ReturntoWorkSA

2017-18

Annual Report

South Australia's work injury insurance scheme.

Government of South Australia

About this report

We are pleased to present the Annual Report for 2017-18.

In this report, references to ReturnToWorkSA refer to activities undertaken by the Return to Work Corporation of South Australia in managing the Return to Work scheme which became fully operable on 1 July 2015.

The report meets our obligations under the *DPC Circular 013 – Annual Reporting Requirements* and the financial reporting requirements of the *Public Finance and Audit Act 1987.*

Where can I find out more?

You can learn about ReturnToWorkSA and the Return to Work scheme online, where this report and previous annual reports are available to download at **www.rtwsa.com**.

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Insurance performance highlights

Our strategic plan

The ReturnToWorkSA Board has a clear and simple strategic plan for 2018-2021. Our mission is to provide a *desirable, affordable and durable* recovery and return to work scheme for South Australia.

The key strategic objectives to guide our mission are:

1. Realising the health benefits of work.
2. Ensuring the effective and economic operation of the Return to Work scheme.

Realising the health benefits of work

Claims lodgement and decisions

There were 14,062 claims lodged in the registered Scheme, of these 27% of claims were accepted for time lost.

The phone reporting service continues to offer a quick and easy way to make a claim and allows our claims agents to assess where assistance is needed with recovery and return to work.

90% of claims received were determined within 10 business days of receipt.

79%

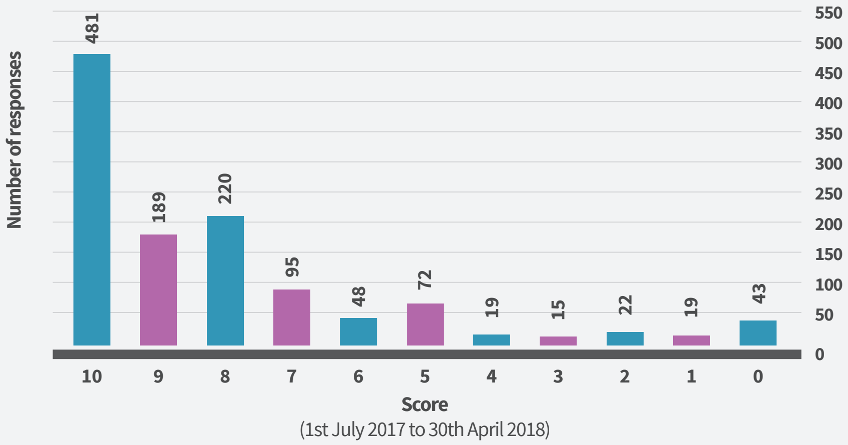
of claims made were reported by phone

Personalised claims service

Our claims agents and ReturnToWorkSA have 93 mobile staff providing a personalised, face-to-face service to employers and injured workers. There is a strong focus on continuing to build the capability of the mobile workforce.

Our regular Net Promoter Score surveys provide feedback on how workers and employers are finding the mobile service.

93
mobile staff



80% rate service 7 or higher, with more than 50% giving 9 or 10 out of 10

Remain at or returning to work – the first year

The Return to Work insurance scheme provides financial support to assist an injured person to be supported to recover, remain at or return to work.

The table shows how many people have remained at work or returned to work.

Injured workers at work at key intervals after injury				
	4 weeks	13 weeks	26 weeks	52 weeks
2017-18	**79%**	**87%**	**90%**	**93%**
2016-17	75%	83%	87%	88%
2015-16	75%	83%	86%	88%
2014-15	75%	83%	86%	88%
2013-14	73%	81%	86%	88%

A more collaborative Scheme

We have continued to work with our claims agents to find ways to continuously improve our claims management and the service we provide to support workers and employers. The improved service resulting from these actions is evidenced in the continued low levels of complaints and disputes compared to that which existed under the previous Scheme.

Insurance performance highlights

Effective economic operation of the Return to Work scheme

$521m

in **premium revenue** was collected from registered businesses to fund the work injury insurance scheme.

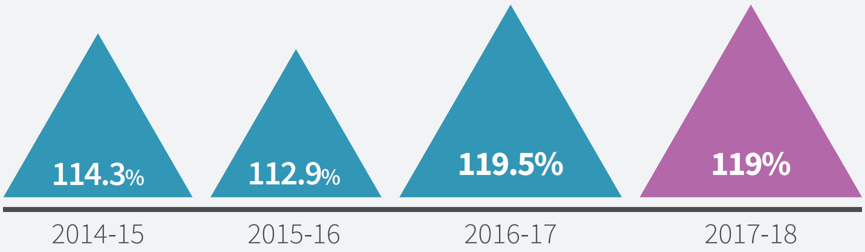
$26.7m

Increased premium collection due to higher remuneration estimates from employers, continued active claims management and lower operating expenses have contributed to a **total comprehensive profit** of $26.7m.

Financial

Scheme funding ratio

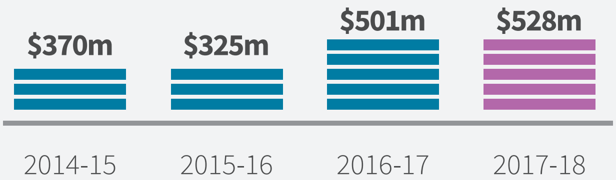
The Scheme funding ratio is the ratio of our assets to liabilities.



The Scheme funding position has remained positive and within the Board target range of 90% – 120%.

Net assets

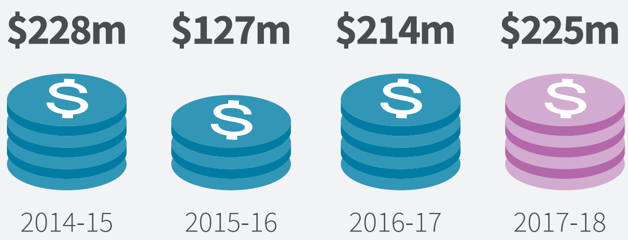
The Scheme's net assets are the amount by which the Scheme assets exceed the liabilities.



The positive net asset position provides stability and protection against an adverse change in investment markets, deteriorating economic conditions or adverse safety events such as fires or weather events which could adversely increase claims liabilities.

Investment return

Our investment strategy is a fundamental component of ensuring the long-term viability of the Scheme.



▲ return on investment of **7.5%**

We are pleased with our result in an economic environment impacted by international and local investment volatility.

Chairman and CEO messages

Message from Joanne Denley, Chairman

I would like to take this opportunity to thank the Board for their ongoing support and advice.

This past year has seen steady sustainable improvement of a maturing Return to Work Scheme providing excellent results across the key performance indicators. With Scheme return to work rates at record highs, a positive net asset position and favourable investment returns the Board has been able to support the State Government's objective of reducing the cost of doing business in South Australia by lowering premium rates.

The ReturnToWorkSA Board has set the average premium rate to 1.70% (plus WHS fee) for 2018/19, this rate is 5.5% lower than the 2017/18 year and now the lowest in the scheme's history. This will mean a saving of $28m for South Australia's premium paying employers in the coming financial year. The new premium rate comes in to effect in July 2018 and is vastly lower than the average premium rates of 2.75% paid under the old scheme.

The continuous improvement of our injury management strategies and programs deployed by our claims agents has certainly contributed to the increased return to work rates and resultant better health outcomes of injured workers.

For the past 18 months ReturnToWorkSA has undergone a workforce redesign to ensure we achieve the best outcomes from our people and systems. We continue to refine our operations to ensure that the services and support we provide to employers and injured workers is less bureaucratic and easy to access and understand.

With the changes to the economic environment in which we operate the Board reviewed ReturnToWorkSA's Strategic Plan to ensure the organisation was heading in the right direction to provide its services to South Australia and supporting its mission of being a desirable, affordable and durable scheme into the future. The review formed the basis of the new Strategic Plan 2018–2021.

On top of the organisational workforce redesign, ReturnToWorkSA has provided information to a Parliamentary inquiry and the legislated review of the Return to Work Act 2014. On behalf of the Board I would like to acknowledge the excellent work of the CEO, Rob Cordiner, his executive team and staff for the benchmark results in demanding times.

JOANNE DENLEY
Chairman

Message from Rob Cordiner, Chief Executive Officer

This was the third year of the Return to Work scheme in South Australia. In many respects it could be characterised as 'steady' with less volatility than the last few years. The number of insured employers increased slightly, the number of claims submitted from injured workers increased slightly, our investment returns were a little better than budget and the proportion of people being able to return to work following injury increased again. On the other hand there were four significant additional factors that required our focus:

- the inquiry conducted by the Parliament's Standing Committee of Occupational Safety and Rehabilitation conducted its final hearing and handed down its report into the Return to Work scheme;
- the impact of the closure of GMH and some component manufacturers impacted our potential premium income and return to work results;
- the legislated review of the operation of the *Return to Work Act 2014* was conducted by the Hon John Mansfield AM QC;
- the finalisation of the transition processes from the old WorkCover scheme to the Return to Work scheme.

I am delighted that we were able to maintain our focus on our mission to help create a desirable, affordable and durable Return to Work scheme for South Australia. It is clear that our service focus is helping more South Australians to recover and stay at, or return to work following a work-related injury.

Overall, we continued to see:

- high levels of people recovering and being at work following their injury with 87% of people claiming compensation (14,062 this year) at work 13 weeks from injury and 96% at work by the end of their maximum 2 years of income support
- lower levels of complaints about our service
- sustained lower insurance premiums for over 50,000 South Australian employers at a rate of 1.70% of wages on average decided for 2018-19 following 1.80% this year, 1.95% in 2016-17 with 2.75% prior to 2015-16
- stable investment returns on our financial assets under management
- strong financial foundations for a sustainable work injury insurance scheme with positive net assets for four years in succession with a funding ratio of 119% this year.

Even though there is still some significant case law in relation to the *Return to Work Act 2014* to be determined by the courts, ReturnToWorkSA is now well positioned culturally and financially to support South Australian employers and their injured workers into the foreseeable future.

ROB CORDINER
Chief Executive Officer

About us

ReturnToWorkSA is responsible for providing work injury insurance and regulating the South Australian Return to Work scheme under the *Return to Work Act 2014*.

The objective of the Scheme is to provide financial support to workers injured at work and provide early intervention in respect of work injury claims to ensure action is taken to support workers to:

- recover from injury
- remain at, or return to work following injury (including after retraining, if required)
- realise the health benefits of work
- live independently and be restored to the community when return to work is not possible.

In delivering this objective we seek to reduce disputation and adversarial contests wherever possible whilst balancing the interests of workers and employers to ensure that employers' costs are contained within reasonable limits.

We are passionate about delivering a work injury insurance scheme that provides the right services at the right time. We work with people with work injuries and their employers in a financially sustainable way, to ensure the best possible chance of recovery and remaining at work or returning to work.

Our insurance role

We provide work injury insurance that protects more than 50,000 South Australian businesses and nearly 500,000 employees in the event of a work injury. As an insurer we are funded by the premiums paid by employers and any investment returns we can achieve on invested funds.

ReturnToWorkSA directly provides all insurance underwriting functions including premium price setting, the design of the premium system, premium risk management and premium collection.

ReturnToWorkSA does not directly manage all claims. We have appointed two claims agents, Employers Mutual SA Pty Ltd and Gallagher Bassett Services Pty Ltd, who are contracted to deliver claims management services under the *Return to Work Act 2014* and in accordance with the ReturnToWorkSA business model.

ReturnToWorkSA retains direct management of claims from injured workers who have suffered a traumatic catastrophic injury. While the number of people who suffer such injuries is low, the complexity and intensity of the person's needs and costs of these claims is high. Our EnABLE team specialises in providing a personalised and intensive support service for these workers, their families and their employers.

ReturnToWorkSA and our claims agents provide essential services to people injured at work which include:

- effective claims management services to injured workers and employers to achieve the best possible recovery and return to work outcome, including face-to-face support where appropriate
- income support to cover lost wages
- the cost of reasonable medical expenses
- financial support in the form of lump sums
- financial support for access to a range of return to work services where required.

Our regulatory role

By monitoring and enforcing compliance with the *Return to Work Act 2014* (the Act) and educating Scheme participants about the health benefits of work and their legislative compliance obligations, we protect the interests of South Australia's workers and employers.

Our key regulatory roles include:

- managing compliance with the employer obligations to provide suitable employment and appoint a return to work coordinator
- managing the registration and compliance of Crown and Private self-insured employers who manage their own claims and associated liabilities as an alternative to insuring with ReturnToWorkSA
- monitoring the delivery of a fair, effective and efficient Return to Work scheme
- setting the fees and conditions for the provision of medical, allied health services, return to work, job placement, and other services funded by all insurers
- educating service providers about the Scheme and our expectations of service outcomes
- responding to enquiries and managing complaints
- raising awareness and investigating potential offences under the Act and prosecuting dishonesty offences
- ensuring permanent impairment assessments comply with the Act, the Minister's Impairment Assessment Guidelines and the relevant case law.

Our strategic direction: Our mission is to provide a desirable, affordable and durable recovery and return to work scheme for South Australia.

