New South Wales Auditor-General's Report
Performance Audit

Effectiveness of the new Death and Disability Scheme

NSW Police Force

audit office
OF NEW SOUTH WALES

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In accordance with section 38E of the *Public Finance and Audit Act 1983*, I present a report titled **Effectiveness of the new Death and Disability Scheme: NSW Police Force.**

Grant Hehir
Auditor-General
22 May 2014

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Executive summary

Background

A police officer's job can be dangerous and one that results in injury. Government policy and police management need to balance the welfare of police officers and the cost to the community.

Our performance audit report of December 2008 found that injured officers cost the NSW Police Force (NSWPF) over $110 million in 2006–07, and that costs were increasing due mainly to the introduction of the death and disability scheme in 2005. Subsequent financial audit reports to parliament advised of further increases in costs. In 2011–12 the death and disability scheme cost $260 million – more than ten times its anticipated cost in 2005. There was a significant impact on the delivery of frontline policing as up to 526 police officers a year were receiving large lump sum benefits and medical discharge following long term sick leave.

The NSWPF death and disability scheme operates in parallel with the government's workers compensation scheme. To be eligible for on duty death and disability benefits an injured officer must qualify and remain eligible for workers compensation benefits.

The new Police Blue Ribbon Insurance (PBRI) scheme replaced the 2005 death and disability scheme in January 2012. It has clear aims to reduce death and disability costs to the equivalent of 4.6 per cent of police officers' remuneration, and to support this by reducing medical discharges and focus on returning injured officers to duty as soon as possible by offering income protection during rehabilitation. The amendments to the *Police Act 1990* required the Auditor-General to review the effectiveness of the new arrangements soon after their implementation. This audit report is the result of that review. The audit examined performance over the initial two years from January 2012.

Conclusion

From early 2012, NSWPF injury management practices have reduced the length of time injured officers are on benefits, decreased costly psychological claims and increased the number of injured officers returning to work on rehabilitation. Underlying the improvement is the new PBRI scheme, which has lessened the strong incentive to claim a lump sum and leave the police force.

Payments to injured officers have decreased substantially when compared to the previous death and disability scheme. Claims and payments had peaked under the earlier scheme just before it ceased in late 2011.

However, the improvement in performance has not yet resulted in reduced premium rates for PBRI, which are nearly double the statutory target of 4.6 per cent of police salaries. The PBRI premium reflects the insurer's assessment of the death and disability risks and the extent of competition in the insurance market. At present neither of these are well established, but trends are improving and with this market interest should increase.

The related workers compensation premium rate has also not reduced significantly because of ongoing payments commenced under the previous scheme; and increasing common law claims for negligence.

The legislated cost target of 4.6 per cent might be achieved within five years if the improved claims performance continues, other emerging risks are contained, and these result in decreased insurance premiums. Increased competition from private insurance when the scheme is tendered should contribute to decreasing insurance premiums. However, costs could foreseeably remain at current levels if there are increases in claims, medical discharges, lump sum payments and officers staying on income protection for longer.

The governance structure does not adequately support the achievement of the scheme's objectives of achieving costs savings and targets. There is a need for improved performance reporting to the police executive and commands to support a keener focus on costs, better streamlining the case management of injured officers, and better informing the market place, with more publicly available information on PBRI and workers compensation claims.

Recommendations

The NSWPF should:

- Integrate the products of the Workforce Improvement Program's initiatives into current workforce practices.
- Revise workforce strategies to maximise, subject to achieving efficient operations, the scope and type of roles accessible to the increasing numbers of injured officers returning to work on rehabilitation.
- Improve the quality of performance information and reporting on the management of injured officers across the agency, including increasing the focus on costs.
- Explore opportunities, in consultation with the insurance providers, to streamline liaison with injured officers and between case managers.

The NSWPF and the Ministry for Police and Emergency Services should:

- Seek to clarify accountabilities for achieving the cost target and benchmark against other schemes to better guide key strategies and manage risks.
- Set a date to achieve the statutory cost target and develop a strategy to achieve it.
- Develop strategies, in consultation with SICorp, to limit increasing legacy costs, such as common law actions.
- Develop strategies, in consultation with First State Super Trustee Corporation, to better inform the market about the scheme's performance to encourage competition in the insurance market for the PBRI policies.

Response from NSW Police Force

NSW Police Force

OFFICE OF THE COMMISSIONER

Mr Grant Hehir
Auditor General
The Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

D/2014/118440

Dear Mr Hehir,

Thank you for providing the Ministry for Police and Emergency Services and the NSW Police Force copies of the final report of the Audit Office on the effectiveness of the new NSW Police Force death and disability scheme.

The Chief Executive Officer of the Ministry and I are pleased to note that the Performance Audit report acknowledges that the new death and disability arrangements have allowed the NSW Police Force to achieve its key goal of returning injured officers to work as soon as feasible and deploy them into appropriate duties. There has been a dramatic decrease in medical discharges as well as claim rates for workers compensation and death and disability. Importantly, injured officers are being encouraged and supported while they return to work.

The Performance Audit report recognises the considerable effort and dedicated resources invested by the NSW Police Force to implement these significant changes and effectively manage the transition to the new scheme. The Performance Audit is timely in providing direction to the further progress of this work.

The NSW Police Force accepts the Performance Audit's recommendations. I can confirm that considerable work is currently under way with a view to achieving final results by June 2015.

The Performance Audit report's recommendations jointly to the Ministry and the NSW Police Force are longer term priorities and we will work together with other relevant stakeholders to advance these aims.

Yours sincerely,

A P Scipione APM
Commissioner of Police
20 MAY 2014

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Introduction

1. Background

This chapter outlines the:

- history of the previous death and disability scheme
- review processes leading to its replacement
- workers compensation scheme also applying to injured officers
- new features of the Police Blue Ribbon Insurance scheme (PBRI)
- death and disability schemes in other NSW emergency service agencies
- police schemes in other jurisdictions
- audit scope and approach.

The previous death and disability scheme

The death and disability scheme was introduced in 2005. It was award based and funded and managed by the NSW Police Force (NSWPF) from appropriation.

Our 2008 performance audit report 'Managing Injured Police' noted that the structure of the Death and Disability Award 2005 acted as an incentive for early separation of injured officers. The report noted that this was contributing to escalating costs, and adverse impacts on police productivity and behaviour.

Under the death and disability scheme, injured officers were to return to their previous position, provided with other suitable or restricted duties, or leave the force. Many did not return. They remained on extended sick leave receiving workers compensation before taking lump sum disability benefits, most likely a partial and permanent disability benefit, on medical discharge. Once discharged, the injured officers received no further support or assistance from the NSWPF, continued to receive workers compensation benefits, retained the right to seek a lump sum Total and Permanent Disability (TPD) benefit and to take common law action against the NSWPF (covered by the workers compensation insurer) for negligence by the NSWPF in relation to their injuries.

Increased medical discharges

Medical discharges were high under the previous death and disability scheme. Between 2006–07 and 2010–11 medical discharges increased by 79 per annum, on average. Between 600 and 800 officers were on long-term sick leave in late 2011. This had a significant impact on the front line.

Claims for incapacity increased, especially high psychological claims

The number of partial and permanent disability (PPD) claims paid in 2011–12 increased to 526 (415 in 2010–11), while the amount paid increased to $221 million ($165 million). The increase in the number of claims and claim payments was due to the transitional arrangements allowing eligible injured officers to lodge their claims prior to the then death and disability closing. Of the total PPD claims paid in 2011–12, 86 per cent related to psychological claims and 97 per cent had a psychological component.

Former officers receiving PPD payments have the option of claiming TPD benefits at a later date. If successful, the greater TPD benefits are offset by the repayment of PPD benefits received. TPD payments under the former arrangements were outsourced to private insurers who retain the liability for future claims. A PPD benefit was assessed and paid on the basis that the officer was partially and permanently injured and therefore unable to work for the NSWPF. Those who were able to return to work with the NSWPF did not receive a PPD benefit. TPD claims are made post medical discharge and are assessed on the basis that the person is no longer able to work.

Costs increased to unsustainable levels

Increasing claims and medical discharges were causing the costs of both the death and disability scheme and the workers compensation scheme to increase at an unsustainable rate.

The cost of the death and disability scheme rose rapidly from $69 million in 2005–06 to $260 million in 2011–12. The award expected the long term cost to be 5.4 per cent of police officers' remuneration – shared between the NSWPF (3.6 per cent) and police officers (1.8 per cent). In 2011–12, the scheme's last full year of operation, it was running at over 15 per cent (12 per cent in 2010–11). The government had contributed over $669 million more than its 3.6 per cent contribution ceiling over the previous six years.

When the scheme closed, so did the option of lump sum PPD payments. The last of the PPD-based medical discharges were made in March 2013, as allowed by Part 9B of the *Police Act 1990*. The trend of PPD payments is indicated in the table below.

Figure 1: Partial and permanent disability (PPD) claims under the previous scheme

	2008–09	2009–10	2010–11	2011–12	2012–13
Partial and permanent disability claim payments ($'000)	51,666	123,980	165,010	220,741	58,649
Number of partial and permanent incapacity claims paid	116	282	415	526	132
Average claim paid ($)	445,397	439,645	397,615	419,660	444,311

Source: NSW Police Force.

Workers compensation costs for the NSWPF had increased by 551 per cent from 2005–06. Premiums rose from $55 million in 2005–06 to $358 million in 2012–13. Included in the 2012–13 figure is a hindsight adjustment of $170 million. These hindsight adjustments reflected ongoing and new costs relating to the previous death and disability scheme and the behaviour it induced.

In combination the two schemes in 2012–13 cost $461 million. As a ratio, this represents 27 per cent of police base salaries.

Reviews of the old death and disability scheme

The first review of options for an alternative to the NSWPF death and disability scheme was reported in February 2011 to the recently created Cross Government Steering Committee on death and disability schemes.

A new government was elected in March 2011 and continued the task of reviewing how the costs of the NSWPF's death and disability scheme could be reduced. A report by Assistant Commissioner Gallagher in June 2011, on injury management practices, recommended that death and disability benefits be reviewed urgently. Along with the continuation of the Cross Government Steering Committee, a Negotiation Committee was established with Police Association representation in July 2011.

The two committees combined to finalise a replacement of the death and disability scheme by the end of 2011. The two committees considered the options of the new scheme being either self-insured by government within the Treasury Managed Fund by the Self Insurance Corporation (SICorp), or with its management outsourced or fully outsourced to a private insurer with government paying a premium for the insurance policies, and the insurer taking on all the risks. The government considered a self-insurance scheme to be more costly to administer and more likely to lead to higher claim numbers and longer duration of claims, because processes would be less rigorous than those required under superannuation requirements. Its decision was to seek expressions of interest from private insurers.

An initial proposal from TAL Life Limited for a PBRI scheme, featuring income protection, was provided in August 2011. KPMG reported to the Cross Government Steering Committee on the costs of the options in a revised TAL Life Limited proposal and a proposal from Lloyd's to place the insurance outside superannuation in October 2011. The option of placing the insurance outside superannuation was rejected as it was considered more costly to administer, more likely to lead to higher claim numbers and longer duration of claims. Therefore, TAL Life Limited was the only company asked to further refine its proposal in October 2011.

On 3 November 2011, the Minister for Police announced the existing scheme was to be replaced with a new commercial insurance arrangement, which subsequently commenced on 20 January 2012.

The Police Amendment (Death and Disability) Bill 2011 was introduced, amended, passed and assented to in November 2011. The bill added Part 9B to the *Police Act 1990*. It operated from 9 December 2011 to allow transitional arrangements to be implemented. Part 9B specifies approvals, targets for contributions, rescinding of the old scheme and review arrangements. Appendix 1 of this report provides an outline of the provisions of Part 9B.

