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# WorkCover Authority of New South Wales

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## AUDIT OPINION

The audit of the Authority's financial report for the year ended 30 June 2005 resulted in an unqualified Independent Audit Report.

## PERFORMANCE ISSUES

Performance information the WorkCover Scheme Statutory Funds, managed by the Authority is included in the separate comment on those funds.

### Control issues

We have written to the Authority outlining recommendations to improve its existing procedures and internal controls. Last year we identified deficiencies in human resources and payroll processes, and incompleteness of the business continuity plan. The Authority has addressed the human resources, payroll issues and completed the majority of its business continuity plan.

## COMPLIANCE ISSUES

We tested whether the Authority complied with the Treasurer's Direction, "Payment of Expenses by Credit Card". The Authority had generally complied with the requirements, except that:

- credit limits were imposed on cardholders but the limits were not regularly reviewed for continued adequacy, and
- the Authority was unaware of the requirement to certify to the Minister that the Authority's credit card operations accorded with Premier's Memoranda and Treasurer's Directions.

## OTHER ISSUES

### Corruption in the Licensing Unit

The Authority identified that a small number of staff had been producing fraudulent certificates of competency. The matter was referred to the Independent Commission Against Corruption, which held a public inquiry.

The Commission found that 23 people had engaged in corrupt conduct including three former WorkCover employees. The Commission made 19 recommendations to minimise the opportunities for corrupt conduct occurring in the future. These recommendations relate to the licensing process and to broader organisational practices. The Authority is implementing the recommendations and the Commission will monitor their implementation process.

The Commission's report is available at [www.icac.nsw.gov.au](http://www.icac.nsw.gov.au).

## FINANCIAL INFORMATION

## Abridged Statement of Financial Performance for WorkCover Authority

Year ended 30 June	2005 \$'000	2004 \$'000
Contributions	195,180	187,526
Investment income	17,265	9,526
Other	30,337	26,222
<b>TOTAL REVENUE</b>	<b>242,782</b>	<b>223,274</b>
<b>TOTAL EXPENSES</b>	<b>218,460</b>	<b>249,744</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>24,322</b>	<b>(26,470)</b>

The majority of contributions came from a levy of 4.0 per cent (4.1 per cent in 2003-04) on licensed insurers' premium income and self-insurers' deemed premium income. Income from the levy increased to \$183 million (\$140 million in 2003-04) mainly due to an increase in premiums collected by licensed insurers.

Expenditure decreased due to a reduction in costs for uninsured workers claim liabilities and no further recognition of outstanding liabilities for workers compensation court judges pensions, \$18.8 million in 2003-04.

## Abridged Statement of Financial Position for WorkCover Authority

At 30 June	2005 \$'000	2004 \$'000
Cash and investments	301,758	239,912
Other	120,235	126,242
<b>TOTAL ASSETS</b>	<b>421,993</b>	<b>366,154</b>
Outstanding claims	260,652	256,109
Other	65,848	58,782
<b>TOTAL LIABILITIES</b>	<b>326,500</b>	<b>314,891</b>
<b>NET ASSETS</b>	<b>95,493</b>	<b>51,263</b>

The increase in net assets of \$44.2 million was due to the improved operating result and a \$20.7 million increase in investments recognised directly in equity.

## AUTHORITY ACTIVITIES

The WorkCover Authority of New South Wales is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*.

The Authority:

- promotes the prevention of work-related injuries and diseases and assists workplaces to become healthier and safer
- promotes prompt, efficient and effective management of injuries to persons at work
- ensures efficient operation of workers compensation insurance arrangements
- ensures the appropriate coordination of the administration of the schemes under which workers compensation legislation or occupational health and safety legislation relates.

The Authority regulates the WorkCover Scheme Statutory Funds through licensed insurers. From 1 July 2005, the Workers Compensation Nominal Insurer will operate as a licensed insurer in place of the Scheme licensed insurers and the Workers Compensation Insurance Fund will replace the statutory funds of licensed insurers. The Authority will act for the Nominal Insurer. The Nominal Insurer will also be responsible for managing the operations of the Insurance Fund.

The Authority directs, controls and manages four active funds, namely WorkCover Authority Fund; Insurers' Guarantee Fund; Emergency and Rescue Workers Compensation Fund; and Bush Fire Fighters Compensation Fund. The Authority's financial report combines the results and financial positions of these funds.

The Chief Executive Officer of the Authority and the Board of Directors are subject to the control and direction of the Minister for Commerce.

For further information on the authority, refer to [www.workcover.nsw.gov.au](http://www.workcover.nsw.gov.au).