Legislation with a clear focus on supporting people to remain at or return to work following a workplace injury led to the ReturnToWorkSA Board creating a new, clear and simple strategic plan for 2015-2018. This was revisited in 2017 and again in 2018 with adjustments incorporated reflecting the evolving maturity of the Return to Work scheme. Our assessment of how to best meet our strategic elements of the 2018-2021 plan remain unchanged.

The key strategic objectives to guide our mission are:

1. Realising the health benefits of work.
2. Ensuring the effective and economic operation of the Return to Work scheme.

Return to Work Corporation of South Australia Charter and Performance Statement

Our strategic directions are underpinned by the Government's Return to Work Corporation of South Australia Charter and Performance Statement. These strategic directions define the Government's priorities, performance expectations and measures expected of ReturnToWorkSA.

There were no changes to the Charter for 2017-18. A new Performance Statement was prepared and approved by the Minister and Treasurer in November 2017.

Section 15 of the Charter requires ReturnToWorkSA to include in the annual report information on:

- achieving its statutory obligations and functions
- achievements in securing return to work outcomes for injured workers
- performance against the targets and expectations in Part 3 Section 5 of the Performance Statement, including explanations where targets have not been achieved
- maintaining a prudent, risk based investment program
- compliance with obligations under the Act and the Corporation Act.

All of these matters are covered in this report.

The Charter includes the following initiatives and activities to improve Scheme performance during 2017-18:

- Review of the quality assurance framework to ensure whole person impairment assessments meet legislative requirements.
- Monitoring the implementation of the Work Capacity Certificate to support its operational effectiveness.
- Monitoring delivery of the mobile case management service model by the claims agents, including evaluating its operational effectiveness and continuously improving the outcomes for injured workers and employers.
- Providing the ReCONNECT program to help workers transition from the Return to Work scheme to other employment and community based support services once income support for a work injury claim has ceased.
- Monitoring the Return to Work premium system and the SA Industry Classification system to ensure they are relevant to employers' needs and promote a strong return to work focus and workplace safety.
- Delivering support and education to health providers to ensure the best possible outcomes for workers recovering from injury and returning to work. This includes a program of face-to-face support for general practice.
- Actively supporting employers with a high incidence of work injury claims through a risk management partnership service in order. to improve their workplace safety and injury management practices.
- Embedding and seeking to continuously improve the delivery of services such as work hardening, retraining, employment transitioning and job placement services within the service model.
- Implementing a strategy to identify, investigate and manage common law claims.

Goal 1: Realising the health benefits of work

Our service model is specifically designed to encourage early injury reporting and a face-to-face claims management service for workers and employers needing significant assistance with recovery, staying at work or returning to work.

Injured workers at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks
2017-18	79%	87%	90%	93%
2016-17	75%	83%	87%	88%
2015-16	75%	83%	86%	88%
2014-15	75%	83%	86%	88%
2013-14	73%	81%	86%	88%

Personalised and mobile service model

The ReturnToWorkSA business model has a strong focus on service and a personalised approach. We are proud of the commitment of ReturnToWorkSA staff and our claims agents to the service approach and look to continuously improve the experience of workers and employers in our Scheme.

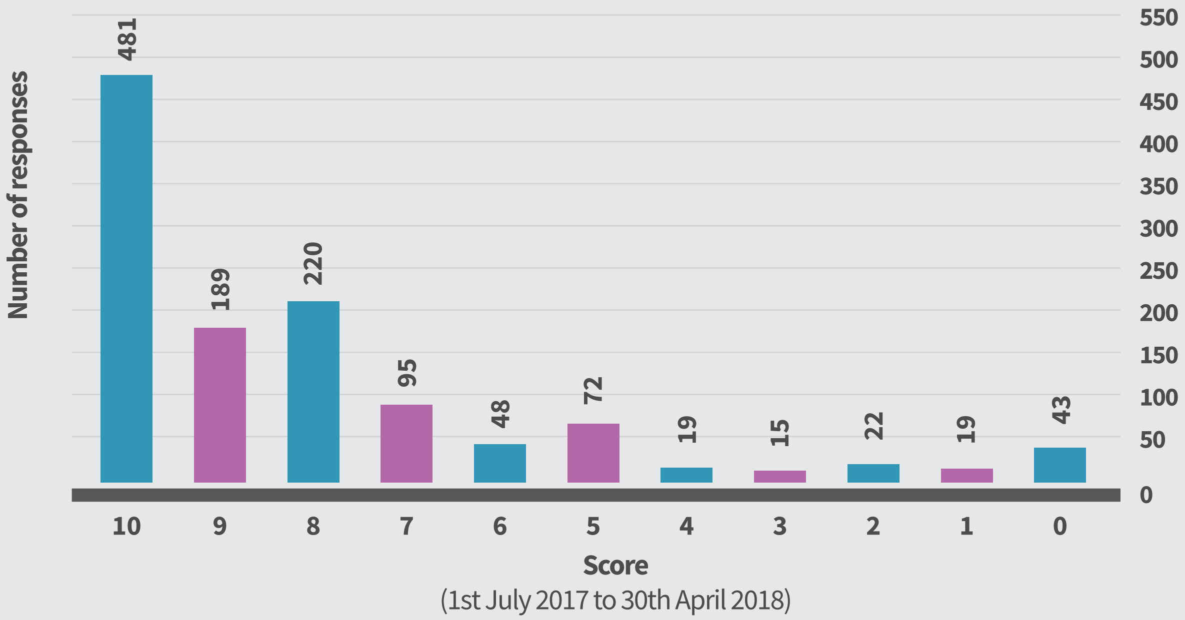
Personalised service: ReturnToWorkSA and our claims agents have 93 mobile claims staff throughout Adelaide (city and metropolitan) and major regional population centres, with low average caseloads.

In 2017-18, 79% of claims made were reported via phone, allowing our claims agents to engage with workers and employers earlier and assess each claim quickly to identify which workers and employers are in need of help from a mobile claims manager. Our claims agents continue to refine this process to improve this assessment.

Service feedback from customers is a key feature of our business model. We regularly survey employers and workers engaged with the mobile claims service. The surveys are designed to capture customer opinions whilst the services are still being received, rather than only on completion. This immediacy has resulted in a very high response rate of 19%. Importantly, if people indicate they are not satisfied with the service or provide feedback in the survey, we are able to contact them and discuss what we can do to address their concerns. This aspect, called service recovery, is a critical element of the business model.

80% of respondents rated the service at seven or above, with by far the largest cohort of responses being at the maximum score of 10. (See graph below).

Feedback on personalised claims service



Prompt decisions and payments promote focus on recovery and return to work

97% workers reimbursed within 14 days of us receiving their receipts	**99%** medical and allied health services for injured workers billed directly to our claims agents paid within 30 day trading terms
99% employer wage expenses reimbursed within 30 day terms	**90%** claims submitted for physical injuries are assessed within 10 days

Participant experience can also be measured by the levels of complaint and disputes from participants. Reducing disputation and adversarial contests is a key requirement outlined in the objects of the *Return to Work Act 2014*.

- New scheme claim disputes registered at the South Australian Employment Tribunal (SAET) have reduced by 30%.
- 37 premium disputes received in 2017/18 down from 43 last year.
- Complaints received are reduced by 75% in 2017/18.

Easing the anxiety of participants in the claim process has been a key focus for our claims agents. We have tightened our focus on the getting the insurance basics right:

- 90% of claims submitted for recent physical injuries were assessed within 10 business days. Claims for mental health injuries and claims for injuries from a long time ago take longer to establish whether or not the person is eligible for assistance. We operate a 'no fault' insurance scheme and approximately 93% of claims were accepted in 2017-18.
- 97% of workers have their expenses reimbursed within 14 days of receipt.
- 99% of employers receive wages reimbursements within 30 business days.
- 99% of medical and allied health providers receive payment of their invoices within 30 business days.

Retraining: Whilst most people injured at work recover and return to their employment, there are people who are unable to return to employment that they are already trained for and capable of doing. The Return to Work scheme allows the employer's insurance premium to provide financial support to people in this situation. People with resilience and strong personal motivation are able to make good use of financial support for training that increases prospects of employment.

Community participation and purpose: Each year ReturnToWorkSA receives approximately 14,000 new claims. Most of these people will remain at work or return to work. A small number of people will have long term disability as a result of their injury. The Return to Work Act enables a lifetime care and support package for people with an assessed permanent impairment of 30% or more. As at 30 June 2018, there are 518 injured workers receiving the lifetime care and support benefit package.

Enhanced technology to enable better service

During 2017-18 we implemented further enhancements to our online service capability for providers and employers.

The features implemented for a provider included:

- online referrals for return to work service providers to assist injured workers with their recovery and return to work
- secure upload of documents, e.g. medical reports and return to work plans.

Some of the benefits for providers include reduced timeframes for invoice payments and streamlined and secure communication with claims management staff. There are now over 230 provider companies and many more individual providers utilising the features of our online services.

A further group of enhancements were delivered for employers to assist in paying their premium and providing their annual wage information to enable calculation of their premium.

Supporting Scheme service providers to deliver better health outcomes

ReturnToWorkSA provided education, information and support to medical and other service providers throughout 2017-18 to help them achieve better health outcomes for their patients with a work injury. This included face to face clinic visits, formal training sessions with Continuing Professional Development (CPD) opportunities, webinars and printed resources. A total of 32 clinic visits occurred and 14 CPD training programs were offered. More than 200 people attended these training opportunities.

ReturnToWorkSA continued to offer specific physiotherapy education and support through the Physiotherapy Partnership program with 40 physiotherapists participating across two programs. The ReturnToWorkSA Physiotherapy Advisor supported the Physiotherapy Partnership program as well as provided face to face and telephone clinical support to physiotherapists treating work injured patients.

In 2017-18 ReturnToWorkSA launched a Second Opinion Pharmacy service to support medical practitioners to manage the medications of injured workers to enhance prescription and medication safety and improve recovery and return to work outcomes. The service is provided by the Drug and Therapeutics Information Service as an in clinic service.

Impairment assessments

Whole person impairment assessments are a critical element of the Return to Work scheme. They help to determine whether an injured worker is entitled to lifetime care and support (whole person impairment equal to or greater than 30%) and are a key component of the calculation of lump sum entitlements for economic loss and non-economic loss for workers who do not meet serious injury 30% whole person impairment threshold.

ReturnToWorkSA conducts compliance reviews of permanent impairment assessment reports to ensure they are compliant with the Act and the Minister's Impairment Assessment Guidelines, and also provides support to accredited impairment assessors through training and enquiry management.

In 2017-18, 1,482 permanent impairment assessment reports were received. Of the total reports received, 79% were compliant on first review, and 98% were compliant after discussion with the assessor.

Impairment assessor forums were held quarterly to support learning development and improved assessment accuracy and compliance. Our newsletter for impairment assessors, Impairment Insider, canvasses commonly faced issues and recent developments in permanent impairment assessment matters before the courts and is produced and circulated quarterly.

EnABLE – Supporting people with severe traumatic injuries

Our specialised unit of disability support consultants and claims officers continued to provide support to workers who have severe traumatic work injuries under our EnABLE program. These workers require a high level of personalised support and case management, and our team supports them and their families to achieve sustainable quality of life outcomes commensurate with their abilities.

A disability support consultant contacts the worker and/or their family and employer as soon as they are aware of the injury to provide immediate assistance. Our disability support consultants have extensive and experienced networks within the disability sector and they utilise these networks to ensure that quality care and support from the relevant health professionals is available from the time of the injury.

Our disability support consultants work in partnership to plan and deliver an individually tailored care and support service that enables participants to achieve their personal goals, have greater control over their lives, build positive aspirations, maximise their independence and participate more fully in the community.

Typically around eight people suffer severe and traumatic injury each year, with this figure lower in 2017-18.

We believe that focusing on recovery, and achieving a positive quality of life are important elements in providing lifetime care to workers with a severe traumatic work injury.

ReSkilling program

The ReSkilling program is designed to provide people who are injured at work with effective skill maintenance or training while they recover from their injury. The program can also help them to recognise existing skills and develop new skills, as well as identify employment prospects when they need to seek different work. The program aims to support people so they remain engaged in a working environment and, where necessary, improve their employability during the recovery and return to work process.

The program has been in place for almost two years and continues to evolve with the addition of the transport and logistics sector offered with Allan Miller transport being welcomed as a new supplier.

In 2017/18, 160 clients were supported by the Reskilling program.

ReCONNECT program

ReCONNECT is a free and voluntary service provided by ReturnToWorkSA. The program delivers practical assistance to people who require some ongoing support to transition from Scheme funded services to community based support services at the end of their claim. The ReCONNECT service is available for people whose income support has ceased, including those who:

- are disputing the cessation of their income support
- are still receiving return to work services
- are entitled to medical expenses
- are employed by self-insured employers
- have reached retirement age.

More than 400 clients were supported by ReCONNECT in 2017-18. ReCONNECT Advisors assisted clients with accessing services such as Centrelink, career services, financial counselling and a range of other social services.

Re-employment incentive scheme for employers (RISE) program

The re-employment incentive scheme for employers (RISE) program provides incentives for employers to help people who have been injured at work to return to meaningful and ongoing employment if they are unable to return to their pre-injury employer. Businesses that employ a person with a work injury through the RISE program receive a range of benefits and support including subsidising wages.

In 2017-18, just under 100 clients were supported by the RISE program.

