
Appendix two – About the audit

Audit objective, criteria and scope

The objective of this audit was to assess the effectiveness and economy of icare's management of workers compensation claims and the effectiveness of SIRA's oversight of workers compensation claims. The audit examined whether:

- icare's claims management model is effective and economical
- there is an effective performance and accountability framework for workers compensation claims management.

The scope of the audit did not include:

- auditing self-insurers or specialised insurers operating within workers compensation schemes in NSW
- auditing claims service providers (CSPs) engaged by icare
- auditing the role of SafeWork NSW or employers regarding workplace injury prevention.

Audit approach

To assess the effectiveness of icare's approach to workers compensation claims management, the audit considered whether icare's activities were supporting the achievement of the key objectives of the workers compensation schemes that it manages.

To assess the economy of icare's approach to workers compensation claims management, the audit considered whether icare could demonstrate that it had:

- evaluated its approach to claims management and tested this against other potential options
- tested the market for CSPs to understand capacity, capability and price.

To assess the effectiveness of SIRA's oversight of workers compensation claims, the audit considered whether SIRA:

- has a clear strategy that identifies key risks to workers compensation scheme performance and targets activities to these
- had a clear approach for responding to non-compliance with legislative requirements for workers compensation schemes.

Our audit procedures included:

1. Reviewing documents including:
 - icare's strategy and planning documents relevant to workers compensation claims management
 - icare's contracts with CSPs for workers compensation claims management
 - relevant policy and procedure documents from icare and SIRA
 - relevant briefings and correspondence from icare, SIRA and NSW Treasury.
2. Interviewing staff at the audited agencies to understand the context and history of relevant issues.
3. Examining data on the performance of workers compensation schemes.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We acknowledge the cooperation and assistance provided by staff at icare, SIRA and NSW Treasury.

Audit cost

The estimated cost of the audit, including staff costs and overheads, is approximately \$500,000.