Relationship with the workers compensation scheme

Most NSW public sector employees, including police officers, are covered by workers compensation administered by the government's self-insurance agency SICorp. SICorp reports periodically to the WorkCover Authority of NSW for compliance with the NSW WorkCover Scheme. However, police officers (and firefighters and paramedics) are exempted from the most recent NSW workers compensation reforms, which restricted benefits and conditions. This exemption may result in injured police officers receiving comparatively greater payments than other NSW public sector employees and the private industry sector, depending on the timing of benefits and the level of disablement. These include higher weekly benefits and medical expenses, and coverage of journey claims.

The common link between the workers compensation scheme and PBRI is the flow of injured officers. To be eligible for on duty PBRI benefits, injured police officers must first qualify for and receive workers compensation benefits. They proceed to coverage by PBRI after at least nine months (270 days) post disablement. During this period the benefits police officers receive come from the workers compensation scheme and the NSWPF who top up any difference between workers compensation and an officers usual pay. Agencies such as NSWPF are charged an annual premium by SICorp. Also common between the two schemes is a focus on returning to work, managing the numbers and lengths of injury claims and the related costs.

Outline of new scheme

The PBRI scheme involves the private insurer taking all the risk in return for a fixed annual premium. The policy and claims practices are designed to break the connection between workplace injury and medical discharge with a large lump sum PPD benefit that occurred under the previous death and disability scheme.

The aim of the new scheme is to return as many injured officers as possible to their pre-injury duties and assist rehabilitation through suitable deployment while providing appropriate financial support for temporary or permanent disability and death.

The previous lump sum benefit payout for PPD was replaced with a monthly income protection benefit capped at 75 per cent of the employee's pre-injury salary, inclusive of workers compensation payments, for a maximum of seven years (initially five years). Rehabilitation and medical expenses are also covered. Lump sums for TPD remain and are reduced. Death benefits remain unchanged from the former award scheme. The policies are taken out by the First State Super Trustee Corporation on behalf of NSWPF as required by section 199C of the *Police Act 1990*.

Under the new scheme the ‘own occupation’ (or previous police duties) rule applies for a maximum of two years and nine months post injury while the officer is employed by the NSWPF. After two years on income protection, or post discharge from the NSWPF, whichever is earlier, an officer will continue to be eligible for income protection as long as they are unable to work in any occupation as suited by education, training and experience.

The NSWPF paid a premium of $100 million in 2012–13 and had budgeted for a premium of $106 million in 2013–14. Of this, 1.8 per cent of remuneration, or approximately $21 million, is funded by officers eligible for the full PBRI scheme and the remainder by the NSWPF.

A transitional scheme was created to cover officers who were off work due to sickness or injury on the date the new insurance scheme came into operation. One thousand three hundred and fifty-seven sworn officers were initially covered under this scheme whose conditions and payments are consistent with the PBRI scheme. The transitional scheme is ‘self-managed’ and funded by NSWPF from appropriation.

The claims management function is designed to be tighter and to prompt changes in behaviour and reduce costs. It is based on early recognition and intervention to identify rehabilitation and return to work opportunities. Claims management for income protection is an extension of management by NSWPF and the workers compensation insurance agents. Income protection benefits for the self-managed claims and workers compensation are paid through a payroll office in NSWPF. Recoupment is then sought by NSWPF from Employers Mutual.

Recent changes to the PBRI policy were negotiated to provide for more benefits for permanently disabled officers. They extend income protection benefits from five to seven years and also provide for an adjusted lump sum benefit for officers with a total and permanent disability. The expanded conditions were negotiated as part of a settlement of a wage and conditions claim being arbitrated. We were advised by the Ministry for Police and Emergency Services that the changes offset significant conditions claims made to the NSW Industrial Relations Commission. The changes applied from 1 October 2013.

Officers injured off duty are limited to income protection for two years. They receive no workers compensation benefits.

Other death and disability schemes in NSW Government

Similar death and disability schemes to the previous police scheme operate in Fire and Rescue NSW and Ambulance Service NSW. Fire and Rescue NSW were first in 2003, followed by NSWPF and Ambulance Service NSW. NSWPF is the only one of the three agencies to have replaced their award-based death and disability scheme.

SICorp’s actuary reports some evidence of a link between the performance of the three schemes. However, relative to the NSWPF, the other two agencies have low claim rates and much lower premiums. Like police officers, the firefighters and paramedics have an exemption from recent reforms to workers compensation affecting other NSW workers.

Interstate comparison

In 2011, NSW Treasury analysis found the proposed PBRI scheme to be generous when compared to other police forces’ schemes in Australia.

Victoria is the only jurisdiction that provides a lump sum benefit for PPD equivalent injury on medical discharge, which is capped at 7.5 times the officer’s average salary. The other States and Territories have an income protection cover ranging from 75 to 85 per cent of an officer’s base salary, for a term of up to two years. Scheme costs are purely member-financed (through superannuation) in all jurisdictions except New South Wales, Victoria and the Northern Territory, where they are partially employer-financed.

The NSW Treasury analysis is outlined in the figure below. The proposed PBRI scheme provided greater coverage in all three cases and across the benefit types of death benefit, total and permanent benefit and temporary disablement.

Figure 2: Police death and disability schemes – benefit comparisons

Three case studies		Rank	Scheme salary	Service entry age	Injuries
1	30-year-old	Constable Level 5	$70,000	25	On duty
2	40-year-old	Senior Constable Level 6	$90,000	25	On duty
3	50-year-old	Sergeant Year 8	$104,000	25	On duty

	NSW $000s	Victoria $000s	Queensland $000s	SA $000s	WA $000s	Tasmania $000s	NT $000s	AFP $000s
Death benefit – lump sum								
Case 1	805	492	400	450	200	190	430	250
Case 2	932	379	239	342	200	162	395	250
Case 3	767	146	80	313	160	94	274	169
Total and permanent disablement								
Case 1	631	590	400	556	272	295	487	355
Case 2	651	505	239	477	272	296	467	385
Case 3	498	292	80	469	232	250	357	325
Temporary disablement – partial or total (notional)								
Case 1	233	98		105	72	105	56	105
Case 2	299	126	Sick Leave Bank	135	72	135	72	135
Case 3	346	146		156	72	156	83	156

Source: NSW Treasury analysis of late 2011.

Notes: Case studies for on duty benefits only and exclude workers compensation payments.
Based on default level of death/TPD cover and maximum income protection payments.
For Victoria estimated insurance component in the Defined Benefits Scheme is shown.

Injury schemes in the NSWPF and the scope of the audit

This audit focuses on two of the six schemes supporting injured police officers – the new PBRI and the underlying workers compensation scheme. The PBRI applies to the vast majority of the 16,434 (at December 2013) sworn police officers.

The four schemes excluded from detailed review by the audit are:

1. The NSWPF transitionary scheme with similar conditions to PBRI. As at 11 April 2014 there were 478 officers remaining under the self-managed scheme.
2. The First State Superannuation Scheme insurance – this is an option available to members to pay for death and total/permanent disability and income protection. The FSS Superannuation Scheme is the default superannuation fund for NSW Government employees. Recently the cost of this insurance to police officer members increased significantly. It was caused by a reassessment of risk and a reduction in cross-subsidisation. A recent agreement between the Police Association of NSW and government for a three-year annual salary cap from July 2014 included an annual subsidy of $655 towards the cost of the premium.
3. The SAS Superannuation ABC scheme provides death and total/permanent disability coverage only. Officers with this coverage receive income protection under the PBRI policy and were offered the option to convert to the PBRI policy for death and TPD in May 2012. The scheme has approximately 875 members.
4. The 'pre-1988' Police Superannuation Scheme. This is a component of defined benefit superannuation, with its own provisions for death and disability for hurt on duty benefits, lump sum payments, pensions and so on. It is a closed fund with an ageing and decreasing membership of approximately 1,600. Although small in number, members tend to take more sick leave, and this can have operational capacity implications in the middle and senior ranks of NSWPF. 'Post-88' officers are those covered by subsequent FSS Superannuation and death and disability schemes.

Appendix 2 outlines these schemes against a timeline, and also includes the previous death and disability scheme.

Outline of the audit's approach

The audit is required by section 199M of Part 9B to the *Police Act 1990*.

Please see Appendix 3 'About the audit' for descriptions of the audit's objective, criteria, scope, approach to evidence collection and other information.

The following chapters provide the key findings against the audit's three core criteria, which support the audit's conclusion. The criteria are based on the provisions of Part 9B of the *Police Act 1990* that outline the implementation and operation of the PBRI scheme.

Key findings

2. Injury management practices and programs are returning more officers to work

This chapter examines:

- if a greater number of injured officers are returning to work
- if lower numbers of officers are being medically discharged
- the effectiveness of injury management, deployment and prevention practices and programs
- the impact of more officers returning to work on the operational capacity of local area commands.

Return to work

It is the responsibility of an injured officer to return to work as soon as medically possible and accept any reasonable offers of suitable duties. It is the responsibility of NSWPF and the insurers to provide assistance to reach this outcome. In particular, the NSWPF Injury Management Advisor is responsible for the development of a return to work plan in consultation with the injured officer, their commander and medical practitioners. Return to work options can be subject to the support or challenge by the injured officer's treating doctor. The insurance case managers develop a complementary Injury Management Plan focused on the broader set of responsibilities for the officer's medical treatment and rehabilitation.

Improving return to work rates

Finding: More injured police officers are returning to work under the new death and disability scheme and undertaking duties other than full police duties. This has occurred at a time when the rate of claims for workers compensation injuries has remained constant.

The ratio of officers returning to work on suitable duties compared to those deemed unfit for work has improved over the past two years. The related number of officers unfit for work has fallen by 65.9 per cent since October 2011. An officer is regarded as unfit for work if they are absent on a day due to injury, with a medical certificate.

Figure 3: Officers returning to work and unfit for work

	October 2011	January 2013	April 2013	July 2013	October 2013	January 2014
Suitable duties	355	434	463	429	452	460
Unfit for work	630	223	209	189	217	215

Source: NSWPF, Injury Management Advisor Monthly Returns Spreadsheet on the number of injury management cases for 'post-88' officers.