*Stock image used

Positive outcome from ReSkilling program

Kevin Pilkington had worked as a storeman for about 17 years, but a shoulder injury resulted in him being unable to return to his job. Kevin took part in the Reskilling program where he was placed at Allan Miller Transport. After an initial evaluation, Kevin spent approximately 4 weeks in a range of vehicles undertaking various driving duties. The Operations Manager explains "Kevin showed promise, so we subsequently interviewed him and offered Kevin a permanent driving position. Kevin has been with us for 3 ½ months now and is an integral member of our team".

Kevin explains, "When you start in a new industry, it can be quite a scary experience. I was put at ease by initially working alongside experienced drivers in a real-world environment. I would recommend the service to anyone in a position similar to mine."

*Stock image used

RISE and ReSkilling programs supporting change

Operations Manager, Tony Franzese from Allan Miller Transport understands how the wage subsidies available through RISE can help create employment opportunities for work injured people. Wayne Pruimboom was a scaffolder who developed a back injury that didn't allow him to return to scaffolding. Following referral to the ReSkilling program, Wayne spent approximately 3 weeks in a Crane truck undertaking driving duties that showcased his past experiences as a crane operator. Tony explains "over this period Wayne shined as a driver and crane operator showing vast enthusiasm and professionalism, we subsequently interviewed Wayne. Accessing the RISE subsidies has helped us offer him a permanent driving position. Wayne has been with us for 2 weeks now and is an integral member of our team who we sub contract our crane truck out to."

Mentally healthy workplaces program

ReturnToWorkSA is committed to providing assistance to support mentally healthy workplaces in South Australia. The mentally healthy workplaces program underpins this work and continues to build momentum as workplaces recognise the importance of investing in workplace mental health and wellbeing.

The program consists of state-wide collaboration with strategic partners, tailored programs for individual workplaces, and the development and provision of support and products to assist workplaces undertake positive change.

State-wide collaboration

We work collaboratively with beyondblue, SA Health, SA Mental Health Commission, Office of the Small Business Commission, and SafeWork SA. The Workplace Mental Health Collaboration Group in South Australia, a forum of stakeholders to align state-wide efforts around workplace mental health, continues to meet regularly to identify opportunities for collaboration. This has resulted in ReturnToWorkSA working with the Department of State Development and Ai Group to conduct state-wide presentations in conjunction with Regional Development Australia offices on "Healthy and Productive Workplaces Where People and Business Thrive". Presentations have occurred in ten locations, (nine regional and one city) with over 190 participants attending the events. Another collaboration event was for the health industry sector where ReturnToWorkSA, SA Health and SafeWorkSA organised a workshop on challenging behaviour, aggression and violence with over 120 people attending to hear about innovative workplace solutions. In addition, ReturnToWorkSA has also been involved in mentally healthy workplaces presentations to industry and workplaces during key safety/mental health events such as RUOK Day, Mental Health Week and Safe Work Month.

Individual workplace level

The program provides a free consultancy service, which offers workplace education, practical advice and services for individual workplaces to create and maintain mentally healthy workplaces. The one-on-one assistance to workplaces has included assistance with the development of action plans, identifying relevant tools, resources and information to assist with implementation of those plans, and the provision of information sessions on workplace mental health to managers, supervisors and workers.

One company that has received assistance is Life Without Barriers.

Jo Bellison, Business Partner (SA/WA), People, Safety and Culture, Life Without Barriers, has been working with ReturnToWorkSA to create a mentally healthy workplace.

Jo said, "At Life Without Barriers the input of ReturnToWorkSA's mentally healthy workplaces consultancy transformed our approach to shaping and delivering our Healthy Minds workplace program. We became aware of the free training resources on the Heads Up website, and with the assistance of the ReturnToWorkSA consultant trained all our people managers in information about anxiety and depression and how to support someone in the workforce experiencing these mental health conditions.

Jo reflected on the ongoing support received, "The consultant continued to liaise with us throughout 2017, connecting us with information and resources relevant to our program. The guidance we received from the consultant also validated where we were headed and contributed to the Healthy Minds workplace program being a finalist in the Life Without Barriers recognition awards for 'Safety Improvement' in 2017."

*Stock image used

Other supports

We also provide free public mentally healthy workplaces workshops, as well as conduct workshops (on request) for different industry sectors in both metropolitan and country regions.

The ReturnToWorkSA website includes webpages dedicated to workplace mental health, with information about practical tools and resources available for workplaces to take action.

ReturnToWorkSA, in partnership with *beyondblue* and Bolton Clarke continued to support the delivery of the NewAccess program in South Australia in 2017/2018. NewAccess was a free confidential mental health support service available to anyone in South Australia aged 16 and over who was struggling with mild to moderate anxiety or depression and may need support. The program closed on 30th June 2018 in South Australia, having provided support via over 3,300 coaching sessions during this financial year.

Providing free information and advisory services

We fund the Legal Services Commission (LSC) to provide a free information and advisory service to workers about work injury insurance matters and processes. The service commenced in August 2013, and during 2017-18, the LSC received 342 phone enquiries and conducted 56 advice appointments.

About the insurance premium system

The insurance premium system applies to all registered employers regardless of their size and is designed to be simple, easy to understand, and promote a strong injury prevention and return to work focus in the workplace. The key features of the premium system are:

A simple premium calculation formula that is easy to explain and understand.

Discount for 'no claims' and good return to work rates applied upfront to the base premium of all employers.

The cost of income support claims are the only variable component of the premium calculation – employers can influence the amount of premium they pay by focusing on return to work.

Discount applied upfront to the base premium of all employers based on their size.

The same claims costs are not used in more than one premium year.

The adjusted premium calculation at the end of the financial year is based on changes to remuneration only.

A small number of large employers participate in a Retro Paid Loss (RPL) premium scheme with premium payable for the given year adjusted according to claims costs from that year occurring over a four-year period.

Goal 2: Ensuring the effective and economic operation of the Return to Work scheme

Fewer new disputes mean greater efficiencies and more time helping people.

Complaints in 2017-18 reduced by	▼ 75%
Low number of premium disputes in 2017-18 down from 43 in 2016-17	▼ 37

Referrals, investigations and prosecutions	2013-14	2014-15	2015-16	2016-17	2017-18
Referrals	342	595	507	419	246
Investigations	89	137	125	104	57
Prosecutions	5	9	8	5	4

ReturnToWorkSA and our claims agents' administrative efficiency

The Return to Work scheme collects less premium revenue from employers than previous years and will have fewer open active claims from injured workers by 2018-19 with a more intensive service model focused on realising the health benefits of work in our community. In order to have a durable scheme for South Australia, the premium has to be affordable for South Australian employers. Employers' premiums are a percentage of their remuneration paid to their workforce. Whilst most of the premium collected goes to paying claims expenses for people injured, the remainder goes to the operating costs of the Scheme. We expect to reduce our operating costs as the new Scheme premium revenue reduces and active claims numbers stabilise over the coming year.

Employer Education Advisory services

Our Employer Education Advisory service offers skill development opportunities and one-on-one assistance to return to work coordinators for registered and self-insured employers to support capability development. During 2017-18, more than 550 return to work coordinators attended approved training and participated in skill building workshops and webinars. The Employer Education Advisor service continues to offer and deliver face to face support for coordinators across the metropolitan and rural areas, with two additional training providers improving the accessibility to training, particularly in rural areas. In addition, coordinators continue to have free access to a range of online resources through our partnership with Return to Work Matters.

Fraud and investigations

Employer Regulation and Enforcement uses qualitative and quantitative information from a variety of sources to detect, deter and prosecute non-compliance and offending.

In 2017-18 our investigation activity culminated in four prosecutions, one of which was on behalf of a self-insured employer. All four prosecutions resulted in convictions with three offenders receiving suspended sentences and one receiving a term of imprisonment. All offenders were ordered to pay ReturnToWorkSA's investigation and prosecution costs.

The Employer Regulation and Enforcement Unit received 246 referrals of suspected fraud. Following triage and analysis of these referrals, 57 investigations were completed, including 4 successful prosecutions.

We expect the number of referrals and investigations to decline as the Return to Work Scheme matures. Improved return to work rates, the two year limit on income support, and face-to-face services all limit the opportunities for dishonest behaviour.

Individuals found guilty of offences of dishonesty under the *Return to Work Act 2014* face increased penalties of up to a $50,000 fine or two years jail for each offence. As a result of amendments to the *South Australian Employment Tribunal Act 2014* effective from 1 July 2017, all prosecutions for offences under the Act will be brought before the South Australian Employment Tribunal.

Regulating registered employer obligations

We regulate the Scheme through education and enforcement, which involves the investigation of potential breaches of the Act. All employers have obligations to provide suitable employment and to give us 28 days of notice of termination of a worker's contract of employment.

The Return to Work Compliance policy guides our approach to ensuring employer compliance. The policy includes an escalating sequence of compliance interventions ranging from the provision of information and education, review and audits, to the application of financial penalties in the form of supplementary payments for registered employers under the Treasurer's Remissions and Supplementary Payments scheme. In the case of self-insured employers, additional self-insurance registration terms and conditions may be applied.

The compliance team applies a robust, evidence-based process to investigate and treat suspected instances of non-compliance referred by workers, employee representatives, claims agents and other stakeholders, or identified through proactive compliance reviews. The process affords natural justice and draws on best practice regulatory control frameworks. While our primary focus is to effect a timely, safe and durable return to work wherever possible, we also recognise that in some cases this is not achievable and that the return to work goal must be changed.

324 financial audits were conducted in 2017-18, with $2.05m billed in additional premium. 85% of billings related to improper employer conduct.

Regulating private and Crown self-insured employers

Self-insured employers are a significant part of the Return to Work scheme. In 2017-18, Crown and Private self-insured employers:

- Employed approximately 223,000 employees in South Australia, or 27%[1] of the South Australian labor force.
- Declared an estimated $17.3 Bn or 38% of total declared remuneration
- Reported 5,486 (28%) claims for compensation

In late 2017 the Government made the decision that ReturnToWorkSA should resume regulation of the Crown as a self-insured employer, with regulation to resume by 1 March 2018.

ReturnToWorkSA has developed a two-phased program in its resumption of regulating the Crown as a self-insurer. The first phase of the program is well underway with the seven Agencies that represent 89% of the Crown claims for 2016-17 financial year.

As at 30 June 2018, there were 69 private self-insured employers registered in the South Australian Scheme (see page 29). 93% (64 of 69) of self-insured employers had achieved or been granted a renewal for a period of three years or more. This includes 36 (52%) self-insured employers granted a five year period of registration.

These strong results reflect self-insurers' commitment to excellence in fulfilling their obligations under the Act. Insurer regulation is committed to working in partnership with self-insurers to help them improve.

New initiatives that have been implemented to continue the effective and efficient management and regulation of self-insured employers to ensure they meet their statutory obligations include:

- **Self-Insured Fee** – the process used to calculate and collect the self-insured fee has been simplified by removing the requirement for self-insurers to provide remuneration estimates throughout the year. As the self-insured fee rate is determined later in the year, this new process ensures final budgets and average premium rates and industry rates can be used to more accurately reflect the fair contribution towards the costs associated with the operation of the Return to Work Scheme.
- **Online Lump Sum Search Tool** – this tool was developed to provide self-insurers with more efficient and direct access to information required to determine injured worker entitlements.
- **EDI Technical Specification V14** – this latest specification includes data enhancements that further streamlines the claims management process for self-insurers.

Private self-insured regulation activities as at 30 June 2018:

- 21 private self-insured renewals were completed
- Six extensions of delegations to run-off self-insured claims were granted or renewed
- One new applicant for an initial grant of registration as a self-insured employer was approved to commence self-insurance in 2017-18 (excluding amendments to group registrations)
- Two employers ceased to be self-insured.
- Completed 102 partnership activities with self-insured employers.
- Conducted 143 risk reviews to monitor changes in the self-insured employer's performance against the criteria considered by ReturnToWorkSA when granting or renewing a self-insured employer's registration.

Testimonials

"The ReturnToWorkSA Evaluation team (and our evaluator in particular) have been invaluable to us. Especially in guiding, clarifying and supporting us, our members and staff in understanding, applying and continuously improving effective systems that address our organisational needs and the requirements of the PSSI (Performance Standards for SIs).

Through the partnership plan, they have always been approachable and supportive in exploring the best way to address opportunities for improvement."

Stevie Sanders
WHS & Risk Manager, LGA Workers Compensation Scheme

"In working with ReturnToWorkSA we have experienced a collaborative, constructive and pragmatic approach to self-insurance licencing. This has resulted in reduced businesses impact while providing confidence and appropriate levels of assurance that licencing requirements are being met."

