (179,824) |
| Uninsured claims | 386,200 | 230,706 | (155,494) |
| Charge to provisions | 719,725 | 1,763,220 | 1,043,495 |

Supplies and services

The variance is due to:

- a) Review Officers making determinations based on medical evidence and not requiring the use of the Medical Assessment Panel in arriving at a decision.
- b) Pamphlets and brochures not reprinted this year.

Doubtful debts expense

This variance is due to General Fund contribution for the year not received from HIH Insurance.

Administration expenses

The saving was as a result of a delay in finalising the "E4" computer system specifications and therefore the program could not be developed and implemented.

Uninsured claims

The variance is due to a decrease in payments to workers of uninsured employers during the financial year.





WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

Charge to provisions

The variance represents an increase in the Commission's superannuation liability. For the year ending 30 June 2001 the liability was actuarially assessed. For the previous year the agency determined the liability based on a methodology prepared by the actuary.

30 Financial Instruments

(a) Interest Rate Risk Exposure

Investments represent Commercial Bills purchased by the Commission that mature in 30-60 days. Restricted cash resources is at call. The following table details the Commission's exposure to interest rate risk as at the reporting date:

| 2001 | Weighted Average Effective Interest Rate % | Variable Interest Rate | Non Interest Bearing | Total |
|------------------------------|--|------------------------------|----------------------------|-------------|
| Financial Assets | | | | |
| Cash assets | | - | 24,641 | 24,641 |
| Restricted cash resources | 6.06 | 2,419,157 | - | 2,419,157 |
| Receivables | | - | 177,108 | 177,108 |
| Investments | 5.67 | 4,074,831 | - | 4,074,831 |
| Other assets | | - | 58,639 | 58,639 |
| | | 6,493,988 | 260,388 | 6,754,376 |
| Financial Liabilities | | | | |
| Payables | | - | 3,206,091 | 3,206,091 |
| Provisions | | - | 128,097,134 | 128,097,134 |
| | | - | 131,303,225 | 131,303,225 |
| 2000 | | | | |
| Financial Assets | 5.29 | 13,866,197 | 163,322 | 14,029,519 |
| Financial Liabilities | | - | 5,433,895 | 5,433,895 |

(b) Credit Risk Exposure

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Commission's maximum exposure to credit risk:

| Financial Assets | Maximum Credit Risk | |
|------------------------------------|----------------------------|-------------|
| | 2001 | 2000 |
| Recognised Financial Assets | | |
| Cash assets | 24,641 | 1,300 |
| Restricted cash resources | 2,419,157 | 8,881,777 |
| Receivables | 177,108 | 91,682 |
| Investments | 4,074,831 | 4,984,420 |
| Other assets | 58,639 | 70,340 |
| | 6,754,376 | 14,029,519 |



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

(c) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.



WORKERS' COMPENSATION & REHABILITATION COMMISSION
Notes to the Financial Statements
For the year ended 30 June 2001

31 Output Information

The Commission operates within one industry segment as per AAS 16 however, for information purposes the following summary information is provided for each of the Commission's outcomes.

| | Information Education and Advice | | Scheme Regulation | | Dispute Resolution | | Not Attributed | | Total | |
|--|----------------------------------|------------|-------------------|------------|--------------------|------------|----------------|------------|---------------|------------|
| | 2001 \$ | 2000 \$ | 2001 \$ | 2000 \$ | 2001 \$ | 2000 \$ | 2001 \$ | 2000 \$ | 2001 \$ | 2000 \$ |
| Revenues from ordinary activities | 1,461,967 | 1,667,287 | 1,553,064 | 1,870,100 | 6,090,804 | 5,848,680 | 1,984,478 | 2,343,376 | 11,090,313 | 11,729,443 |
| Expenses from ordinary activities | 2,002,567 | 1,954,037 | 2,163,150 | 2,119,004 | 8,681,159 | 6,816,147 | 132,131,638 | 805,038 | 144,978,514 | 11,694,226 |
| Grants and subsidies from Government | - | - | - | - | - | - | 100,642 | 75,023 | 100,642 | 75,023 |
| Profit/(loss) from ordinary activities | (540,600) | (286,750) | (610,086) | (248,904) | (2,590,355) | (967,467) | (130,046,518) | 1,613,361 | (133,787,559) | 110,240 |

Reconciliations

Reconciliations of carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current and previous financial year are set out below

| | Plant, equipment & vehicles | Office furniture & equipment | Freehold land | Buildings | Total |
|----------------------------------|-----------------------------------|------------------------------------|------------------|-----------|-----------|
| Carrying amount at start of year | 874,469 | 158,572 | 1,588,828 | 6,545,757 | 9,167,626 |
| Additions | 214,961 | 3,196 | - | 16,827 | 234,984 |
| Disposals | (55,357) | (117) | - | - | (55,474) |
| Depreciation | (284,321) | (31,254) | - | (453,568) | (769,143) |
| Carrying amount at end of year | 749,752 | 130,397 | 1,588,828 | 6,109,016 | 8,577,993 |



List of Publications

General

- ◆ A Complete Guide To Workers' Compensation
- ◆ Small Business Guide to Injury Management and Workers' Compensation
- ◆ A Guide to Resolving Disputes
- ◆ Employers' Liabilities for Contractors and Sub-contractors
- ◆ List of Approved Insurance Companies

Noise Induced Hearing Loss

- ◆ A Guide to Noise Induced Hearing Loss
- ◆ Noise Induced Hearing Loss Directory of Service Providers

Injury Management

- ◆ Injury Management and Workers' Compensation – Information for Workers
- ◆ Injury Management and the Employer
- ◆ Injury Management and the Medical Practitioner
- ◆ Injury Management and the Services of the Rehabilitation Review Unit
- ◆ List of Approved Vocational Rehabilitation Providers
- ◆ Guidelines for Injury Management at the Workplace (cost \$15.00)
- ◆ Injury Management Works – Learn How to Reduce Your Workers' Compensation Costs

Statistical Reports

- ◆ Workers' Compensation Statistical Report: 1996/1997 to 1999/2000
- ◆ Work Related Stress: 1995/1996-1998/1999
- ◆ Statistical Report on Female Workers: 1995/1996 to 1998/1999

Research Reports

- ◆ Does Workers' Compensation Influence Recovery rates?
- ◆ Report on Occupational Stress: Factors that Contribute to its Occurrence and Effective Management
- ◆ Stress, Compensation and the General Practitioner
- ◆ Management Practices, Medical Interventions and Return to Work
- ◆ Needs Assessment Report on Workers' Compensation and Rehabilitation Education, Training and Research for General Practitioners in WA
- ◆ Management Practices, Medical Interventions and Return to Work

OTHER PUBLICATIONS

- ◆ Report of the Review of Medical and Associated Costs in the Western Australian Workers' Compensation System
- ◆ Review of Workers' Compensation Insurance Arrangements in Western Australia
- ◆ Report of the Review of the Western Australian Workers' Compensation System.