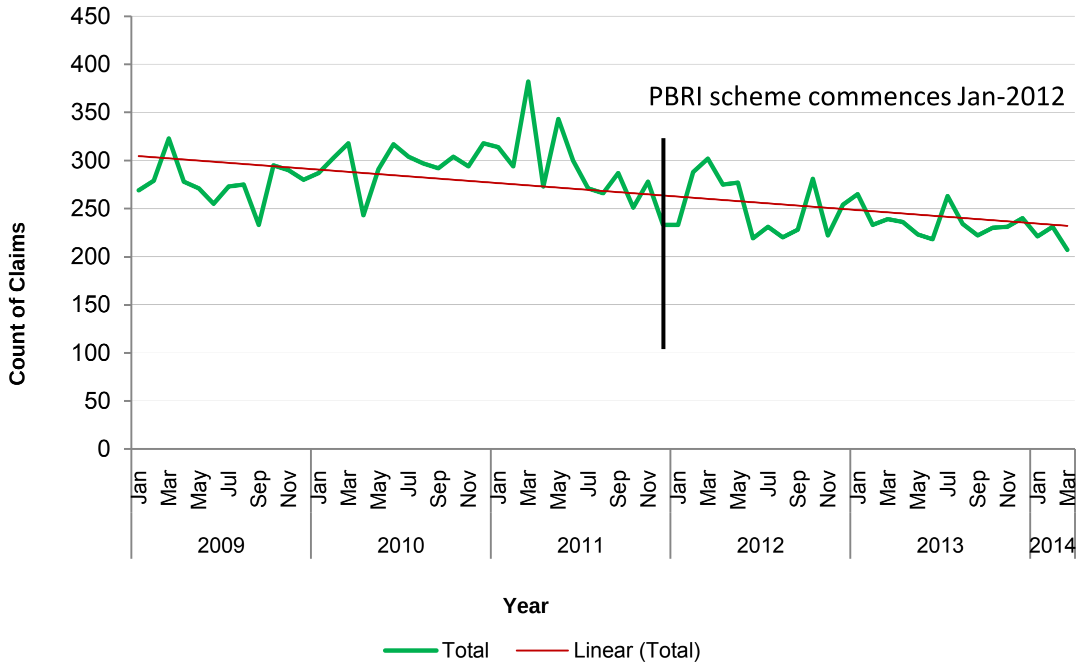
Notes: NSWPF unable to provide data between October 2011 and January 2013. The number of cases does not reflect the number of Return to Work Plans in place. Return to Work Plans for off duty illness/injury are managed locally. Officers unfit for duties do not commence a Return to Work Plan until they return to duty.

Other indicators relating to return to work are the numbers and types of claims made under workers compensation and PBRI, and the length of time on workers compensation leave.

Improvement in workers compensation claims

Workers compensation claim rates indicate that injury levels are stabilising and showing ongoing reductions in recent years. This is indicated in the following graph. The reduction has occurred at a time when police numbers and members of the PBRI scheme have grown.

Figure 4: Number of new workers compensation claims lodged by month for the past 5 years



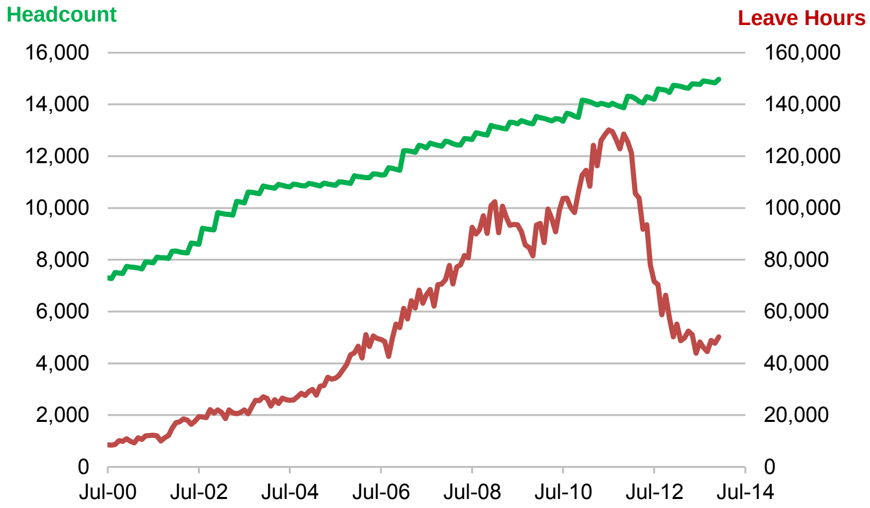
Source: TMF (SICorp), Risk Insight Data (at 31 March 2014).

Note: Historical count of new workers compensation reportable claims (by month) is provided for the past 5 and 10 year periods. The dotted line is the line of best fit.

Time on workers compensation leave decreasing

Consistent with the increasing rate of return to work, the total of workers compensation hours is decreasing. This is revealed in the following graph, which also indicates the increase in the number of police officers. The impact on operational strength by officers on workers compensation leave is the equivalent of approximately 200 officers, or about 1.3 per cent of available equivalent full-time officers. The graph indicates that these numbers have reduced markedly since mid-2012.

Figure 5: Workers compensation leave hours and officers joining post-1988*

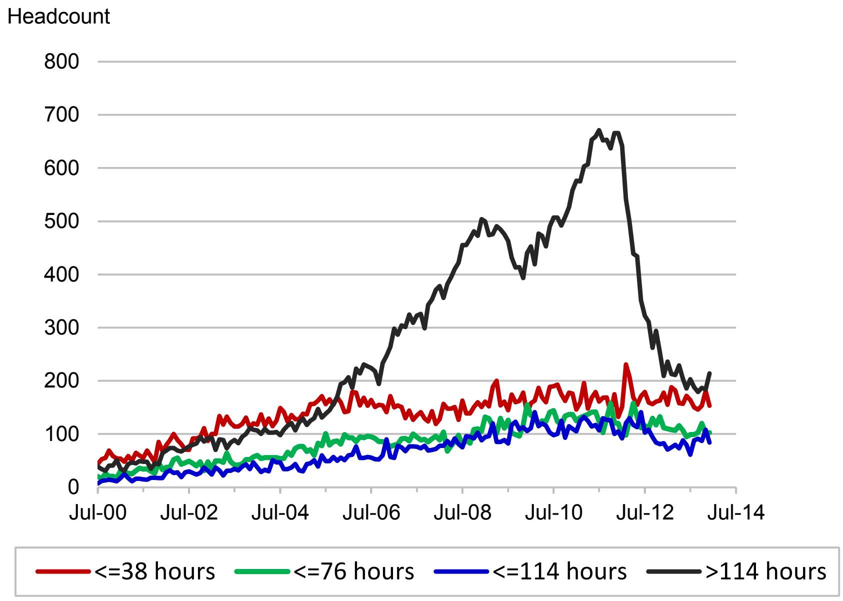


Source: NSWPF.

*Note: In 1988 the Police Superannuation Scheme ceased. It was a defined benefit superannuation scheme with its own provisions for death and disability for hurt on duty benefits, lump sum payments and pensions. Post-1988, police officers were covered by the subsequent FSS Superannuation and death and disability schemes. See Appendix 2 for a timeline of NSWPF insurance schemes.

The largest decrease in police officers taking workers compensation leave is amongst those taking greater than three weeks (114 hours) per month. This is important, as a broad rule is that the less time on workers compensation leave, the greater the likelihood injured officers return to operational duties.

Figure 6: Officers on workers compensation leave grouped by number of hours leave per month



Source: NSWPF.

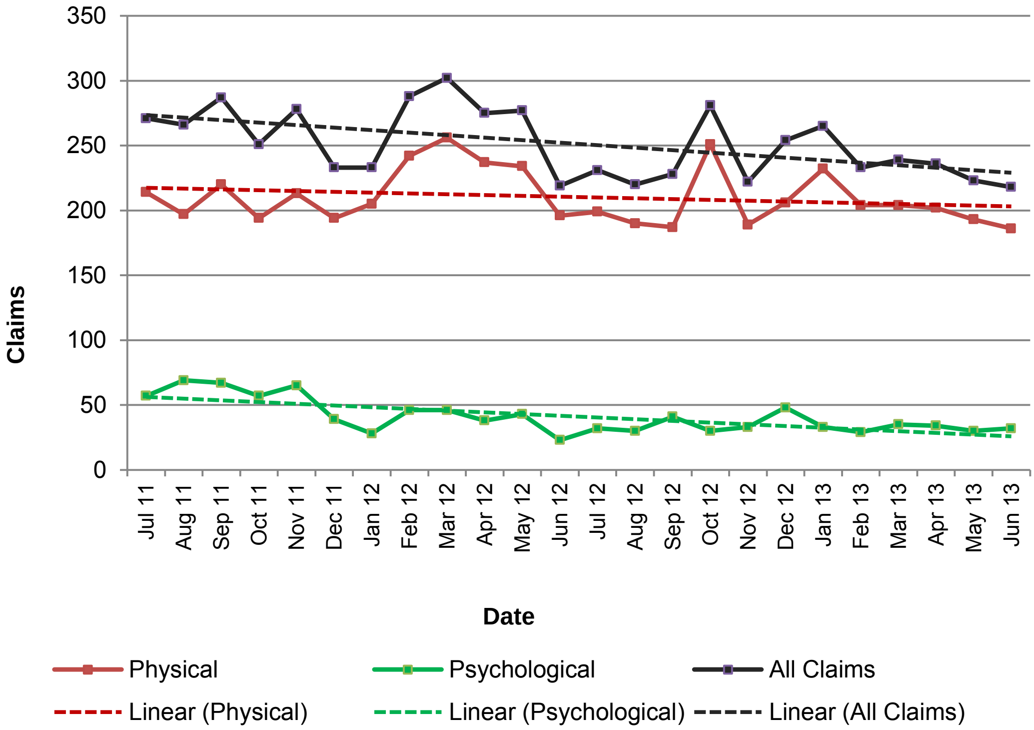
Performance of PBRI claims

Levels of physical and psychological claims

Finding: The number of psychological injuries managed by NSWPF's injury management advisors has reduced. In some regions psychological injuries have reduced by 20 per cent. This is significant as the management of these injuries can be lengthy and costly.

There are over 3000 new injuries reported within NSWPF each year. The majority of these are physical injuries, as depicted in Figure 7. Also revealed is the decline in all workers compensation claims, including psychological injuries. The lines of best fit in the graph show that psychological claims have decreased faster than other injuries.

Figure 7: Trends in psychological and physical workers compensation claims 2011–12 and 2012–13 by month



Source: TMF (SICorp), Risk Insight Data.

Notes: The dotted lines are the lines of best fit.

Audit team visits to regions and LACs observed that the number of psychological injury cases being managed by the IMAs has reduced. The IMAs' case files include employees that are unfit for work, restricted in the workplace, have returned to full duties within the last 4 weeks or are in the process of being deployed to an alternate position due to their injury.

Using Northern Region as an example, in June 2011 psychological injuries made up 60 per cent of the open injury management files (196 files from a total of 330). The latest statistics on open injury management files indicates that psychological injuries now account for 44 per cent of the open Injury management files (77 files from a total of 174) in the Northern Region.

NSWPF now has supportive strategies in place to prevent and/or manage psychological injuries. The areas of resilience and respectful harassment free workplaces are priority areas, and targets are provided for in the Corporate Plan.

Few claims so far for income protection and lower cost, but costs may rise

Finding: Current rates for income protection payments under PBRI are small and reflect the early stage of the PBRI scheme's implementation. Future levels of income protection payments will be influenced by how well the return to work of injured officers is managed.

The value of the income protection benefit paid to an officer depends on how long it is paid for. Figure 8 reveals the number of claims paid during the first 18 months of the new scheme. Claims paid averaged $15,601 during 2012–13 and $10,954 during the six months to 31 December 2013. Only 20 per cent of the 130 claims have been closed to November 2013 and they tend to be the shorter-term claims and thus of lower value.

These claim numbers and costs are much lower than those reflected in the level of the TAL Life Limited premium. However, it is too early to draw conclusions on the long-term pattern of claims and their cost. NSWPF have indicated that the cost of claims paid is expected to rise as longer-term claims currently made are finalised and paid.

Although the income protection benefit has only been available for a little more than two years, early experience indicates that returning officers to work before the end of the benefit period will be important for future income protection management.

Figure 8: Income protection claim payments

	2012–13	1 July 2013 to 31 December 2013
Total income protection claim payments ($)	608,446	1,89,775
Number of income protection claims paid	39	136
Average claim size paid ($)	15,601	10,954

Source: NSWPF.