Sarah Mullins
National Self Insurance Manager, Group TeamCover
WesFarmers Limited

1. When compared against the number of people who reported being in the labour force in the 2016 census.

The following private employers were self-insured at 30 June 2018	
Accolade Wines Australia Limited	Kimberly Clark Australia Pty Ltd
Adelaide Brighton Cement Limited	Lion Pty Ltd
Adelaide Community Healthcare Alliance Incorporated	Little Company Of Mary Health Care Limited
Aged Care & Housing Group Inc	Local Government Association of South Australia
Ahrens Group Pty Ltd	Myer Pty Ltd
Anglicare SA Ltd	Nationwide News Pty Ltd
Arnott's Biscuits Limited, South Australian Divsn	Nyrstar Port Pirie Pty Ltd
ASC Pty Ltd	OneSteel Manufacturing Pty Ltd
Australia & New Zealand Banking Group Ltd	Pernod Ricard Winemakers Pty Ltd
BHP Billiton Limited	Philmac Pty Ltd
Bluescope Steel Limited	Programmed Maintenance Services Limited
Boral Ltd	Randstad Pty Ltd
Bridgestone Australia Ltd	Resthaven Incorporated
Broadspectrum (Australia) Pty Ltd	Royal Automobile Association of South Australia In
Carter Holt Harvey Building Products Pty Ltd	Samuel Smith & Son Pty Ltd
Catholic Church Endowment Society Inc	Santos Ltd
Churches Of Christ Life Care Inc	Schneider Electric (Australia) Pty Ltd
Coca-Cola Amatil (Aust) Pty Ltd	Skycity Adelaide Pty Ltd
Coles Group Limited	SMR Automotive Australia Pty Ltd
Competitive Foods Australia Pty Ltd	Southern Cross Care (SA & NT) Inc
David Jones Pty Limited	St Andrews Hospital Inc
Detmold Packaging Pty Ltd	Teys Australia Naracoorte Pty Ltd
Drake SuperMarkets Pty Ltd	The Flinders University of South Australia
E & A Limited	The Smith's Snackfood Company Pty Ltd
ECH Inc	The University of Adelaide
Eldercare Incorporated	Thomas Foods International Consolidated Pty Ltd
ElectraNet Pty Ltd	Toll Holdings Limited
Electrolux Home Products Pty Ltd	Treasury Wine Estates Vintners Limited
Fullarton Lutheran Homes Inc	University of South Australia
Healthscope Operations Pty Ltd	Utilities Management Pty Ltd
Helping Hand Aged Care Inc	Veolia Environmental Services (Australia) Pty Ltd
Holcim (Australia) Holdings Pty Ltd	Viterra Operations Pty Ltd
Inghams Enterprises Pty Ltd	Westpac Banking Corporation
Intercast & Forge Pty Ltd	Woolworths (South Australia) Proprietary Limited
James Brown Memorial Trust	

Net Investment return at 30 June 2018		
Past year	**Past 3 years**	**Past 5 years**
7.5%	6.6%	8.2%

Board approved strategic asset allocation	
Asset Group	**Percentage of total investment portfolio**
Domestic Cash	2%
Fixed Interest	10%
Inflation-Linked Securities	22%
Alternative Income	15%
Australian Equities	9%
International Equities	18%
Property and Infrastructure	24%

Access and equity

We are committed to providing access to our services and products to all South Australians.

We delivered the following access and equity themed information sessions to approximately 70 of our staff, claims agent staff and other scheme participants.

- Working with interpreters and translators
- Cultural diversity and cultural competency.

Information on the Return to Work scheme is available in 22 community languages.

Our investment program

Our investment strategy is a fundamental component of ensuring the long-term viability of the Scheme. The mission of the investment program is to contribute to an improved funding and pricing position for the Scheme. The current long-term return objective for the investment program is a return of CPI + 2.5 per cent.

We believe that investing with fund managers that intergrate Environmental, Social and Governance (ESG) factors into their investment process will help protect and enhance the value of our investments over the long-term.

Board approved strategic asset allocation

Throughout 2017-18, the Board approved the continuation of the moderate risk, balanced portfolio approach.

Premium management and compliance

Premium management focuses on the registered employers of the Scheme. Our employer compliance program takes a balanced and fair approach by actively pursuing non-compliance in the Scheme.

The program undertakes a comprehensive audit program that uses targeted samples to verify an employer's reported remuneration and reviews the nature of the business to ensure it has the correct classification for a corresponding industry rate. We have introduced an employer self-assessment (ESA) targeted at smaller employers which allows us to verify employer remuneration without the need to visit the employer's premises.

In 2017-18:

- $521 million in insurance premium revenue was collected from more than 52,000 registered employers
- $7.1 million in premium debt was written off for current and accumulated uncollectable debts in previous financial years
- 4,793 employers ceased registration during the year whilst 6,942 new employer registrations were received
- 939 employers were audited with $2.4 million identified in underpayments.

Premium disputes and review

Our dispute resolution process enables employers who are dissatisfied with a decision about a premium or certain related decisions to request a review.

In 2017-18, we received 37 review applications compared with 43 in the previous financial year.

A total of 41 disputes and review files were closed during 2017-18:

- 3 were varied at reconsideration
- 13 were withdrawn or conceded in favour of the employer after reconsideration
- 19 were resolved by conciliation
- 2 were withdrawn at formal review
- 4 were determined by the Panel.

The panel conducted 36 directions hearings and 5 full hearings.

Outstanding claims liabilities

- $289 million increase in outstanding claims
- the probability of sufficiency on outstanding claims maintained at 75%
- the outstanding claims provision continues to include allowance for a higher risk margin reflecting uncertainty, arising from precedents of emerging/undecided legal cases.

Complaints

There has been a significant reduction in the number of claim related complaints received by ReturnToWorkSA and its claims agents.

During 2017-18, 91 formal complaints were handled which is a significant decrease from the 369 formal complaints handled in 2016- 17.

In addition to the 91 formal complaints, ReturnToWorkSA and its claims agents handled 225 enquires which were able to be resolved by either case managers or team leaders and therefore did not progress to formal complaints.

Workforce planning and development

The transition from the *Workers Rehabilitation and Compensation Act 1986* to the *Return to Work Act 2014* was substantially completed in 2017. In addition, we also completed a comprehensive review of our organisational structure to ensure we have the right functions and capability to deliver a desirable, affordable and durable recovery and work insurance scheme for South Australia.

ReturnToWorkSA workforce planning and development

99%
of employees have had a performance review in the last 12 months

ZERO notifiable WHS incidents

Workforce diversity

Number of employees by age bracket

Age bracket	Male	Female	Other	Total	% of total	2017 workforce benchmark
15-19	0	0	0	0	0.0%	5.3%
20-24	1	3	0	4	1.5%	9.6%
25-29	4	6	0	10	3.8%	10.6%
30-34	10	28	0	38	14.6%	11.7%
35-39	17	22	0	39	15.0%	9.9%
40-44	16	18	0	34	13.1%	10.2%
45-49	20	31	0	51	19.6%	10.9%
50-54	18	19	0	37	14.2%	10.3%
55-59	13	15	0	28	10.8%	9.9%
60-64	7	6	0	13	5.1%	6.6%
65+	2	4	0	6	2.3%	5.0%
TOTAL	**108**	**152**	**0**	**260**	**100.0%**	**100.0%**

Executives

Executives by gender, classification and status*

	Ongoing			Term tenured			Term untenured			Other (casual)			Total				
Classification	M	F	X	M	F	X	M	F	X	M	F	X	M	%	F	%	X
CEO				1									1	16.6			
Executives*				2	3								2	33.3	3	50	
Total				**3**	**3**								**3**	**50**	**3**	**50**	

** An executive is an employee who receives a total salary of $117,677 or more or a total remuneration package value equivalent to $147,196 per annum or more and who has professional or managerial 'executive' responsibilities or occupies a position having a work value of 670 points or more.*

Leave management

Average days leave per full time equivalent employee

Leave Type	2012-13	2013-14	2014-14	2015-16	2016-17	2017-18
Sick Leave	5.22	7.95	5.44	5.51	6.19	5.48
Family Carer's Leave	1.37	1.34	1.47	1.24	1.42	1.23
Special Leave with pay	0.15	0.02	0.01	0.00	0.10	0.12

Performance development

Documented review of individual performance management

Employees with …	% total workforce
A review within the past 6 months	N/A
A review older than 6 months*	99%
No review	1%

** Annual review has occurred within the past 12 months.*

Leadership and management development

Leadership and management training expenditure

Training and development	Total cost	% of total salary expenditure
Total training and development expenditure	$407,997	1.55%
Total leadership and management development expenditure	$32,793	0.12%

Work health and safety and injury management

Work health and safety prosecutions, notices and corrective action taken	
Number of notifiable incidents pursuant to WHS Act Part 3	Nil
Number of notices served pursuant to WHS Act Section 90, Section 191 and section 195 (Provisional improvement and prohibition notices)	Nil
Number of prosecutions pursuant to WHS Act Part 2 Division 5	Nil
Number of enforceable undertakings pursuant to WHS Act Part 11	Nil

Work health and safety performance	
Total new workplace injury claims	1
Significant Musculoskeletal injuries – Where lost time exceeds one working week	Nil
Significant Psychological injuries – Where lost time exceeds one working week	1
Total significant injuries – Where lost time exceeds one working week	**1**

ReturnToWorkSA workers compensation premium expense for 2016-17 compared with 2017-18

Year	Premium expense
2016-17	$119,933
2017-18	$113,556

Employment opportunity programs

ReturnToWorkSA continued to promote all externally advertised job vacancies through Disability Works Australia and the Indigenous Information Network of South Australia (Turkindi).

Disability access and inclusion plans

As part of our commitment to meeting the needs of people with a disability, we undertook a range of activities including:

- Reception renovations were completed in August 2017, incorporating changes to the reception desk and the entrance ramp to provide improved disability access.
- A disability access audit was conducted. Findings will be addressed over the coming year.
- Review of DAIP strategies is underway and the DAIP 2018–2021 is currently being redesigned with input from internal and external stakeholders
- External vacancies continue to be advertised on our website and via Disability Works Australia.
- Disability and Access requirements are captured in our key provider and claims agent contracts
- Continue to promote how to request information on alternative format on all of our products and our website
- Continue to provide training to relevant staff on how to receive and make calls through the National Relay Service – this service is promoted on all products and our website so people who are deaf / have a hearing or speech impairment can access our services
- Continue to provide information and resources about disability to staff and scheme participants
- Continue to provide disability awareness information sessions to staff and our agent staff
- Continue to organise workplace modifications as required for individual staff.

Corporate governance and administration

Corporate governance

ReturnToWorkSA Board

ReturnToWorkSA has a Board of seven members who are appointed by the Governor of South Australia on the recommendation of the Minister for Industrial Relations. The Board's role is to set and approve our overall direction and performance. Board sub-committees also meet on a regular basis to fulfil their obligations in specialist areas. The ReturnToWorkSA Board comprised:

- Jane Yuile (Chairman until February 2018)
- Joanne Denley (Chairman from February 2018)
- Dr William Griggs, AM, ASM
- Chris Latham
- Nigel McBride
- Yvonne Sneddon
- Joe Szakacs
- Adam Lawrence (Treasurer's Representative)

Executive Leadership Team

Our Chief Executive Officer is appointed by the Board to oversee the day-to-day operations of our organisation, together with the Executive Leadership Team.

The Executive Leadership Team as at 30 June 2018 comprised:

- Rob Cordiner, Chief Executive Officer
- Julia Oakley, General Manager Regulation
- Des Quirk, Chief Financial Officer
- Kerryn Hendy, Executive Leader Technology Systems and Service
- Jas Rieck, Executive Leader People & Communications
- Carlos De Azambuja, Executive Leader Claims Services

Risk management

In order for us to achieve our strategic direction, it is critical that risks are identified, understood by all in the organisation and managed. We have a risk management system that includes a risk appetite statement and incorporates the corporate perspective (top-down) and operational imperatives (bottom-up). Risks are actively monitored and managed by the Executive and the Board.

Internal audit and internal fraud

Our three year internal audit plan is reviewed annually to ensure it continues to reflect current issues impacting on ReturnToWorkSA, and to prioritise areas of higher risk. Internal auditing services are provided by KPMG who report to the ReturnToWorkSA Board Audit and Risk Committee.

In 2017-18, there were no instances of internal fraud detected.

Administrative matters

Access to information

In 2017-18, access to information held by us was obtained under section 180 of the *Return to Work Act 2014* (the Act) and the *Freedom of Information Act 1991* (FOI Act).

Any person with a workers compensation claim (and/or their representatives) in South Australia has a right to access information relevant to their claim.

The FOI Act gives any person a right of access to documents held by State Government agencies including ReturnToWorkSA.

In 2017-18, 1,295 applications were received for access to information. Of these, 970 (75%) were lodged under section 180 of the Act (2016-17: 1,123) and 325 (25%) under the FOI Act (2016-17: 343).

If an applicant is dissatisfied with a determination under section 180 of the Act or the FOI Act, they can apply for a review of that determination. In 2017-18, we received 7 internal reviews under section 180 of the Act and 1 internal review under the FOI Act. We also received 2 external reviews under section 180 with the Ombudsman.

Further information about Freedom of Information can be found at **www.rtwsa.com**.

Whistleblowers Protection Act 1993

We maintain a responsible officer for the purpose of administering the *Whistleblowers Protection Act 1993* (WPA), under part 3 of the *Public Sector Act 2009.*

In 2017-18, there were no instances of disclosure of public interest information to a responsible ReturnToWorkSA officer under the WPA.

Contractual arrangements

Information regarding ReturnToWorkSA contracts can be requested by contacting the Freedom of Information Officer listed on the South Australian Tenders and Contracts website (**www.tenders.sa.gov.au**).