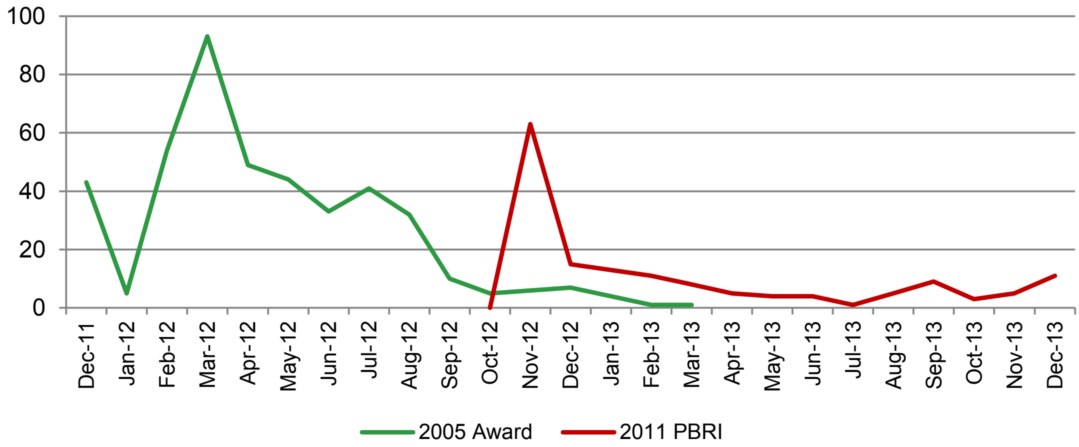
The number of claims made and settled under PBRI is much lower than the 526 payments made in 2011–12, the last year of the PPD scheme (see Figure 1), and lower than the 182 income protection claims made during the first 18 months under the transitionary self-managed scheme (see Appendix 4).

Medical discharges

Key finding: Medical discharges have decreased relative to the previous death and disability scheme, and are at a much lower level under the new scheme. This may not be a true indicator of future trends.

Since the introduction of the PBRI, medical discharges have been averaging six to seven per month. This is much lower than expected. Expectations were around 23 per month. The average disregards the high number of transitional separations in November 2012 as indicated in Figure 9 below. The previous death and disability scheme was averaging 30 to 40 medical discharges per month in its last years.

Figure 9: Post-1988 officers medically discharged by separation date



Source: NSWPF.

Note: The date of separation can be delayed for several months. All officers seeking transitional award benefits had to have had their discharge determined by early December 2012, but may not have finally separated until after that date.

Total and permanent disability claims

The initial rate of TPD payments under the PBRI is low when compared to the previous death and disability scheme. Between the commencement of the PBRI in January 2012 and end December 2012, three TPD claims were paid by insurer TAL Life Limited out of a total of 42 claims received. Under the previous death and disability scheme there were 13 TPD payments during the calendar year 2011.

There are several plausible reasons why the fewer than expected TPD claims are being made. These are explained below.

Possible slow uptake of scheme reducing the number of claims

Key finding: The fewer than expected claims under the PBRI, indicated above, may represent a 'honeymoon' period during which injury claims are delayed until the new scheme becomes accepted. They are not necessarily an indicator of long-term impact.

There are several reasons why the current low level of claims may not be a true indicator in the medium-term.

It is generally acknowledged that the take-up of claims is lower early in the implementation of new schemes. Claims may be deferred due to uncertainty over the operation of the PBRI until there are precedents and greater acceptance.

The closure of the previous death and disability scheme saw some psychological claims brought forward and covered under that scheme. This may have reduced the numbers of psychological claims during the first years of the PBRI.

The numbers of TPD claims may be understated at this stage due to officers delaying their claims until two years and nine months after ceasing work and being on income protection. At this point, an officer can be denied income protection if they are well enough to undertake work for which they are suited, taking into account their education, training and experience.

There is also the limitation that data is only available for the two years of the PBRI's operation. Income protection data is further limited as claims are delayed by the nine month qualifying period with the first claims only falling due for payment after October 2012.

As a result, the recent trends, although encouraging, do not offer conclusive evidence of long-term impact.

The impact of the Workforce Improvement Program

Key finding: The Workforce Improvement Program has effectively supported the implementation of the PBRI through changes to injury management policies and practices. The program is now scheduled to end in June 2015, a year later than originally scheduled.

The Workforce Improvement Program was to support new injury management initiatives, to assist with injury prevention and early intervention, and to manage the rehabilitation, retraining and deployment of injured police officers. It was allocated $15 million.

Initiatives under the Workforce Improvement Program have directly supported changes in injury management practices. There is now a clear emphasis on returning injured officers to work at commands and regions. Regular injury management panel meetings support the focus on the welfare of injured officers by senior officers and other staff with more specific welfare responsibilities.

Over the past two years the program has delivered:

- seven additional injury management advisors for the increased caseload of rehabilitating injured workers
- creation and consolidation of HR support teams for the deployment of injured officers and oversight of more difficult cases
- leadership and injury management training covering cultural and welfare changes
- new injury management policies and guidelines
- a psychological pathways tool to help injury management staff negotiate return to work outcomes
- continuation of the WellCheck program to build resilience within teams.

Other complementary actions have included increasing the number of physical training instructors to 300 and the introduction of an online injury management system to enhance the capture of data and manage the rehabilitation and deployment of injured police officers.

Current status of the program

An evaluation of the Workforce Improvement Program projects by NSWPF was completed in January 2014. As a result, seven of the 12 initial initiatives were closed and 31 new initiatives added. Two continuing initiatives are the devolving of workers compensation costs to regions and local area commands, and the continued development of claim management practices between NSWPF injury management advisors and Employers Mutual, the insurance agent for the workers compensation scheme. Several of the new initiatives are for preventative measures such as physical training and peer support.

NSWPF has approached NSW Treasury to roll over unspent Workforce Improvement Program funds to 2014–15. A business case supports the projects outlined above, with the program to be completed by 30 June 2015.

It estimated that the program’s expenditure from January 2012 to 30 June 2014 will be $11.1 million. Expenditure for 2014–15 is estimated to be $3.8 million. The largest item of expenditure has been applied leadership training and education at an estimated $6 million to 30 June 2015.

We have observed that annual recurrent costs in support of the new injury management policy and practices are approximately $5 million per year. This is in addition to the $15 million allocated to the Workforce Improvement Program.

Recommendation: NSWPF should integrate the products of the Workforce Improvement Program’s initiatives into current workforce practices.

The impact of injured officers on workforce and operational capacity

Key finding: The earlier return to work by injured officers has increased the operational strength of NSWPF. However, the growing percentage of injured officers returning to work in limited suitable duties is placing pressure on the NSWPF to find them appropriate roles. In particular, regions and commands outside metropolitan areas are experiencing difficulty deploying officers on longer term restricted duties.

The growing number of injured officers returning to work on workers compensation and income protection benefits, while unable to perform full operational duties during rehabilitation, is placing pressure on the NSWPF to find them appropriate roles. This presents workforce and operational capacity issues for NSWPF. These injured officers can require either temporary or permanent restricted duties.

The size and location of LACs are important factors. Smaller and more distant commands find it hard to place injured officers during their rehabilitation and even harder to place them on permanent restricted duties as there are a limited number of operational support roles that they can fill. If not placed in suitable positions to assist their rehabilitation these officers risk progressing to income protection followed by medical discharge. At present there are 402 officers in permanent restricted positions.

Recommendation: NSWPF should revise workforce strategies to maximise, subject to achieving efficient operations, the scope and type of roles accessible to the increasing numbers of injured officers returning to work on rehabilitation.

3. The new arrangements are not yet achieving a reduction in long-term costs

This chapter assesses if the:

- PBRI scheme is reducing the overall costs substantially
- long-term statutory cost target is achievable
- improving claims performance is reducing insurance premiums
- workers compensation premium is affected by legacies from the previous death and disability scheme.

Comparison of the schemes' costs

Key finding: It is difficult to make accurate comparison of the costs of the previous and new schemes because they are different types of schemes at different stages of maturity (one ending and peaking, and the other starting and gaining momentum). We can say that total expenditure on PBRI and workers compensation has come down from the peak of the previous scheme in 2011–12. However, legacy costs of the previous scheme continue to threaten future decreases in premiums

The table below indicates the significant drop in the costs of death and disability schemes with the introduction of the PBRI scheme in January 2012. Payments under PBRI and the previous death and disability scheme were $162 million in 2012–13; this was 46.2 per cent less than 2011–12 and 16.9 per cent less than 2010–11. Insurance premiums are higher in 2012–13 than in 2011–12 as this represents the first full year of premiums being paid under the PBRI scheme.

Total payments under workers compensation were at high levels over the last three years. This reflects increasing payments for injured officers leaving with lump sums and hindsight adjustments. These adjustments relate to increased costs for officers who left the death and disability scheme three to five years ago. Reductions in the premium for 2012–13 related to changes driven by the new scheme are moderate and estimated to be $30 million.

Figure 10: Total payments under the death and disability and workers compensation schemes

	2008–09	2009–10	2010–11	2011–12	2012–13
	$'000	$'000	$'000	$'000	$'000
PPD payments under the old death and disability scheme	51,666	123,980	165,010	220,741	58,649
Insurance premiums (combined)*	18,716	17,538	29,929	80,248	99,927
Self-managed income protection payments*	–	–	–	–	3,482
Total death and disability payments	70,382	141,518	194,939	300,989	162,058
Workers compensation annual premium	78,146	86,718	154,033	270,504	188,145
Workers compensation hindsight adjustment	–	–	–	98,288	169,537
Total workers compensation payments	78,146	86,718	154,033	368,792	357,682
Total payments	**148,528**	**228,236**	**348,972**	**669,781**	**519,740**

Source: NSWPF.

*Notes: Insurance premiums up to 2011 and a component of 2012 relate to TPD and death premiums paid under the old scheme. The balance of 2012 and 2013 relate to premiums for the new PBRI scheme (both TPD/death and income protection).

The self-managed income protection payments relate to claims made under the transitionary self-managed scheme. This transitionary scheme is largely excluded from our analysis as it is closed, small and declining. Please see Appendix 4 for more on this scheme.

Achieving a reduction in long-term costs

Key finding: The cost of running the PBRI scheme remains high and well beyond targets, despite improved injury management performance in the short term. The government's contribution is currently 8.34 per cent of officers' remuneration, compared to the statutory target of 4.6 per cent. Recent changes in PBRI conditions increased the premium by 1.39 per cent and added to the challenge of meeting the target.

Section 199E of the *Police Act 1990* stipulates that the minister may not approve the new insurance policy unless satisfied that the long-term cost to the State of the policy will be approximately 4.6 per cent of the police officers' remuneration who are members of the scheme.

The statutory target has been exceeded over the past three years. As shown in the table below, it is currently 8.34 per cent and was 6.90 per cent in previous years. These figures include stamp duty and payroll taxes paid on the premium by NSWPF.

Figure 11: Performance against the statutory cost target

	2011–12	2012–13	2013–14
Long-term statutory insurance premium target as a percentage of police officers' remuneration*	4.60%	4.60%	4.60%
Insurance Premium cost to NSWPF as a percentage of police officers' salaries (PBRI premium rate less 1.8% police officer contribution	6.94%	6.90%	8.34%

Source: NSWPF.

*The 4.6% target of police officers' remuneration refers to the cost of the PBRI. See Appendix 4 for the performance of the transitionary scheme.

Recent amendments to the PBRI income protection policy added significantly to the cost of the premium for 2013–14 and added to the challenge of meeting the cost target. From 1 October 2013, the amendments expanded benefits for more severely injured officers and increased the maximum income protection cover which was extended to seven years for claims occurring after that date. The increased PBRI benefits were the result of salary negotiations between the government and the Police Association. The estimated cost for the PBRI premium for 2013-14 is $125.6 million, compared to $99.9 million for 2012-13.

Actuarial advice provided to the Audit Office is that the increase in the income protection premium indicates that the insurer sees a high portion of income protection claimants remaining on benefit for the seven years. This figure could be around 84 per cent of all claimants remaining on income protection for the full duration. The actuarial advice indicates that this is a conservative assessment of the extent of return to work and the impact of the change in occupation rule after two years and nine months.

The above analysis excludes the contribution to PBRI paid by police officers who are members of the scheme. Their contribution is the equivalent of 1.8 per cent of their salary. Together the overall targeted contribution as a percentage of police officers' remuneration is 6.4 per cent. The police officers' contribution is required by section 199F of the *Police Act 1990*. They were $21.0 million in 2012–13, representing over 21 per cent of the total premium paid during the year

The previous death and disability scheme also included a cost target for the government's contribution as a percentage of police salaries. It was 3.6 per cent and with the police officers' contributions it was 5.4 per cent. This target was not reached. In 2011–12, the ratio of the previous death and disability scheme's costs to police salaries was 14.3 per cent.

Meeting the statutory cost target – actuarial analysis

Key finding: Actuarial analysis was conducted for the Audit Office based on both favourable and unfavourable scenarios. The long-term target of 4.6 per cent of police officer salaries might be reached within five years' time under the favourable scenario. It included moderate levels of claims and payments, and tight case and risk management. The unfavourable scenario indicated that the level of the premium would stay closer to the current level. It included more medical discharges and lump sum payments, and more officers on income protection for longer.

The Audit Office engaged an actuary to assess the feasibility of the NSWPF to reach the statutory cost target. The actuary developed favourable and unfavourable scenarios to do this.

The scenario analysis makes its assessment based on the interaction of:

- the available benefits
- the number of officers claiming the benefits
- the likelihood of claimants either returning to work or permanently leaving the workforce
- running expenses and profit margin.

Under the assumptions in the favourable scenario the long-term target of 4.6 per cent of police officer salaries may be achievable within five years. The scenario included moderate levels of claims and payments for income protection and TPD, and tight case and risk management consistent with current trends. The timing of this would be influenced by the lag between good experience and lower premiums. It assumed: ten TPD accepted claims per month; 20 income protection accepted claims per month, with half of the income protection claims ceasing after two years; and applied an expense and profit margin of 50 per cent. The favourable scenario analysis produced a result of 3.6 per cent of police officer salaries contribution by government.

The unfavourable scenario indicated that the level of the premium could stay closer to the current level with an estimated cost of 11.9 per cent of salary. It included more medical discharges and lump sum payments, and more police officers on income protection for longer. It assumed: 20 TPD accepted claims per month; 50 income protection accepted claims with a longer duration; and an expense and profit margin of 50 per cent.

The analysis is based on the actuary's assessment of upper and lower limits of the long-term cost to government of the PBRI premium as a percentage of police officer salaries. It provides insight into how important it is for NSWPF to oversee tight management of claims and income protection and TPD benefits if the cost target is to be met. It is also relies on positive police officer behaviour towards the PBRI. The alternative is for claims and payments to increase against the early trends. This would likely place a strain on the ability to manage return to work programs and result in higher income protection and TPD payments.

Minister's target for premium costs

Key finding: The Minister for Police's expectation in 2011 was that the combined PBRI and workers compensation premium costs will be around $200 million per annum. This target is currently being exceeded by $88 million.

When introducing the *Police Amendment (Death and Disability) Bill 2011* supporting the death and disability changes to parliament in November 2011, the Minister for Police said that the reforms were expected to see the combined costs of the PBRI and workers compensation scheme premiums to decrease to around $200 million per annum.

As indicated in Figure 10 above, the combined cost of the workers compensation (without hindsight adjustment) and PBRI premiums is currently $88 million per annum greater than the minister's stated expectations of $200 million per annum ($188.2 million plus $99.9 million less $200 million). This figure, if adjusted for additional officers and wage costs since the minister's statement, would now approximate $224 million. Actual costs exceed this adjusted target by $68 million. The recent agreement between the minister and the Police Association for an annual cap on salary increases for the next three years (from July 2014) may provide some stability to get closer to the target.

Adjustments to premiums

Workers compensation premium setting

Key finding: The workers compensation premium is regularly adjusted to recover costs based on experience and also includes significant provision for ongoing legacy liabilities. The increased payments over the past three years largely reflect costs relating to the previous death and disability scheme. Reductions in the premium for 2012–13 attributed to the new scheme were small.

The workers compensation premium has been slow to decrease. The deteriorating position caused by ongoing payments commenced under the previous scheme, and an increasing number of common law claims for negligence, is countering any decrease attributed to the improved current workplace injury performance.

NSWPF's workers compensation scheme is a part of the government's self-insurance arrangement within the Treasury Managed Fund. The annual premium is set a year in advance and is to recover estimated costs. Actuarial analysis supports this and is performance and risk based. The premium for a year is based on an estimate of actual costs for the year, with the potential for a hindsight adjustment if the estimate is inaccurate.

Trends influencing the workers compensation premium emerge slowly. Long delays between injury and finalising the benefits have contributed to the delay. In addition, forecasts for long-term weekly benefit payments are adjusted every three years. As a result, hindsight adjustments can be made to recover greater than expected workers compensation payments that relate to events occurring three to five years ago. Substantial hindsight adjustments were made in 2010–11 and 2011–12 as indicated in Figure 10.

PBRI premium appearing high relative to payments for claims

Finding: There is an inherent lag in the setting and revision of commercial insurance premiums like the PBRI. Under the PBRI policies, the private insurer takes on the death and disability risks of police officers for a fixed premium. In these circumstances insurance companies may not adjust premiums influenced by high legacy costs until positive changes and trends are well established.

The level of the PBRI premium is influenced by the performance of the previous scheme, the short time it has been in place and the shortage of alternative commercial insurers.

It can be argued that the PBRI premium is based on a cautious analysis of past events and risks. It reflects the poor performance of the previous death and disability scheme and uncertainty about the impact of changes in NSWPF practices and culture. Premiums will only be adjusted when positive trends with claims and payments have clearly established.

The lag in the setting and revision of commercial insurance premiums like the PBRI is consistent with industry practice. The private insurer calculates its fixed premium a year in advance based on it taking on the risks of police officers' death and disability. The premium covers both expenses incurred in the year and the cost of future claims. The insurer must meet any increased costs and receives any increased profits.

Providing performance data to the market

Key finding: Experience and performance data relating to the PBRI is slowly accumulating. This will allow the market place to be better informed of the PBRI scheme's performance and encourage competition to reduce PBRI premiums.

When tendering the proposal for a new police death and disability scheme in the second half of 2011 the inter-departmental steering committee was advised by First State Super Trustee Corporation that TAL Life Limited was the only insurance company to make a full proposal consistent with their requirements. This was supported by government receiving an independent analysis of TAL Life Limited's proposal. TAL Life Limited remains the PBRI provider and is subject to annual renewals.

Without more competition there is a risk of a greater than anticipated lag between good experience with the PBRI scheme and lower premiums.

Greater competition can now be fostered through the market being better informed by the release of data on the scheme's performance. This is possible as PBRI policies have now been in place for over two years, with income protection claims being able to be made since October 2012. Many of the initial risks have passed and there is good initial experience with the scheme. In addition, supporting injury management practices are now established, and experience and performance data is accumulating. However, TPD experience is very limited and will require a further year's experience at least.

Recommendation: NSWPF and the Ministry for Police and Emergency Services should develop strategies, in consultation with FSSTC, to better inform the market about the scheme's performance to encourage competition in the insurance market for the PBRI policies.

Common law claims adding to premiums

Finding: There has been a rise in common law actions for negligence on the part of NSWPF by officers who received lump sums under the previous death and disability scheme. There is a risk that this trend may carry over to claimants under the PBRI scheme. The high cost of these claims adds to the cost of the workers compensation premium and has the potential to impact the PBRI premium if they continue.

Increasing common law claims are offsetting the short-term gains from the improved claim performance by approximately $30 million. The number of claims has increased from five in the first quarter of 2012 to 22 in the last quarter of 2013.

Common law actions are typically taken by former officers who received lump sums under the previous death and disability scheme and are for negligence on the part of NSWPF. They are generally contested and have considerable costs both in claims and legal costs. The claims are frequently settled for between $300,000 and $500,000, in addition to what would have been the long-term cost of the benefits. Once settled there can be no further workers compensation benefits. Payments are made by the scheme and recovered by adjustment to the workers compensation premium.

There is a risk that, if common law actions under workers compensation become an established pathway, then return to work will become less of a priority for injured officers and a claim for a PBRI TPD claim the preferred course of action.

Common law suits are an example of legacy costs arising from claims under the previous scheme that are adding to the price of the workers compensation premium.

Recommendation: NSWPF and the Ministry for Police and Emergency services should develop strategies, in consultation with SICorp, to limit currently increasing legacy costs, such as common law actions that are increasing workers compensation premiums.

4. Governance arrangements are not effectively keeping the scheme's long-term performance and costs under review

As outlined previously, early indications are that the new death and disability scheme is having a positive impact on the level of claims and medical separations. It is also clear that NSWPF has a priority to reduce the cost of the PBRI and workers compensation premiums. However, despite these positive trends, premiums are yet to fall significantly.

This chapter examines the governance arrangements guiding PBRI policies and targets, performance reporting and the coordination of service delivery to injured officers.

Governance

The governance arrangements for the PBRI are made up of two principal components: those with direct accountability for the scheme and those who play supporting roles.

Those with direct accountabilities are:

- the Minister for Police with responsibilities for the PBRI under the *Police Act 1990*
- the Ministry for Police and Emergency Services as developer and coordinator of policy and advice to the minister, including the PBRI
- NSWPF and the Commissioner who are the employer responsible to the minister for managing injured police officers and the implementation of the PBRI.

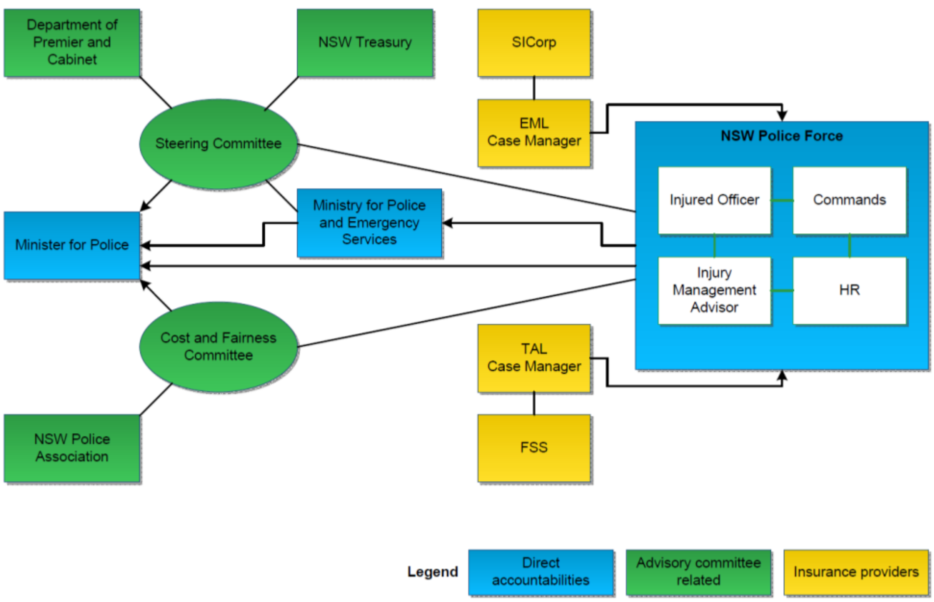
Supporting roles are undertaken by the two advisory committees:

- The statutory 'Cost and Fairness Committee' is created by section 199L of Part 9B of the *Police Act 1990* to keep the cost of death and disability payments under review and to advise the Minister for Police and Treasurer of the cost. The committee comprises NSWPF and NSW Police Association representatives.
- The Cross Government Death and Disability Steering Committee was established to oversight pre and post implementation issues and to report to the Minister for Police and Cabinet's Expenditure Review Committee. The committee comprises of the Department of Premier and Cabinet, NSW Treasury, the Ministry for Police and Emergency Services and NSWPF representatives.