Consultants			
Consultancy	**Purpose of consultancy**	**Number**	**$**
Total under $10,000		–	–
Willis Towers Watson	Investment consulting		
Paul Laband	Investment consulting		
Deloitte	Consultancy advice		
Finity	Actuarial advice		
PricewaterhouseCoopers	Consultancy advice		
Total over $10,000		**5**	**1,952,392**
Total			**1,952,392**

Financial statements

ReturnToWorkSA

ABN 83 687 563 395

Annual financial report for the year ended 30 June 2018

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ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Premium revenue	7(a)	**521,030**	517,140
Cost of claims	8	**(607,371)**	(356,749)
Claims management fees		**(61,645)**	(65,842)
Tribunal and ombudsman fees	11	**(8,343)**	(8,377)
Underwriting result		**(156,329)**	86,172
Net investment profit	7(b)	**218,879**	209,623
Self-insured employer fee	7(c)	**12,925**	12,099
Other income	7(d)	**275**	665
Net investment profit and other income		**232,079**	222,387
General operating expenses	12	**(58,250)**	(63,990)
Operating profit/(loss) before tax equivalents		**17,500**	244,569
Tax equivalents	13	**-**	(73,371)
Operating profit/(loss) after tax equivalents		**17,500**	171,198
Other comprehensive income - items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	14(d)	**9,208**	4,238
Total comprehensive result		**26,708**	175,436

The total comprehensive result is attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2018

	Notes	**2018** **$'000**	2017 $'000
Assets			
Cash	16	**2**	3
Trade and other receivables	17	**63,359**	65,432
Investments	18	**3,230,703**	2,991,426
Property, plant and equipment	19	**3,180**	4,309
Intangible assets	20	**8,694**	13,322
Total assets		**3,305,938**	3,074,492
Liabilities			
Trade and other payables	22	**23,137**	19,356
Outstanding claims	9, 10	**2,748,862**	2,459,637
Employee benefits	14(c)	**6,435**	16,989
Provisions	23	**-**	4,343
Tax equivalents	13	**-**	73,371
Total liabilities		**2,778,434**	2,573,696
Net assets		**527,504**	500,796
Equity			
Retained earnings		**527,504**	500,796
Total equity		**527,504**	500,796

Commitments	27
Employer financial guarantees	28
Self-Insured Insolvency Contribution Aggregate	29
Contingent liabilities	30

The total equity is attributable to the SA Government as owner.

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

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2018

	2018 $'000	2017 $'000
Total equity at the start of the year	**500,796**	325,360
Total comprehensive result	**26,708**	175,436
Total equity at the end of the year	**527,504**	500,796

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Premium receipts		**584,432**	579,330
Claim recoveries		**16,960**	11,232
Other receipts		**303**	332
Claim and other related payments		**(345,496)**	(390,952)
Interest received		**35,344**	36,605
Dividends received		**71,189**	49,733
Other payments to suppliers and employees		**(122,596)**	(127,984)
GST		**(38,990)**	(37,839)
Tax equivalents paid		**(73,371)**	-
Investment expenses		**(6,371)**	(5,133)
Net cash flows from/(used in) operating activities	24	**121,404**	115,324
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**-**	6
Proceeds from the sale of investments		**1,271,631**	519,807
Acquisition of property, plant and equipment		**(266)**	(1,530)
Acquisition of investments		**(1,394,082)**	(588,000)
Net cash flows from/(used in) investing activities		**(122,717)**	(69,717)
Net increase/(decrease) in cash and cash equivalents		**(1,313)**	45,607
Cash and cash equivalents at the beginning of the period		**127,622**	82,015
Cash and cash equivalents at the end of the period	16	**126,309**	127,622

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

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Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia is a statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).

For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

Compensation Fund

The Compensation Fund was established on 30 September 1987 under Section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund

The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund

The Insurance Assistance Fund exists to support policies issued under Section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund

Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled ‘Mining and Quarrying Industries Fund’ which is divided into two parts:

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed act; and,

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in schedule 2 of the Work Health and Safety Act 2012.

Note 2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the Public Finance and Audit Act 1987.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (AASBs) and comply with Treasurer’s Instructions and Accounting Policy Statements promulgated under the provisions of the Public Finance and Audit Act 1987.

Note 2 Statement of compliance (continued)

RTWSA has applied Australian Accounting Standards that are applicable for not-for-profit-entities, as RTWSA is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by RTWSA for the period ending 30 June 2018.

Note 3 Basis of preparation

The financial statements have been prepared based on a twelve month period and are presented in Australian currency and have been rounded to the nearest thousand dollars ($'000s).

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. The coverage provided is similar in nature to general insurance and accordingly the accounting standard AASB 1023 'General Insurance Contracts' is applied. RTWSA operates solely in the State of South Australia.

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, and intangible assets exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of the outstanding claims liability.

Outstanding claims liability

RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 9 and 10.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. RTWSA has adopted a risk margin of 15.0% for the Compensation Fund (2017: 15.0%) and 10.5% for the Statutory Reserve Fund (2017: 10.5%) and the Insurance Assistance Fund (2017: 10.5%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45.0% (2017: 45.0%) at 75% (2017: 75%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Limited.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The IBNR which relates principally to claims for asbestos related diseases affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2016, is $100,000.

Note 4 Use of judgements and estimates (continued)

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Premiums receivable

The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

Note 5 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2018

	Notes	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2018 Total Funds $'000**	2017 Total Funds $'000
Premium revenue		521,030	-	-	-	-	**521,030**	517,140
Cost of claims		(608,937)	1,548	18	-	-	**(607,371)**	(356,749)
Claims management fees		(61,645)	-	-	-	-	**(61,645)**	(65,842)
Tribunal and ombudsman fees		(8,343)	-	-	-	-	**(8,343)**	(8,377)
Underwriting Result		(157,895)	1,548	18	-	-	**(156,329)**	86,172
Net investment profit		203,611	12,188	1,908	22	1,150	**218,879**	209,623
Self-insured employer fee		12,925	-	-	-	-	**12,925**	12,099
Other income		275	-	-	-	-	**275**	665
Net investment profit and other income		216,811	12,188	1,908	22	1,150	**232,079**	222,387
General operating expenses		(56,987)	(5)	-	-	(1,258)	**(58,250)**	(63,990)
Operating profit/(loss) before tax equivalents		1,929	13,731	1,926	22	(108)	**17,500**	244,569
Tax equivalents		-	-	-	-	-	**-**	(73,371)
Operating profit/(loss) after tax equivalents		1,929	13,731	1,926	22	(108)	**17,500**	171,198
Other comprehensive income - items that will not be reclassified to profit or loss								
Re-measurements of defined benefit liability		9,208	-	-	-	-	**9,208**	4,238
Total comprehensive result		11,137	13,731	1,926	22	(108)	**26,708**	175,436

Note 5 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2018

	Notes	Compensation Fund $'000	Statutory Reserve Fund $'000	Insurance Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	**2018 Total Funds $'000**	2017 Total Funds $'000
Assets								
Cash		2	-	-	-	-	**2**	3
Trade and other receivables		63,319	-	-	-	40	**63,359**	65,432
Investments		3,015,129	172,551	27,112	315	15,596	**3,230,703**	2,991,426
Property, plant and equipment		3,180	-	-	-	-	**3,180**	4,309
Intangible assets		8,694	-	-	-	-	**8,694**	13,322
Total assets		3,090,324	172,551	27,112	315	15,636	**3,305,938**	3,074,492
Liabilities								
Trade and other payables		22,972	-	-	-	165	**23,137**	19,356
Outstanding claims	9, 10	2,676,838	71,729	195	100	-	**2,748,862**	2,459,637
Employee benefits		6,435	-	-	-	-	**6,435**	16,989
Provisions		-	-	-	-	-	**-**	4,343
Tax equivalents		-	-	-	-	-	**-**	73,371
Total liabilities		2,706,245	71,729	195	100	165	**2,778,434**	2,573,696
Net assets		384,079	100,822	26,917	215	15,471	**527,504**	500,796
Equity								
Retained earnings		384,079	100,822	26,917	215	15,471	**527,504**	500,796
Total earnings		384,079	100,822	26,917	215	15,471	**527,504**	500,796

Note 6 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2018 $'000	2017 $'000
Funded position	**527,504**	500,796
Funding percentage	**119.0%**	119.5%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

Note 7 Income

(a) Premium revenue

	2018	2017
	$'000	$'000
Registered employer premium	**519,646**	516,023
Fines and penalties	**1,384**	1,117
Premium revenue	**521,030**	517,140

Premium revenue

Premiums are payable by all registered South Australian employers under the Act.

Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 22).

(b) Net Investment profit

	2018	2017
	$'000	$'000
Dividends	**71,189**	49,733
Interest received	**35,344**	36,605
Change in net market values:		
Investment held at end of financial year	**117,885**	106,792
Investment realised during the financial year	**253**	21,159
Investment profit	**224,671**	214,289
Investment expenses	**(5,792)**	(4,666)
Net investment profit	**218,879**	209,623

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Note 7 Income (continued)

(c) Self-insured employer fee

	2018 $'000	2017 $'000
Self-insured employer fee - SA Government	**5,761**	5,572
Self-insured employer fee - Non SA Government	**7,164**	6,527
Self-insured employer fee	**12,925**	12,099

(d) Other income

	2018 $'000	2017 $'000
Defined benefit fund	**-**	363
Sundry income	**275**	302
Other income	**275**	665

Note 8 Cost of claims

	Notes	2018 $'000	2017 $'000
Income support		**116,313**	138,558
Redemptions		**1,132**	23,327
Lump sum payments		**48,419**	52,576
Hospital treatment		**14,393**	14,617
Medical treatment		**63,770**	61,377
Vocational rehabilitation		**13,387**	14,683
Physiotherapy		**8,892**	8,477
Legal costs		**31,596**	28,847
Other		**22,507**	22,857
Claims paid		**320,409**	365,319
Less recoveries from other parties		**(15,418)**	(10,211)
Net claims paid		**304,991**	355,108
Increase/(decrease) in net outstanding claims liability	9, 10	**293,957**	(5,786)
Net self-insurer settlements		**8,423**	7,427
Cost of claims		**607,371**	356,749

Claim recoveries

Claims recoveries are made from a range of parties in accordance with the Act.

Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

Note 9 Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Notes	2018 $'000	2017 $'000
Expected future gross claims payments (undiscounted)		**4,632,619**	4,942,977
Discount to present value		**(2,304,934)**	(2,868,370)
Central estimate		**2,327,685**	2,074,607
Risk margin		**349,153**	311,191
Liability for outstanding claims		**2,676,838**	2,385,798
Recoveries	17	**(61,044)**	(65,776)
Net liability for outstanding claims		**2,615,794**	2,320,022
Current liability for outstanding claims		**372,918**	394,777
Non-current liability for outstanding claims		**2,303,920**	1,991,021
Total liability for outstanding claims		**2,676,838**	2,385,798
Change in liability for outstanding claims		**291,040**	(23,105)
Change in claim recoveries receivable		**4,732**	15,105
Movement in net outstanding claims liability		**295,772**	(8,000)
Weighted average expected term to settlement		**15.0 years**	15.0 years

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 75% (2017: 75%) probability of sufficiency as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 15.0% (2017: 15.0%) to bring the estimated net liability to a 75% (2017: 75%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Limited. Should the timing of cash flows vary from that projected by Finity Consulting Pty Limited then the proportions of the overall claims liability that are shown as current and non-current may vary.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(a) Outstanding claims (continued)
The RTW Scheme is designed to provide services and up to two years of income support and up to three years of medical support for workers injured at work together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 9(e).

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The increase in the outstanding claims liability includes the net impact of the decrease in the average discount rate from 3.87% at 30 June 2017 to 3.33% at 30 June 2018.