The accountable parties and the committees liaise with the outsourced providers First State Super Trustee Corporation, TAL Life Limited, SICorp and Employers Mutual as needed.

These relationships are indicated in the following diagram.

Figure 12: Governance framework



Source: Audit Office of New South Wales.

Key finding: Those with accountabilities for achieving the objectives of the scheme and those responsible for advising on this are not well aligned. There is no clear line of accountability for achieving the statutory cost target. This is indicative of incentives not being maximised to achieve the scheme's outcomes

Accountability, advice and coordination

As indicated in the diagram above, the governance framework for the PBRI is dispersed and complicated. Those accountable for the PBRI receive information and advice from multiple bodies. There is significant risk of misalignment and incomplete advice.

Under the *Police Act 1990*, accountability for achieving the PBRI objectives rests with the minister (advised by the Ministry for Police and Emergency Services) and the NSWPF. The minister must approve a cost effective insurance policy, with concurrence of the NSW Treasurer. The Commissioner of Police is responsible for managing members of the police force, including their entitlements, paying for the insurance premiums out of appropriation and for managing direct links with the insurance providers. The Ministry for Police and Emergency Services plays a 'gatekeeper' role assisting the minister with the development and implementation of policy.

The 'Cost and Fairness Committee' advises the minister on the scheme's cost. Its formal membership is limited to the NSWPF and the NSW Police Association. The committee meets quarterly and receives a report on the performance of the PBRI prepared by NSWPF. It does liaise with stakeholders such as First State Super Trustee Corporation, TAL Life Limited, SICorp and Employers Mutual. However, its responsibility is limited to review and advise the Minister.

The Cross Government Death and Disability Steering Committee focus is limited to 'policy' issues and providing advice on the type of insurance offering the best outcomes and the availability of insurers in the market place to provide them. The committee can seek information from stakeholders undertaking PBRI related activities. They meet irregularly, usually to oversee the process for renewal of the insurance policy.

Misalignment on cost target

An example of misalignment is the lack of a timeline and accountability to drive the achievement of the 4.6 per cent statutory cost target and the Minister of Police's aim to reduce the combined cost of PBRI and workers compensation premiums to below $200 million.

There should be clear roles and accountabilities for achieving the cost target within NSWPF from the top down. The cost target strategy will require a greater devolution of cost information to regions, local area commands and injury management advisors who are oversighting individual cases. The devolvement of workers compensation mentioned in Chapter 2 is integral to an improved focus on reducing costs.

The NSWPF would also benefit from receiving actuarial reviews with the specific purpose of appraising progress against the cost target and benchmarking against other schemes.

Risks of insurance policies held outside government

The PBRI policies are an extension of superannuation and taken out by First State Super Trustee Corporation on behalf of NSWPF as required by the *Police Act 1990*. The First State Super Trustee Corporation is an independent industry superannuation fund. The arrangements distance NSWPF from influence over the performance of the insurance provider. However, NSWPF are in a pivotal position to observe performance, and to seek advice from other industry experts and the interdepartmental steering committee on performance and competition in the market place.

A potential risk arising out of this arrangement is limited incentive for the policy holder and the insurer to achieve the best outcomes for NSWPF and police officers. NSWPF, not First State Super Trustee Corporation or TAL Life Limited, bear the cost risk of the new scheme not meeting its cost target. The risk is accentuated by the current lack of competition in the insurance market. The current advisory committee arrangements provide some oversight of this risk. The placement of the scheme in the superannuation industry does provide an established regulatory regime to oversight the trustee's performance on behalf of members. But it does not mitigate NSWPF's risks.

Recommendations:

The NSWPF and MPES should:

- seek to clarify accountabilities for achieving the cost target and benchmark against other schemes to better guide key strategies and manage risks.
- set a date to achieve the statutory cost target and develop a strategy to achieve it.

Performance information and reporting to commands

Finding: Reporting on death and disability costs is limited. There is no cost related KPI. NSWPF is addressing concerns with the accuracy and completeness of performance data

There are two sets of NSWPF KPIs relating to the PBRI scheme. They are outlined below and do not include KPIs on achieving the cost targets.

The three corporate plan KPIs are:

- average workplace injury leave hours lost per officer
- average cost of workplace injury claims
- average sick leave hours lost per officers (sworn/unsworn).

The KPIs developed and implemented under the Workforce Improvement Plan are:

- average number of hours lost due to workplace injury leave
- number of officers classified as long-term sick
- number of officers classified as permanent restricted duties.

The reporting on the performance of the PBRI and workers compensation schemes contained some inaccurate information as a result of different interpretations of data sets being made by multiple police units. In addition, some graphs and tables were of limited use. NSWPF is currently addressing concerns with the accuracy of performance data and the relevance of some graphs and tables included in reporting to the NSWPF executive, the Cost and Fairness Committee and the minister.

Accurate and comprehensive performance data collated from agencies and insurance agents is particularly important for the Minister for Police when approving the PBRI policies. Currently this is done on an annual basis. Section 199E of Part 9B of the *Police Act 1990* stipulates that the minister may not approve an insurance policy unless satisfied that the long-term cost to the State of the policy will be approximately 4.6 per cent of police officers' salaries. Reporting to the minister needs to reflect the accumulating data and experience, and the potential for competition for the insurance policies within the market place.

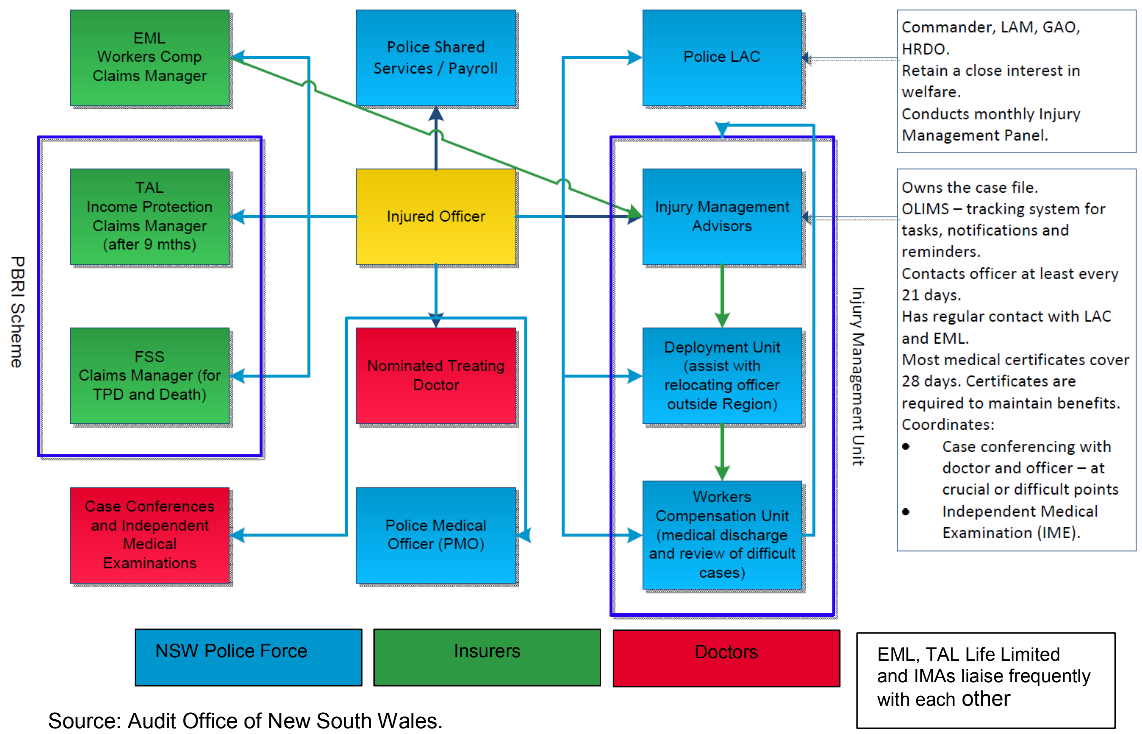
Recommendation: NSWPF should improve the quality of performance information and reporting on the management of injured officers across the agency, including increasing the focus on costs.

Processing and management of claims

Key finding: The claim and rehabilitation process is complex and confusing for injured officers. Insurance providers, NSWPF claim managers, insurance company case managers, medical practitioners, and HR managers in regions and commands have contact with them at different times. Injured officers are frequently unclear about the resulting responsibilities, relationships, and documents. This frequently slows down the delivery of services.

Audit Office visits to commands, discussions with injury management advisors and submissions from the NSW Police Association corroborated confusion on the part of injured officers with the claims process and that it can delay processing and discourage return to work. The web of relationships supporting an injured officer's assessment and rehabilitation is set out in the following diagram.

Figure 13: Interactions with injured officers during their assessment and rehabilitation



Source: Audit Office of New South Wales.

Coordinating the time-critical process

The process for an injured officer's claim is time-critical and complex. From the time of lodging the claim, medical assessment, development of plans, and eligibility for income protection and medical discharge, the officer will need to meet many deadlines and relate to multiple entities. A flowchart of the key processes and actions for a claim by an injured officer under the PBRI scheme is included at Appendix 5.

The first six months is crucial in the management of claims and the resulting cases. During this time the condition is defined and rehabilitation and treatment plans established. NSWPF injury management advisors and Employers Mutual, as agents for SICorp share the management of the injured officer's claim up until the time that an officer proceeds on income protection. This can occur from 270 days (nine months) for more severe cases and is managed by the insurer TAL Life Limited and First State Super Trustee Corporation as the policy holder.

It is crucial in the first nine months that the key managers adopt a unified approach. This is necessary to ensure speedy return to work and value for money.

A working party of NSWPF, Employers Mutual and TAL Life Limited has commenced to look into improving how they coordinate their actions in both the shorter and longer terms.

The audit observed that in more complex cases the relationship between case managers and medical practitioners was frequently problematic and often resulted in case conferencing to resolve difficulties. We were advised by injury management advisors that case conferences frequently required them to raise the beneficial role of an early return to work.

Evidence-based decision making for injured patients by medical practitioners is gaining acceptance. It requires more of a partnership approach and an understanding of the part others will play in rehabilitation through returning to work. It is based on evidence that shows:

- work is an important part of rehabilitation
- the longer you are off work, the less chance you have of ever returning
- people off work often become isolated and depressed.

It is generally accepted that the longer injured officers are on benefits the greater the challenge of returning them to work. It is also widely recognised that once a worker is off for two years the chance of them returning to work is dramatically reduced, and they are likely to become a long-term claimant. In these cases there is little incentive for insurers to invest in rehabilitation.

A further opportunity for improvement is salary processing for injured officers, especially those receiving, or qualifying for, income protection benefits. Variations in salary can be attributed to qualifying periods with different benefits, variable amounts of time spent working, recurrent disability periods and forms not being provided on time. NSWPF payroll receive this information from different sources, including the injured officers, medical practitioners and insurance companies. In response to a growing number of payroll discrepancies for injured officers NSWPF have created a Case Management Team to review them in the short term.