Note 9(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year $'000	Prior years $'000	**2018 Total $'000**	Current year $'000	Prior years $'000	2017 Total $'000
Undiscounted						
Gross incurred	844,952	(842,149)	**2,803**	927,974	459,417	1,387,391
Recoveries	(11,983)	1,064	**(10,919)**	(12,972)	15,830	2,858
Net incurred	832,969	(841,085)	**(8,116)**	915,002	475,247	1,390,249
Discounted						
Gross incurred	548,633	102,122	**650,755**	538,765	(105,915)	432,850
Recoveries	(11,057)	171	**(10,886)**	(12,033)	15,352	3,319
Net incurred	537,576	102,293	**639,869**	526,732	(90,563)	436,169
Discount and discount movement						
Gross incurred	(296,319)	944,271	**647,952**	(389,209)	(565,332)	(954,541)
Recoveries	926	(893)	**33**	939	(478)	461
Net discount movement	(295,393)	943,378	**647,985**	(388,270)	(565,810)	(954,080)

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development

	Prior years* $'000	Year ended 30 June 2008 $'000	Year ended 30 June 2009 $'000	Year ended 30 June 2010 $'000	Year ended 30 June 2011 $'000	Year ended 30 June 2012 $'000	Year ended 30 June 2013 $'000	Year ended 30 June 2014 $'000	Year ended 30 June 2015 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2018 $'000
Estimate of ultimate claims cost**												
At the end of the year	5,797,806	445,035	471,917	506,902	527,850	625,012	665,173	574,982	353,734	406,719	411,384	421,395
One year later	5,791,370	447,935	480,472	487,196	586,296	616,974	602,689	403,139	373,333	407,683	407,586	-
Two years later	5,731,192	461,964	489,652	521,046	562,035	581,152	435,366	400,500	339,167	409,268	-	-
Three years later	5,694,282	457,878	517,651	499,973	545,014	415,185	448,842	387,006	364,908	-	-	-
Four years later	5,681,237	492,947	525,857	515,277	448,017	416,116	433,620	401,390	-	-	-	-
Five years later	5,700,812	513,198	542,833	420,122	429,945	413,940	426,533	-	-	-	-	-
Six years later	5,707,813	510,115	415,349	432,573	405,541	415,322	-	-	-	-	-	-
Seven years later	5,693,994	400,071	406,873	416,154	415,383	-	-	-	-	-	-	-
Eight years later	5,598,275	407,104	397,925	418,988	-	-	-	-	-	-	-	-
Nine years later	5,638,163	397,154	403,565	-	-	-	-	-	-	-	-	-
Ten years later	5,602,102	397,998	-	-	-	-	-	-	-	-	-	-
Eleven years later	5,681,006	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**	5,681,006	397,998	403,565	418,988	415,383	415,322	426,533	401,390	364,908	409,268	407,586	421,395
Cumulative payments**	5,472,055	351,497	360,335	339,060	341,153	340,883	327,951	284,433	226,507	210,656	152,103	61,262
Outstanding payments**	208,951	46,501	43,230	79,928	74,230	74,439	98,582	116,957	138,401	198,612	255,483	360,133
Discount adjustment***	224,767	20,496	15,078	22,979	17,954	13,884	13,519	11,998	10,440	10,060	7,780	5,402
Net outstanding claims	433,718	66,997	58,308	102,907	92,184	88,323	112,101	128,955	148,841	208,672	263,263	365,535

* Development of incurred cost estimate as at 30 June 2008 for accidents prior to 30 June 2007.

** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

Note 9 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development (continued)

	2018 $'000	2017 $'000
Prior years	**433,718**	413,313
Year ended 30 June 2008	**66,997**	67,888
Year ended 30 June 2009	**58,308**	55,344
Year ended 30 June 2010	**102,907**	102,918
Year ended 30 June 2011	**92,184**	82,906
Year ended 30 June 2012	**88,323**	90,711
Year ended 30 June 2013	**112,101**	128,194
Year ended 30 June 2014	**128,955**	125,720
Year ended 30 June 2015	**148,841**	141,463
Year ended 30 June 2016	**208,672**	263,776
Year ended 30 June 2017	**263,263**	358,165
Year ended 30 June 2018	**365,535**	-
Net outstanding claims	**2,069,804**	1,830,398
Claims handling expenses	**204,800**	187,012
Risk margin	**341,190**	302,612
Net liability for outstanding claims	**2,615,794**	2,320,022

(d) Maturity profile

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2018	361,657	427,749	212,916	335,513	480,917	797,042	2,615,794
2017	380,020	366,403	140,096	290,975	435,468	707,060	2,320,022

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2018	2017
Economic Assumptions		
Inflation rate - income support	0.00% to 3.40%	0.00% to 3.75%
Inflation - medical, legal and other costs	2.30% to 3.65%	2.20% to 4.00%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 4.00%
Superimposed inflation rate - other	0.00% to 2.00%	0.00% to 4.00%
Discount rate	3.33%	3.87%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.60%	9.90%
Risk margin	15.00%	15.00%

Note 9 Outstanding claims liability - Compensation Fund (continued)

(e) Key assumptions (continued)

Finity Consulting Pty Limited has made a range of assumptions relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers (assessed as having a whole person impairment (WPI) greater than 30%)
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability $'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (3% gap between inflation and discount rate)	(580)	(22%)
Weak economic conditions (-1% gap)	152	6%
Duration and severity of claims		
Mitchell decision is maintained on appeal	>300	>12%
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	361	14%
Impact of a 6 year increase in the life expectancy of catastrophic injury claims	426	16%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	188	7%

In conducting its valuation, Finity Consulting Pty Limited modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability.

Note 10 Outstanding claims liability - Other Funds

(a) Outstanding claims - SRF and IAF

	SRF $'000	IAF $'000	**2018 Combined $'000**	2017 Combined $'000
Open claims	3,413	-	**3,413**	4,052
Total incurred but not yet reported (IBNR)	42,992	124	**43,116**	43,782
Claims handling expenses	3,944	11	**3,955**	4,066
Central estimate	50,349	135	**50,484**	51,900
Risk margin	21,380	60	**21,440**	21,839
Net liability for outstanding claims	71,729	195	**71,924**	73,739

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2017: 75%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2018 due to exposure prior to 30 June 2018. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile - SRF and IAF
The expected maturity of the discounted net outstanding claims provision is analysed below.

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2018	3,353	6,132	6,930	16,359	25,271	13,879	71,924
2017	4,522	5,553	6,578	16,081	25,748	15,257	73,739

Note 10 Outstanding claims liability - Other Funds (continued)

(c) Movement in liability - SRF and IAF

	SRF 2018 $'000	2017 $'000	Change $'000	IAF 2018 $'000	2017 $'000	Change $'000
Asbestos related						
Reported	2,268	2,765	(497)	-	-	-
IBNR / re-opened claims	42,820	43,480	(660)	124	135	(11)
	45,088	46,245	(1,157)	124	135	(11)
Non-asbestos related						
Reported	1,145	1,287	(142)	-	-	-
IBNR / re-opened claims	172	167	5	-	-	-
	1,317	1,454	(137)	-	-	-
Central estimate	46,405	47,699	(1,294)	124	135	(11)
Claims handling expenses	3,944	4,054	(110)	11	12	(1)
Risk margin	21,380	21,773	(393)	60	66	(6)
Total outstanding claims liability	71,729	73,526	(1,797)	195	213	(18)

(d) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2018	2017
Inflation rate		
asbestos claims	5.00%	5.25%
non-asbestos claims	3.00%	3.25%
Discount rate	2.94%	3.20%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	10.50%
IBNR claims	45.00%	45.00%

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

(f) Mining and Quarrying Industries Fund - Silicosis liability

The 30 June 2016 triennial valuation undertaken by Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being $100,000.

Note 10 Outstanding claims liability - Other Funds (continued)

(g) Summary of Other Funds

	2018 $'000	2017 $'000
Statutory reserve fund	**71,729**	73,526
Insurance assistance fund	**195**	213
Mining and quarrying industries fund	**100**	100
Net liability for outstanding claims	**72,024**	73,839
Current liability for outstanding claims	**3,353**	4,521
Non-current liability for outstanding claims	**68,671**	69,318
Total liability for outstanding claims	**72,024**	73,839
Change in liability for outstanding claims	**(1,815)**	2,214

Note 11 Tribunal and ombudsman fees

	2018 $'000	2017 $'000
South Australian Employment Tribunal	**7,810**	7,782
Ombudsman funding	**533**	595
Total tribunal and ombudsman fees	**8,343**	8,377

Note 12 General operating expenses

	Notes	**2018 $'000**	2017 $'000
Employee benefits	14	**29,750**	36,934
Depreciation		**1,317**	1,771
Amortisation		**4,682**	4,439
Expenses relating to operating leases		**2,520**	2,544
Loss on disposal of non-current assets		**-**	75
Other operating costs		**19,981**	18,227
Total general operating expenses		**58,250**	63,990

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were $405,000 (2017: $425,000). No other services were provided by the Auditor-General's Department.

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of leased assets.

Note 12 General operating expenses (continued)

The number and dollar amount of consultancies paid/payable (included in general operating expenses) that fell within the following bands:

	No.	**2018 $'000**	No.	2017 $'000
Below $10,000	**-**	**-**	1	9
Above $10,000	**5**	**1,952**	10	1,654
Total paid/payable to the consultants engaged	**5**	**1,952**	11	1,663

Note 13 Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Note 14 Employee benefits

	2018 $'000	2017 $'000
Salaries and wages	**26,143**	32,463
Long service leave	**522**	447
Annual leave	**569**	558
Skills and experience retention leave	**30**	70
Defined benefit plan service cost	**-**	180
Defined benefit plan interest cost	**-**	681
Contributions to defined contribution plans	**2,486**	2,535
Total employee benefits expenses	**29,750**	36,934

(a) Key management personnel
Key leadership personnel RTWSA include the Minister, Board members, the Chief Executive Officer and members of the Executive Team who have responsibility for the strategic direction and management of RTWSA. The compensation disclosed in this note excludes salaries and other benefits the Minister receives, the Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the Parliamentary Remuneration Act 1990.

Note 14 Employee benefits (continued)

(a) Key management personnel (continued)

	2018 $'000	2017 $'000
Compensation		
Salaries and other short-term employee benefits	**2,249**	2,246
Post-employment benefits	**210**	212
Total	**2,459**	2,458

(b) Remuneration of Employees

	2018 No.	2017 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
$147,000 to $149,000*	**-**	4
$149,001 to $159,000	**9**	7
$159,001 to $169,000	**3**	4
$169,001 to $179,000	**3**	2
$179,001 to $189,000	**1**	2
$189,001 to $199,000	**-**	1
$199,001 to $209,000	**-**	4
$209,001 to $219,000	**3**	2
$219,001 to $229,000	**2**	-
$229,001 to $239,000	**1**	1
$239,001 to $249,000	**2**	2
$249,001 to $259,000	**1**	-
$259,001 to $269,000	**1**	-
$289,001 to $299,000	**-**	1
$299,001 to $309,000	**1**	1
$339,001 to $349,000	**-**	1
$349,001 to $359,000	**1**	1
$459,001 to $469,000	**-**	1
$529,001 to $539,000	**1**	-
Total	**29**	34

The table includes all employees who received Normal Remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was $6.1 million (2017: $7.0 million).

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2016-17.

Note 14 Employee benefits (continued)

(c) Liability for employee benefits

	2018 $'000	2017 $'000
Current		
Annual leave	**1,967**	2,086
Recognised liability for defined benefit obligations	**-**	1,904
Skills and experience retention leave	**70**	84
Long service leave	**2,499**	2,878
	4,536	6,952
Non-current		
Recognised liability for defined benefit obligations	**-**	8,174
Long service leave	**1,899**	1,863
	1,899	10,037
Total employee benefits	**6,435**	16,989

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave

Liabilities for employee benefits for wages, salaries, annual leave and skills and experience retention leave that are expected to be settled within 12 months of the reporting date and are measured at the undiscounted amount expected to be paid.

Where annual leave liability and skills and experience retention leave liability are expected to be payable later than twelve months, the liability is measured at present value.

Employee benefits - long service leave

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the long service leave provision is classified as current as RTWSA does not have an unconditional right to defer the settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after ten years of service.

Note 14 Employee benefits (continued)

(d) Movement in net liability for defined benefit obligations

	2018 $'000	2017 $'000
Balance at 1 July	**(10,078)**	(14,394)
Included in result from operating activities		
Service cost	**-**	(180)
Net interest	**-**	(317)
	-	(497)
Included in other comprehensive income		
Re-measurement gain:		
- Actuarial gain/(loss)	**9,208**	2,613
- Actual return on assets less interest income	**-**	1,625
	9,208	4,238
Other		
Employer Contributions	**870**	575
Balance at 30 June	**-**	(10,078)

(e) Net liability for defined benefit obligations

	2018 $'000	2017 $'000
Fair value of scheme assets	**-**	17,320
Defined benefit obligation	**-**	(27,398)
Net liability	**-**	(10,078)

(f) Reconciliation of the fair value of the defined benefit plan assets

	2018 $'000	2017 $'000
Opening fair value of defined benefit plan assets	**17,320**	16,145
Interest income	**-**	363
Actual return on assets less interest income	**-**	1,625
Employer contributions	**870**	575
Benefits and expenses paid	**-**	(1,388)
De-recognition on payment of net liability to Super SA	**(18,190)**	-
Closing fair value of defined benefit plan assets	**-**	17,320

Note 14 Employee benefits (continued)

(g) Reconciliation of the present value of the defined benefit obligation

	2018 $'000	2017 $'000
Opening present value of defined benefit obligations	**27,398**	30,539
Current service cost	**-**	180
Interest cost	**-**	680
Actuarial (gains)/losses:		
- Impact of changes in demographic assumptions	**-**	(451)
- Impact of changes in financial assumptions	**(9,208)**	(2,081)
- Experience Items	**-**	(81)
Benefits and expenses paid	**-**	(1,388)
De-recognition on payment of net liability to Super SA	**(18,190)**	-
Closing present value of defined benefit obligations	**-**	27,398

Employee benefits - defined benefits superannuation plan

In prior years RTWSA applied AASB 119 in reporting its contributions and commitments to defined benefit superannuation plans with the State Superannuation Scheme. This was due to RTWSA having outstanding commitments for past service liabilities.

During the year, after discussion with Super SA, an external actuarial valuation review was completed to determine RTWSA's superannuation past service liabilities deficit as of 30 June 2017. The deficit amount of $870,000 was paid by RTWSA to extinguish its liability.