Greater innovation and coordination is required between the NSWPF and insurers to improve information flow and maintain consistency.

Recommendation: NSWPF should continue to explore opportunities, in consultation with the insurance providers, to streamline liaison with injured officers and between case managers.

Appendices

Appendix 1: Summary of *Police Act 1990*, Part 9B Police officers – death and disability

Section 199C requires the NSW Police Force or FSS Trustee Corporation to take out an approved death and disability insurance policy on behalf of police officers.

Section 199D provides that the Minister for Police, with the concurrence of the Treasurer, can approve an insurance policy that provides death and disability benefits.

Section 199E stipulates that the minister may not approve an insurance policy unless satisfied that the long-term cost to the State of the policy will be approximately 4.6 per cent of police salaries.

Section 199F requires that police officers will continue to contribute 1.8 per cent of salary through salary sacrifice, or 0.88 per cent if retaining additional benefits cover under the now closed State Authorities Superannuation Fund.

Section 199G provides a regulation-making power covering provisions that may or may not be included in an approved insurance policy, obligations to participate in injury management initiatives and the establishment of injury management and prevention programs.

Section 199H provides that the Part 9B does not affect workers compensation or superannuation entitlements.

Section 199I rescinds the Crown Employees (Police Officers Death and Disability) Award 2005.

Section 199J rescinds clause 9 of the Crown Employees (Police Officers – 2009) Award relating to top-up of weekly workers compensation).

Section 199K provides transitional coverage to officers during any period that an approved policy is not in force. The transitional coverage will be equivalent to payments made to officers covered by the former award or the equivalent of the new award.

- The provisions of the former award relating to temporary or partial incapacity will continue to apply to a police officer who was assessed by an independent medical practitioner as suffering a disability resulting in the police officer being incapacitated for work as a police officer, but who has not yet been discharged from the NSWPF.
- A police officer who is injured before being covered by an approved death and disability insurance policy (but who would have been entitled to a payment under the former award in respect of death or incapacity arising from that injury) is entitled to payments equivalent to those that the police officer would have been paid under the approved [new] policy if it had covered the police officer. These police officers will also continue to be entitled to workers compensation top-up payments under clause 9 of the Crown Employees (Police Officers – 2009) Award for a period of six months after the commencement of the proposed Part 9B, despite the rescission of that provision [this is the 'self-managed' scheme funded and overseen by the NSWPF.

Section 199L provides for the cost of death and disability payments for police officers to be kept under review by a 'cost and fairness' committee and for the minister and Treasurer to be advised of that cost.

Section 199M provides for the Auditor-General to review whether the provisions of Part 9B of the *Police Act 1990* and the injury management practices for police officers have improved the performance of the NSWPF in securing the return of injured police officers to duty.

Schedule 3 of the bill establishes a framework under the *State Authorities Superannuation Act 1987* for regulations allowing officers to relinquish their additional benefits cover (SASS ABC), which provides death and total disability cover, and to be covered by the new scheme.

Regulation 131B of the Police Regulation 2008 provides four conditions for the award to apply to injured officers during transitional to the new scheme. If officers did not meet them the new scheme could apply to them.

Appendix 2: Description of insurance schemes

Scheme	Authority/ Source	Description	Insurer	Cost
Police Superannuation Scheme (PSS) **(taking members between 21 November 1979 and 31 March 1988)**	*Police Regulation (Superannuation) Act 1906* *Police Regulation (Superannuation and Appeals) Amendment Act 1979*	Eligible for hurt on duty benefit. Option to take a pension or a lump sum payment. Statutory workers compensation scheme is not applicable to PSS members.	SAS Trustee Corporation	
Revised 'Universal' Workers Compensation **(from 1 April 1988 to present)**	*Workers Compensation Act 1987* (replacing the *Workers Compensation Act 1926)*	Self-funded by government through the Treasury Managed Fund and the Self Insurance Corporation for most government employees, including those in the NSWPF. PwC actuaries conduct reviews. Applies to all NSWPF injury related insurance schemes established since. (NSWPF received exemption from amendments to the Act in 2012 and new stricter return to work practices as they were introducing comparable practices.)	SICorp/TMF	NSWPF premium for 2013 was $358m (including hindsight adjustment)
State Authorities Superannuation Scheme (SASS)	*State Authorities Superannuation Act 1987* Part 5D	All members eligible for cover under Part 9B of the *Police Act 1990* from 2012 for income protection and whole of life benefits.	SAS Trustee Corporation	0.88% of salary (SASS members without ABC pay the full 1.8% for PBRI)
SASS with Additional Benefit Cover (SASS ABC) **(both taking members between 1 April 1988 and 31 December 1992)**	*State Authorities Superannuation Act 1987* section 46AK	SASS members could choose to take out additional benefit cover which would provide a lump sum payment after medical discharge due to total and permanent invalidity (or death) occurring before normal retirement age. With the commencement of the Death and Disability Award in 2005, SASS ABC members were only eligible for the PPD benefit up to discharge under the Award. With the commencement of PBRI in 2011, the members on SASS ABC were given the opportunity to elect to convert to the PBRI scheme for TPD. (A further opportunity for SASS ABC members to make the transfer is scheduled for late 2013.) These offers are attractive as ABC cover reduces to zero over the years. However, for a small number it remains more attractive.	SAS Trustee Corporation	0.88% of salary plus levy for additional benefits
First State Super Superannuation Scheme (from 1 January 1993 to 22 June 2005)	*First State Superannuation Act 1992*	The only benefits, beyond statutory workers compensation, for death and disability, for officers joining between January 1993 and June 2005 was the optional insurance coverage offered under the FSS Superannuation Scheme. The option also included a policy for income protection. From 2005 the new award based scheme provided death and disability benefits. The option to take out additional insurance coverage continued under the FSS Superannuation Scheme.	FSS Super-annuation Scheme	Optional insurance contributions to superannuation provider.

Scheme	Authority/ Source	Description	Insurer	Cost
Police Death and Disability Award (from 23 June 2005 to 8 December 2011)	Crown Employees (Police Officers Death and Disability) Award 2005	Provided lump sum payments for: • Total and Permanent Disability (TPD) on-duty and off-duty • Partial and Permanent Disability (PPD) on-duty and off-duty For officers who had a PPD injury, they also received rehabilitation, retraining and redeployment where possible. The test to return to work was for officers to resume normal police duties.	MetLife (up to 30 September 2011) TAL Life Limited (1 October 2011 to 19 January 2012)	Annual cost 2012 $221m less 1.8% of related police remuneration (SASS 0.88%)
NSW Police Force Transitional Self-Managed Fund **(from 9 December 2011 to present)**	*Police Act 1990* Part 9B, section 199K	Provides equivalent PBRI benefits. Members are those who failed to meet the 'at work test' for the PBRI scheme under the TAL policies and those who failed to qualify for the previous scheme under Police Regulation 131B. Subsection (4) – periodically the 'at work tests' are applied to move officers in and out of the fund (the 'at work test' is officers working two months in normal duties, without restriction, for 15 hours per week).	NSWPF	Payments by NSWPF for 2013 were $3.5m
Police Blue Ribbon Insurance Scheme (PBRI) **(from 21 January 2012 to present)**	*Police Act 1990* Part 9B *Police Amendment (Death and Disability) Act 2011* Section 199C requires an approved policy.	Policy provides for: • Total and Permanent Disablement lump sum benefit (on-duty and off-duty) • Income protection up to 75% of pre-injury salary: – On duty injury – up to five years, or seven years if injured after 1 October 2013 – Off duty injury – up to two years – Income protection is a top-up of the Workers Comp statutory rate – Waiting period is nine months for on duty, 60 days for off duty. Prior to the waiting period injury claims benefits are paid by from the workers compensation scheme for the first 26 weeks and for the weeks 27 to 39 from workers comp with significant top up by the Police Force to 100% of the officer's average income at the time of injury.	TAL	Premium in 2013 was $100m being a premium rate of 8.77%, less contribution of 1.8% (or 0.88% for some SASS members) – both % of related police salary.

Appendix 3: About the audit

Audit objective

The audit's objective was to review whether the provisions of Part 9B of the *Police Act 1990*, and revised injury management practices for police officers, have improved the performance of the NSW Police Force in securing the return of injured police officers to duty.

The audit is required by section 199M of Part 9B to the *Police Act 1990*. The objective paraphrases the section.

Audit criteria

Audit criteria are used to assess the scheme's performance, construct audit findings and form a conclusion. In this case, the criteria are based on the provisions of Part 9B of the *Police Act 1990*. Accordingly, we have interpreted improved performance to be returning more injured officers to work; doing so at reduced cost and establishing governance arrangements to achieve these aims in the long term.

The criteria were:

1. The new arrangements are to achieve a reduction in long term costs. In particular:

   The new arrangements are to reduce costs substantially of both workers compensation and police death and disability schemes.

   The approved death and disability insurance policy is to bring the long term cost to the State to approximately 4.6% of the remuneration of police officers covered by the policy.

2. Injury management practices and programs are effectively returning more officers to work. In particular:

   Injury management and deployment practices and programs introduced and evaluated as cost effective.

   A greater number of injured officers are returning to work.

   Lower numbers of officers are being medically discharged.

3. Governance arrangements keep the scheme's long term performance and costs under review. In particular:

   The cost and fairness committee and supporting governance arrangements effectively oversees and advises on the scheme's performance and costs over the long term.

To judge performance, the audit criteria ('what should be') are compared to the information collected on actual performance ('what is'). Resulting audit information was generally corroborated to other sources to form audit evidence. It was also tested in exit discussions and the exchange of draft reports and written representations.

The greater, or more material, the variation of performance from the criteria, the more likely a modified audit conclusion will be issued. The extent of variation or materiality of these performance gaps was evaluated, individually and collectively in relation to how they adversely affect:

- decisions about the economic, efficient or effective performance of activities, and/or
- how accountabilities are discharged and reported by those responsible for the activities.

Audit scope and focus

The audit's focus was on the effectiveness of the new death and disability scheme arrangements achieving objectives of reducing costs and returning more officers to work.

The audit's scope included the new approved PBRI scheme, the self-managed 'PBRI' scheme and the workers compensation scheme as they represent the insurance costs of the new arrangements. The scope also included the injury and deployment management practices to return officers to work applied across the three schemes by the NSWPF and its insurance agents. There are common goals of keeping costs down and returning as many officers to work as soon as possible. The legacy SASS ABC scheme is implicated as not all members have transferred to the PBRI scheme and more are expected to make the move.

The audit includes some comparative reference to the rescinded death and disability scheme. All the schemes included in the scope are mentioned in the provisions of Part 9B of the *Police Act 1990*.

In addition to consultation with Police Force HQ directorates, visits were included to a selection of Regions, LACs and other operational commands. Consultation also extended to the schemes' claim managers at EML and TAL. The Ministry of Police and Emergency Services, NSW Treasury, SI Corp, FSSTC and the Police Association of NSW were also consulted on the performance of the new arrangements.

Audit approach to collecting evidence

The audit collected performance information and evidence and produced its report by:

- conducting interviews with agency staff and stakeholders
- collecting and analysing performance information, reports and documents
- corroborating and assessing performance against criteria
- documenting findings
- conducting exit interviews to consult on the audit's findings, conclusion and recommendations for improvement.