As a consequence of clearing the past service liability, in the current and future years the superannuation contributions paid by RTWSA to the State Superannuation Scheme and other superannuation schemes are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation scheme. The impact from the unwinding of AASB 119 reporting is accounted for within Other Comprehensive Income.

In the prior year RTWSA's net obligation was calculated by estimating the amount of future benefits that employees earned in return for their service in the current and prior periods. That benefit was then discounted to determine its present value from which the fair value of any plan assets was deducted. The discount rate was the yield at the reporting period on government bonds that had maturity dates approximating to the terms of RTWSA's obligations. The calculation was performed by a qualified actuary using the projected unit credit method.

Under AASB 119, RTWSA determined the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contributions and benefit payments.

Employees who participate in the defined benefit superannuation fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The defined benefit superannuation fund has been closed to new members since May 1994.

The State Superannuation Scheme's assets are under Funds SA's management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

Note 14 Employee benefits (continued)

(h) Each major asset category as a percentage of the fair value of the total plan assets

	2017 Active Market %	2017 Non-active Market %
Australian equities	26.0	0.0
International equities	26.3	0.0
Property	2.2	13.0
Diversified strategies growth	1.0	10.8
Diversified strategies income	15.2	0.0
Inflation linked securities	3.2	1.0
Cash	1.3	0.0
Total	75.2	24.8

(i) Major economic assumptions

	2017
Discount rate	2.9%
Long term salary rate increases	4.0%
Long term CPI increases	2.5%

(j) Maturity profile

The weighted average duration of the defined benefit obligation for 2017 was 14.7 years. The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year $'000	Between 1-2 years $'000	Between 2-5 years $'000	Between 5-10 years $'000	Between 10-15 years $'000	Between 15-20 years $'000	Between 20-25 years $'000	Over 25 Years $'000	Total $'000
2017	1,904	1,542	4,694	7,806	7,028	5,896	5,094	7,162	41,126

Note 15 Remuneration of board and committee members

Members during the financial year ended 30 June 2018 were:

Member	Appointed / Resigned	Board	Investment and Finance Committee	Audit and Risk Committee	Human Resources Committee
Ms. J Denley		Chair	-	Member	Chair
Dr. W Griggs		Member	Member	-	Member
Mr. C Latham		Member	Chair	-	-
Mr. N McBride		Member	-	Member	-
Ms. Y Sneddon		Member	-	Chair	-
Mr. J Szakács		Member	Member	-	-
Ms. J Yuile		Member	-	-	Member

Ms. J Denley was appointed Chair and Ms. J Yuile resigned as Chair on 13 February 2018.

Note 15 Remuneration of board and committee members (continued)

The number of members whose remuneration received and receivable falls within the following bands:

	2018	2017
$60,000 - $69,999	5	6
$70,000 - $79,999	1	-
$100,000 - $109,999	1	1

The total remuneration received and receivable by board members was $490,000 (2017: $472,000) which includes superannuation contributions.

The Minster's Advisory Committee is established under section 171 of the Return to Work Act 2014 (the Act). Its role includes advising the Minister for Industrial Relations on the operation of the Act. The members remuneration paid/payable was $45,000 (2017: $60,000). Members during the 2018 financial year were: M Atchison (Presiding Member), D Blairs, S Hall, A Moeller, S Myatt, E van der Linden and J Wilson, whose term expired on 30 November 2017. P Dean resigned on 8 August 2017. M Atchison (Presiding Member), L Birch, D. Blairs, E Dabars, P Jezukaitis, E van der Linden, A Moeller, S Myatt and R Paterson were appointed to the Committee on 23 January 2018 . R Bonner acted as Deputy Member to E Dabars from 12 September 2017 until 30 November 2017 and 23 January 2018 until 30 June 2018.

Remuneration for this committee is not included in the board and committee remuneration table.

Note 16 Cash and cash equivalents

	Notes	**2018 $'000**	2017 $'000
Cash		**2**	3
Cash equivalents		**126,307**	127,619
Cash and cash equivalents in the Statement of Cash Flows		**126,309**	127,622

Cash and cash equivalents in the Statement of Cash Flows includes cash at bank and on hand in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

Note 17 Trade and other receivables

	Notes	**2018 $'000**	2017 $'000
Current receivables			
Trade receivables		**27,112**	16,767
Less allowance for doubtful debts		**(10,555)**	(7,676)
		16,557	9,091
Refunds		**(14,249)**	(9,436)
Recoverable claim payments	9	**11,261**	14,757
Sundry debtors and prepayments		**7**	1
Total current receivables		**13,576**	14,413
Non-current receivables			
Recoverable claim payments	9	**49,783**	51,019
Total non-current receivables		**49,783**	51,019
Total trade and other receivables		**63,359**	65,432

Note 17 Trade and other receivables (continued)

	Notes	2018 $'000	2017 $'000
Movement in the allowance for doubtful debts			
Opening balance		**(7,676)**	(8,500)
Amounts written off		**6,911**	6,537
Increase in allowance recognised		**(9,790)**	(5,713)
Total current receivables		**(10,555)**	(7,676)

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that RTWSA will not be able to collect the debt. Bad debts are written off when identified.

Note 18 Investments

	2018 $'000	2017 $'000
Deposits with financial institutions	**267,700**	410,886
Government/semi-government securities	**731,463**	559,009
Non-government debt instruments	**395,401**	345,602
Securities listed on the Australian Stock Exchange	**339,916**	294,932
Securities listed on overseas stock exchanges	**856,660**	788,203
Unit Trust – unlisted property, infrastructure and private debt assets	**649,209**	582,184
Derivatives	**(9,646)**	10,610
Total investments	**3,230,703**	2,991,426
Current	**370,880**	511,781
Non-current	**2,859,823**	2,479,645
Total investments	**3,230,703**	2,991,426

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

Note 19 Property, plant and equipment

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Fair value			
Balance at 1 July 2016	7,340	3,830	11,170
Additions	-	389	389
Disposals	(565)	(1,221)	(1,786)
Balance at 30 June 2017	6,775	2,998	9,773
Balance at 1 July 2017	6,775	2,998	9,773
Additions	-	158	158
Disposals	-	(1,590)	(1,590)
Balance at 30 June 2018	6,775	1,566	8,341
Depreciation			
Balance at 1 July 2016	(3,219)	(2,180)	(5,399)
Depreciation charge	(771)	(1,000)	(1,771)
Disposals	561	1,145	1,706
Balance at 30 June 2017	(3,429)	(2,035)	(5,464)
Balance at 1 July 2017	(3,429)	(2,035)	(5,464)
Depreciation charge	(677)	(610)	(1,287)
Disposals	-	1,590	1,590
Balance at 30 June 2018	(4,106)	(1,055)	(5,161)
Carrying Amounts			
At 30 June 2017	3,346	963	4,309
At 30 June 2018	2,669	511	3,180

All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value.

Refer to Note 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2018	2017
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer and communications and general office equipment	3-5	3-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 20 Intangible assets

	IT development and software $'000
Cost	
Balance at 1 July 2016	43,880
Additions	1,002
Balance at 30 June 2017	44,882
Balance at 1 July 2017	44,882
Additions	84
Balance at 30 June 2018	44,966
Amortisation	
Balance at 1 July 2016	(27,121)
Amortisation Charge	(4,439)
Balance at 30 June 2017	(31,560)
Balance at 1 July 2017	(31,560)
Amortisation Charge	(4,712)
Balance at 30 June 2018	(36,272)
Carrying Amounts	
At 30 June 2017	13,322
At 30 June 2018	8,694

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised can include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where RTWSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is three to ten years.

Note 20 Intangible assets (continued)

Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Note 21 Fair value measurement (non-financial assets)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

In determining fair value the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible) has been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Balance at 1 July 2016	4,121	1,650	5,771
Additions	-	389	389
Depreciation	(771)	(1,000)	(1,771)
Disposals	(4)	(76)	(80)
Balance at 30 June 2017	3,346	963	4,309
Balance at 1 July 2017	3,346	963	4,309
Additions	-	158	158
Depreciation	(677)	(610)	(1,287)
Disposals	-	-	-
Balance at 30 June 2018	2,669	511	3,180

Note 21 Fair value measurement (non-financial assets) (continued)

Total losses for level 3 non-financial assets in the period included in general operating expenses:

	$'000
2017	(1,846)
2018	(1,287)

Note 22 Trade and other payables

	2018 $'000	2017 $'000
Current		
Trade payables	**22,215**	17,876
Unearned premiums	**38**	38
Employment on-costs	**688**	711
Non-current		
Trade payables	**-**	543
Employment on-costs	**196**	188
Total trade and other payables	**23,137**	19,356

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

Note 23 Provisions

	2018 $'000	2017 $'000
Balance at the start of the year	**4,343**	636
Provisions made/(written back) during the year	**(33)**	3,720
Provisions used during the year	**(4,310)**	(13)
Balance at the end of the year	**-**	4,343

The prior year provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2017. The redundancy provision was calculated in accordance with the RTWSA Award 2015 and RTWSA Enterprise Agreement 2015.

Note 24 Reconciliation of comprehensive result to net cash flows from operating activities

	2018 $'000	2017 $'000
Total comprehensive result	**26,708**	175,436
Depreciation	**1,317**	1,771
Amortisation	**4,682**	4,439
Net loss on sale of non-current assets	**-**	75
Investment (profit)	**(224,671)**	(214,289)
Dividends received	**71,189**	49,733
Interest received	**35,344**	36,605
Increase/(decrease) in payables	**3,805**	(3,178)
(Increase)/decrease in receivables	**2,073**	12,768
Increase/(decrease) in outstanding claims liability	**289,225**	(20,891)
Increase/(decrease) in employee benefits	**(10,554)**	(4,223)
Increase/(decrease) in tax equivalents provision	**(73,371)**	73,371
Increase/(decrease) in provisions	**(4,343)**	3,707
Net cash flows from operating activities	**121,404**	115,324

Note 25 Risk management

(a) Overview
RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement which is reviewed annually
- the establishment and regular review by the Board and management of a corporate risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

Note 25 Risk management (continued)

(a) Overview (continued)
The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk
As set out in Note 1, RTWSA provides insurance protection in the event of work-related injury, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than $12,809 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and premium setting policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

The risk of setting incorrect premium rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 50,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 9 and 10. RTWSA relies on the following key controls in seeking to ensure the adequacy of the claims provision:

- Compensation Fund - every six months
- Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) - every twelve months
- IBNR arising from asbestos related matters - every twelve months with a more detailed review every two years
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk
Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

Note 25 Risk management (continued)

(d) Financial risk
RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework

RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 2.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements. However any variance to the target is required to be within Board approved limits.

Note 25 Risk management (continued)

(d) Financial risk (continued)
The composition of each asset group at 30 June 2018 was:

	Deposits With Financial Institutions $'000	Government / semi - Government Securities $'000	Non-Government Debt Instruments $'000	Securities listed on the Australian stock exchange $'000	Securities listed on overseas stock exchanges $'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets $'000	Derivatives $'000	Total $'000
Cash	126,307	-	-	-	-	-	-	126,307
Fixed interest	11,630	205,457	119,761	-	-	-	753	337,601
Inflation Linked Securities	48,163	524,507	79,125	-	-	-	(218)	651,577
Australian Equities	3,590	-	-	322,576	-	-	19	326,185
Overseas Equities - hedged	-	-	-	-	235,648	-	(4,929)	230,719
Overseas Equities - unhedged	-	-	-	-	378,028	-	-	378,028
Property & Infrastructure	11,880	-	-	17,340	242,984	481,453	(5,338)	748,319
Alternative income	66,130	1,499	196,515	-	-	167,756	67	431,967
	267,700	731,463	395,401	339,916	856,660	649,209	(9,646)	3,230,703

The composition of each asset group at 30 June 2017 was:

	Deposits With Financial Institutions $'000	Government / semi - Government Securities $'000	Non-Government Debt Instruments $'000	Securities listed on the Australian stock exchange $'000	Securities listed on overseas stock exchanges $'000	Unit Trust - Unlisted Property, Infrastructure and Private Debt Assets $'000	Derivatives $'000	Total $'000
Cash	127,619	-	-	-	-	-	-	127,619
Fixed interest	3,897	225,136	98,527	-	-	-	(353)	327,207
Inflation Linked Securities	199,855	327,644	70,309	-	-	-	-	597,808
Australian Equities	7,042	-	-	279,523	466	-	1,043	288,074
Overseas Equities - hedged	-	-	-	-	224,212	-	5,481	229,693
Overseas Equities - unhedged	-	-	-	-	346,164	-	-	346,164
Property & Infrastructure	8,968	-	-	15,409	217,361	445,330	2,852	689,920
Alternative income	63,505	6,229	176,766	-	-	136,854	1,587	384,941
	410,886	559,009	345,602	294,932	788,203	582,184	10,610	2,991,426

Use of derivatives

In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market

Note 25 Risk management (continued)

(d) Financial risk (continued)

- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers risk management policies and RTWSA's Derivatives Policy and Fund Manager Guidelines. Where there is inconsistency, RTWSA's Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentially maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Futures contracts

- RTWSA invests across a range of markets. Futures contracts give investors the ability to increase or decrease exposure to these markets with very low transaction costs
- the gain or loss on outstanding futures contracts as at the reporting period are taken up in the financial statements as an unrealised gain or loss based on the fair value as at the end of the reporting period
- futures contracts are predominantly used for transactional efficiency and value added strategies.