The 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 Audit Standards ASAE 3500 on performance auditing, and to reflect current thinking on performance auditing practices. Our processes have also been designed to comply with the auditing requirements specified in the Public Finance and Audit Act 1983.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by the NSW Police Force, particularly those staff and officers in the Workforce Safety Command, Workforce Relations and Strategy, Shared Services, Financial Management, Performance Improvement and Planning Command, Northern Region, State Crime Command and North West Metropolitan Command.

We would also like to thank staff in the Ministry of Police and Emergency Services, SICorp, NSW Treasury, the Police Association of NSW, FSSTC, EML and TAL for participating in interviews and provided material relevant to the audit.

Audit team

Chris Bowdler and Cathy Wu conducted the performance audit. Sean Crumlin provided direction and quality assurance. John Rawsthorne of Cumpston Sarjeant provided actuarial advice to the audit team.

Audit cost

Including staff costs, publishing costs and overheads, the estimated cost of the audit is $296,000.

Appendix 4: NSWPF's transitional self-managed fund

The transitional self-funded scheme is largely excluded from our analysis as it is small and its membership declining. The scheme is closed and its claims are 'well-settled'. The transitional scheme is managed and funded by the NSWPF.

Its conditions and benefits mirror those of the PBRI scheme. The transitional scheme covers so-called 'at risk' officers were not a work in the period between the closure of the previous death and disability scheme and the new PBRI policies taking effect. Because of the uncertainty about these officers' injuries or illnesses at the time, the insurance company would not cover them. The rate of medical discharges from the group is high and reflective of their 'at risk' status.

Members remain in the scheme until they exit NSWPF or return to police duties for a period of two months when they are covered by PBRI policies.

Initially there were 1,357 sworn officers covered by the self-managed scheme. As at 11 April 2014 there were 478 officers under the scheme.

The cost of income protection payments under the transitional scheme was $6.3 million from commencement of the scheme in January 2012 to 31 December 2103, made up of 182 income protection claims paid. The larger number of payment under the transitional scheme compared to the PBRI scheme is reflective of members having pre-existing injuries.

Figure 14: Income protection payments under the transitional scheme

	From scheme commencement (January 2012) to 31 December 2013
Total income protection claim payments ($)	6,287,673.64
Number of income protection claims paid	182
Average claim size paid ($)	34,547.66

Source: NSWPF.

The liability for income protection benefits within the self-managed scheme at 30 June 2013 was $35.6 million. The liability is expected to decrease slowly over time as claims are paid or otherwise cease. There is also a small future exposure in respect of future injuries to members of the scheme.

Appendix 5: Flowchart of the key processes and actions for a claim by an officer injured on duty under the PBRI scheme

On-duty injury	Workers' compensation eligibility	Injury & work management plans	Waiting period: to nine months	Income protection (IP) coverage	Medical discharge	On-going management of injured officer
· Officer lodges claim on-line · Injury management assessor (IMA) contact within 24 hours of lodgement · Medical advice received · Assessment of claim and provisional liability for workers' compensation within 7 days while claimant is on workers' compensation provisional leave · Assessment performed by EML as insurance agent for the government's Self Insurance Corporation	· Further initial assessment of the claim at the LAC/ Region level co-ordinated by IMAs · EML claims managers make decision on accepting claim or not · If accepted, leave allowed for up to 12 weeks for claim to be formally accepted/ declined. · Once the claim is recognised workers compensation leave and benefits apply · More severe claims can include 'whole person impairment' and/or damages · On-going oversight of claims by Police HQ Workers' Compensation Unit	· Return to Work Plans are prepared for injured officers to return to pre-injury duties – can initially undertaking partial suitable duties; plan prepared by IMAs · EML prepare an Injury Management Plan with emphasis on appropriate medical treatment and rehabilitation. · On-going review by IMAs, EML, LACs and medical officials who are required to provide monthly medical certificates on the injured officer's condition and treatment	· For the first 6 months (26 wks) the injured officer receives workers' compensation benefits for 100% of pre-injury average income (base salary + 17%) · For the next 3 months (13 wks) the officer receives the statutory workers' compensation rate plus significant top-up from the NSWPF to 100% of pre-injury earnings · Officer can return to work during the period on partial or full suitable duties · It is usual that an injured officer to receive these payments for 9 months before receiving a medical discharge	· Eligibility for IP follows the 9 month (270 day) waiting period · Claims for IP forwarded by injured officers to First State Superannuation (as policy owner) who lodge with TAL · TAL advised of likely claim at 6 months · 75% of pre-injury salary (as defined) is funded in part by workers' comp benefit; TAL pay the balance less any income earned by the claimant · Maximum time on IP is 7 years (if injured after 1 Oct 2013) or 5 years (if injured before then) · Injured officers are actively managed during IP to be placed in positions in or outside the Police Force	· If at a time after 9 months, and the officer has not returned to work, the officer can be declared unfit for duties and be medically discharged from the NSWPF; from this point the claimant is managed by the case managers in TAL and EML, and if possible placed in position either in or outside the NSWPF · Officers who are found to have a permanent and severe incapacity (TPD) can receive a lump sum payout under TAL's group life policy provisions; they will continue to be eligible to receive statutory workers' comp benefits	· Injured officers who remain members of the NSWPF after the 9 months continue to be managed by IMAs in consultation with the insurance case managers · The amount of IP payments received will be dependent on the hours of police duties performed – there is a preferred minimum of 15 hours to be worked per week · An IP unit in NSWPF payroll makes payments to IP eligible officers based on hours worked and insurance entitlements – the unit then receives remittance from TAL and SICorp

NOTE: **Differences for an officer making an on-duty injury claim under the NSWPF self-managed scheme** – follows the same process as above, except that TAL act as agents for the NSWPF when managing claims and income protection payments are made directly by the Police payroll unit.

Differences for an officer injured off-duty - follows the same process as above, with these exceptions:

- Not eligible for workers' compensation
- Waiting period is 60 days, to be taken out of officer's own leave balance or leave without pay
- Income protection maximum of 2 years.

Source: Audit Office of NSW.

Performance auditing

What are performance audits?

Performance audits determine whether an agency is carrying out its activities effectively, and doing so economically and efficiently and in compliance with all relevant laws.

The activities examined by a performance audit may include a government program, all or part of a government agency or consider particular issues which affect the whole public sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake performance audits is set out in the *Public Finance and Audit Act 1983*.

Why do we conduct performance audits?

Performance audits provide independent assurance to parliament and the public.

Through their recommendations, performance audits seek to improve the efficiency and effectiveness of government agencies so that the community receives value for money from government services.

Performance audits also focus on assisting accountability processes by holding managers to account for agency performance.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, the public, agencies and Audit Office research.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing. They can take up to nine months to complete, depending on the audit's scope.

During the planning phase the audit team develops an understanding of agency activities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the agency or program activities are assessed. Criteria may be based on best practice, government targets, benchmarks or published guidelines.

At the completion of fieldwork the audit team meets with agency management to discuss all significant matters arising out of the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with agency management to check that facts presented in the draft report are accurate and that recommendations are practical and appropriate.

A final report is then provided to the CEO for comment. The relevant minister and the Treasurer are also provided with a copy of the final report. The report tabled in parliament includes a response from the CEO on the report's conclusion and recommendations. In multiple agency performance audits there may be responses from more than one agency or from a nominated coordinating agency.

Do we check to see if recommendations have been implemented?

Following the tabling of the report in parliament, agencies are requested to advise the Audit Office on action taken, or proposed, against each of the report's recommendations. It is usual for agency audit committees to monitor progress with the implementation of recommendations.

In addition, it is the practice of Parliament's Public Accounts Committee (PAC) to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report is tabled. These reports are available on the parliamentary website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian and international standards.

Internal quality control review of each audit ensures compliance with Australian assurance standards. Periodic review by other Audit Offices tests our activities against best practice.

The PAC is also responsible for overseeing the performance of the Audit Office and conducts a review of our operations every four years. The review's report is tabled in parliament and available on its website.

Who pays for performance audits?

No fee is charged for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100

Performance audit reports

No	Agency or issues examined	Title of performance audit report or publication	Date tabled in parliament or published
242	NSW Police Force	*Effectiveness of the new Death and Disability Scheme*	22 May 2014
241	Road and Maritime Services	*Regional Road funding – Block Grant and REPAIR programs*	8 May 2014
240	NSW State Emergency Service	*Management of volunteers*	15 April 2014
239	Fire and Rescue NSW NSW Rural Fire Service	*Fitness of firefighters*	1 April 2014
238	Transport for NSW Department of Attorney General and Justice Department of Finance and Service Roads and Maritime Services NSW Police Force Department of Education and Communities	*Improving legal and safe driving among Aboriginal people*	19 December 2013
237	Department of Education and Communities	*Management of casual teachers*	3 October 2013
236	Department of Premier and Cabinet Ministry of Health – Cancer Institute NSW Transport for NSW – Rail Corporation NSW	*Government Advertising 2012-13*	23 September 2013
235	NSW Treasury NSW Police Force NSW Ministry of Health Department of Premier and Cabinet Department of Attorney General and Justice	*Cost of alcohol abuse to the NSW Government*	6 August 2013
234	Housing NSW NSW Land and Housing Corporation	*Making the best use of public housing*	30 July 2013
233	Ambulance Service of NSW NSW Ministry of Health	*Reducing ambulance turnaround time at hospitals*	24 July 2013
232	NSW Health	*Managing operating theatre efficiency for elective surgery*	17 July 2013
231	Ministry of Health NSW Treasury NSW Office of Environment and Heritage	*Building energy use in NSW public hospitals*	4 June 2013
230	Office of Environment and Heritage - National Parks and Wildlife Service	*Management of historic heritage in national parks and reserves*	29 May 2013
229	Department of Trade and Investment, Regional Infrastructure and Services – Office of Liquor, Gaming and Racing Independent Liquor and Gaming Authority	*Management of the ClubGRANTS scheme*	2 May 2013
228	Department of Planning and Infrastructure Environment Protection Authority Transport for NSW WorkCover Authority	*Managing gifts and benefits*	27 March 2013
227	NSW Police Force	*Managing drug exhibits and other high profile goods*	28 February 2013

No	Agency or issues examined	Title of performance audit report or publication	Date tabled in parliament or published
226	Department of Education and Communities	*Impact of the raised school leaving age*	1 November 2012
225	Department of Premier and Cabinet Division of Local Government	*Monitoring Local Government*	26 September 2012
224	Department of Education and Communities	*Improving the literacy of Aboriginal students in NSW public schools*	8 August 2012
223	Rail Corporation NSW Roads and Maritime Services	*Managing overtime*	20 June 2012
222	Department of Education and Communities	*Physical activity in government primary schools*	13 June 2012
221	Community Relations Commission For a multicultural NSW Department of Premier and Cabinet	*Settling humanitarian entrants in NSW: services to permanent residents who come to NSW through the humanitarian migration stream*	23 May 2012
220	Department of Finance and Services NSW Ministry of Health NSW Police Force	*Managing IT Services Contracts*	1 February 2012
219	NSW Health	*Visiting Medical Officers and Staff Specialists*	14 December 2011
218	Department of Family and Community Services Department of Attorney General and Justice Ministry of Health NSW Police Force	*Responding to Domestic and Family Violence*	8 November 2011
217	Roads and Traffic Authority	*Improving Road Safety: Young Drivers*	19 October 2011
216	Department of Premier and Cabinet Department of Finance and Services	*Prequalification Scheme: Performance and Management Services*	25 September 2011
215	Roads and Traffic Authority	*Improving Road Safety: Speed Cameras*	27 July 2011

Performance audits on our website

A list of performance audits tabled or published since March 1997, as well as those currently in progress, can be found on our website www.audit.nsw.gov.au.

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