Credit risk - investments

Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

RTWSA manages its exposure to credit risk related to fixed interest and cash investments through its Investment Strategy and Investment Guidelines and Investment Credit Limits documents. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

Note 25 Risk management (continued)

(d) Financial risk (continued)
The following tables outline RTWSA's credit risk exposure within the major debt securities asset classes as at balance date.

As at 30 June 2018:

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB/B $'000	$'000	Total $'000
Cash	126,307	-	-	-	-	-	-	-	-	126,307
Fixed interest	10,156	1,474	-	224,102	67,710	22,061	11,345	-	753	337,601
Inflation linked securities	48,163	-	-	512,829	32,341	43,246	15,216	-	(218)	651,577
Alternative income	51,370	8,265	6,495	66,132	21,992	89,172	146,682	17,885	23,974	431,967
	235,996	9,739	6,495	803,063	122,043	154,479	173,243	17,885	24,509	1,547,452

As at 30 June 2017:

	Short-term issue ratings*			Long-term issue ratings**					Not rated***	
	A1+ $'000	A1 $'000	A2 $'000	AAA $'000	AA $'000	A $'000	BBB $'000	BB/B $'000	$'000	Total $'000
Cash	117,590	10,029	-	-	-	-	-	-	-	127,619
Fixed interest	3,897	-	-	225,911	71,436	20,146	6,170	-	(353)	327,207
Inflation linked securities	175,822	24,033	-	333,222	20,956	32,631	11,144	-	-	597,808
Alternative income	45,885	17,598	22	27,928	48,916	97,284	132,309	7,801	7,198	384,941
	343,194	51,660	22	587,061	141,308	150,061	149,623	7,801	6,845	1,437,575

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to trade receivables which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due, under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

4.7% of RTWSA's trade receivables were past due greater than 30 days (2017: 3.0%). The ageing of RTWSA's trade receivables at the reporting date was:

Note 25 Risk management (continued)

(d) Financial risk (continued)

	2018 **$'000**	2017 $'000
Not past due	**15,564**	8,022
Past due 1-30 days	**218**	796
Past due 31-60 days	**587**	240
Past due 61 days to one year	**188**	33
Impaired	**-**	-
	16,557	9,091

There were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. At least 20% of RTWSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 85.5% (2017: 80.5%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities, excluding outstanding claims, based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 9 & 10.

As at 30 June 2018:

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 Years $'000	No Term $'000	Total $'000
Trade and other payables	22,941	196	-	-	-	23,137

As at 30 June 2017:

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 years $'000	No Term $'000	Total $'000
Trade and other payables	18,625	731	-	-	-	19,356

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect RTWSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

RTWSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

Note 25 Risk management (continued)

(d) Financial risk (continued)

Currency risk

RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 40% of the international equity securities are covered by forward exchange contracts, whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our material un-hedged major currency exposures. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
30 June 2018				
US Dollar (10% movement)	(17,332)	17,332	(17,332)	17,332
Euro (10% movement)	(3,404)	3,404	(3,404)	3,404
Sterling (10% movement)	(1,825)	1,825	(1,825)	1,825
JPY (10% movement)	(2,362)	2,362	(2,362)	2,362
Other (10% movement)	(12,658)	12,658	(12,658)	12,658
30 June 2017				
US Dollar (10% movement)	(15,943)	15,943	(15,943)	15,943
Euro (10% movement)	(3,234)	3,234	(3,234)	3,234
Sterling (10% movement)	(1,760)	1,760	(1,760)	1,760
JPY (10% movement)	(2,293)	2,293	(2,293)	2,293
Other (10% movement)	(11,633)	11,633	(11,633)	11,633

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA’s fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA’s defensive or low risk exposure to provide capital stability and secure income. RTWSA’s investments in interest bearing securities consist largely of marketable securities.

RTWSA’s sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Note 25 Risk management (continued)

(d) Financial risk (continued)

		Profit or loss		Equity	
		Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
1% interest rate movement - interest bearing investments					
	2018	(71,189)	71,189	(71,189)	71,189
	2017	(54,965)	54,965	(54,965)	54,965

Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities asset groups on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Listed Securities				
30 June 2018				
Domestic equities - (20% movement)	64,515	(64,515)	64,515	(64,515)
International equities - (20% movement)	121,749	(121,749)	121,749	(121,749)
Listed property - (20% movement)	18,146	(18,146)	18,146	(18,146)
Listed infrastructure - (20% movement)	33,926	(33,926)	33,926	(33,926)
30 June 2017				
Domestic equities - (20% movement)	55,904	(55,904)	55,904	(55,904)
International equities - (20% movement)	115,171	(115,171)	115,171	(115,171)
Listed property - (20% movement)	17,199	(17,199)	17,199	(17,199)
Listed infrastructure - (20% movement)	30,784	(30,784)	30,784	(30,784)

Fair value measurements

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

Note 25 Risk management (continued)

(d) Financial risk (continued)
AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs)

The following tables present RTWSA's investments measured and recognised at fair value. There have been no transfers between levels during the period.

At 30 June 2018:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with financial institutions	267,700	-	-	267,700
Government / semi-government securities	731,463	-	-	731,463
Non-government debt instruments	395,401	-	-	395,401
Securities listed on the Australian Stock Exchange	339,916	-	-	339,916
Securities listed on overseas stock exchanges	856,660	-	-	856,660
Unit Trusts - unlisted property and debt security assets	167,756	297,614	-	465,370
Unit Trusts - unlisted infrastructure	-	-	183,839	183,839
Derivatives	-	(9,646)	-	(9,646)
Total investments at fair value through profit and loss	2,758,896	287,968	183,839	3,230,703

At 30 June 2017:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits with financial institutions	410,886	-	-	410,886
Government / semi-government securities	559,009	-	-	559,009
Non-government debt instruments	345,602	-	-	345,602
Securities listed on the Australian Stock Exchange	294,932	-	-	294,932
Securities listed on overseas stock exchanges	788,203	-	-	788,203
Unit Trusts - unlisted property and debt security assets	136,854	275,539	-	412,393
Unit Trusts - unlisted infrastructure	-	-	169,791	169,791
Derivatives	-	10,610	-	10,610
Total investments at fair value through profit and loss	2,535,486	286,149	169,791	2,991,426

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Note 25 Risk management (continued)

(d) Financial risk (continued)
Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted infrastructure assets.

The following table presents the changes in level 3 instruments for the years ended 30 June 2018 and 2017:

	Financial year ended 30 June 2018 $'000	Financial year ended 30 June 2017 $'000
Unit Trusts - unlisted infrastructure		
Opening balance	**169,791**	51,549
Contributions	**1,796**	116,315
Withdrawals	**-**	(12,670)
Gains recognised in investment profit	**12,252**	14,597
Closing balance	**183,839**	169,791

Note 26 Related party transactions

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government.

Related parties of RTWSA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Note 27 Commitments

RTWSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Office Leases $'000	Motor Vehicles $'000	**2018 Total $'000**	Office Leases $'000	Motor Vehicles $'000	2017 Total $'000
Within one year	2,387	189	**2,576**	2,317	159	2,476
Later than one year but not longer than five years	7,748	121	**7,869**	10,106	173	10,279
	10,135	310	**10,445**	12,423	332	12,755

A Memorandum of Understanding is in place between RTWSA and the Department of Planning, Transport and Infrastructure on behalf of the Minister for Transport and Infrastructure, regarding the lease of office space at 400 King William Street Adelaide.

RTWSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

Note 28 Employer financial guarantees

Under section 129 of the Act, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2018, RTWSA held security to the value of $289.4 million in financial guarantees or other approved substituted financial securities, for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

Under the terms of the retro paid loss contracts, RTWSA administers financial guarantees lodged by retro paid loss employers. As at 30 June 2018, RTWSA held security to the value of $43.5 million in financial guarantees for retro paid loss employers. These guarantees are held in the event of a retro paid loss employer no longer being able to meet its premium liability.

Note 29 Self-Insured Insolvency Contribution Aggregate

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate (“SIICA”) is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2018 is $53.4 million (2017: $52.3 million).

Note 30 Contingent liabilities

The normal course of business may generate exposure to contingent liabilities in relation to claims litigation for the four RTWSA funds. The result of such litigation may result in a liability to RTWSA different to that recognised in the financial statements.

Provisions are made in outstanding claims for obligations that are probable and quantifiable.

There are no individually significant amounts not provided for or that are considered likely to have a material impact on net liabilities.

Note 31 Impact of standards and statements not yet implemented

RTWSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet implemented and changes to Accounting Policy Statements issued by the Treasurer.

The material impacts on RTWSA are outlined below:

Note 31 Impact of standards and statements not yet implemented (continued)

Standard Number and Name	Nature	Application date for RTWSA	Anticipated / Potential Impact
AASB 9 Financial Instruments	Replaces AASB 139 and addresses the classification, measurement (including impairment provisioning) and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting.	1 July 2018	The main change impacting RTWSA is the requirement for the bad debt provision to be made using an expected credit loss model rather than an incurred loss model. This results in an earlier recognition of losses. Based on current data and assumptions an estimated increase to the bad debt provision of up to $0.5m will be required.
AASB 16 Leases	Most leases will now be shown in the balance sheet as a right of use asset and a lease liability. The rent expense to be replaced by depreciation and interest.	1 July 2019	DTF have advised that RTWSA's MOU with DPTI for 400 KWS is to be accounted for as a right of use asset. Depreciation will be applied on a straight line basis while the interest expense will reduce over the life of the lease as lease repayments are made. This creates a different expense profile to the current straight line operating lease expense. RTWSA has approximately 20 motor vehicle leases which are also captured due to their contract value and term.
AASB 15 Revenue from Contracts with Customers	A new standard based on the principle that revenue is recognised when control of a good or service transfers to a customer; replacing the existing notion of risks and rewards. (AASB 2016-7 Amendments to Australian Accounting Standards deferred start of standard for NFP entities)	1 July 2019 (For NFP entities)	No impact expected on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and from 2021-22, AASB 17.
AASB 1058 Income of Not-For-Profit Entities	Designed to capture income transactions not reported under AASB 15. The timing of income recognition will depend on whether there is any performance obligation.	1 July 2019	No impact expected on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and from 2021-22, AASB 17.
AASB 17 Insurance Contracts	A comprehensive standard for all insurance contracts (Life, General and Health) replacing AASB 4, AASB 1023 and AASB 1038.	1 July 2021	There will be significant changes in terminology, presentation and disclosure, including making a choice on whether changes in discount rates and other market variables are accounted for in the P&L or in Other Comprehensive Income.

Note 32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government, excluding tax equivalents, as at the reporting date. Transactions with SA Government entities below the threshold of $100,000 are excluded.

	2018 Revenue $'000	2018 Expenses $'000	2018 Assets $'000	2018 Liabilities $'000
SA Government	5,762	18,966	-	2,772

	2017 Revenue $'000	2017 Expenses $'000	2017 Assets $'000	2017 Liabilities $'000
SA Government	5,573	19,588	-	3,166

Administered items

The Work Health and Safety Act 2012 requires employers to register with Safework SA and make payments in the form of fees. The registration and collection of these fees is administered by RTWSA for SafeWork SA in conjunction with the registration of employers under the Act. RTWSA pays these funds to SafeWork SA whilst retaining a portion of the funds to cover administration costs.

RTWSA only recognises transactions from activities that it controls. It is considered that except for the portion of funds retained by RTWSA to cover administration costs, RTWSA does not control the funds that it collects on behalf of SafeWork SA. Therefore, RTWSA does not recognise the fees collected and subsequent payments made in relation to SafeWork SA in its Statement of Comprehensive Income or Statement of Financial Position.

Administered Items for the financial year ending 30 June 2018:

	2018 Revenue $'000	2018 Expenses $'000	2018 Assets $'000	2018 Liabilities $'000
Administered items	20,584	20,034	-	2,647

	2017 Revenue $'000	2017 Expenses $'000	2017 Assets $'000	2017 Liabilities $'000
Administered items	20,105	19,546	-	2,096

The financial statements and accompanying notes include all the controlled activities of RTWSA. Transactions and balances relating to administered resources are not recognised as corporation income, expense, assets and liabilities. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as RTWSA items.

Note 33 Events after the reporting period

There have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2018.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2018

In our opinion the attached general purpose financial statements for the Return to Work Corporation of South Australia:

- comply with relevant Treasurer's instructions issued under section 41 of the Public Finance and Audit Act 1987, and comply with relevant accounting standards;
- are in accordance with the accounts and records of the Return to Work Corporation of South Australia; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2018 and the results of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and the preparation of these general purpose financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.

J. Denley

Chair

R. Cordiner

Chief Executive Officer

D. Quirk

Chief Financial Officer

10 September 2018

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chair of the Board of Management
Return to Work Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of the Return to Work Corporation of South Australia for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer, and the Chief Financial Officer.

Inherent uncertainty – outstanding claims liability and funding ratio

Without qualification to the opinion expressed above, attention is drawn to notes 4, 9 and 10 of the financial report.

There is significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual costs of claims described in notes 9 and 10 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 6.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Return to Work Corporation of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Chief Executive Officer and members of the Board for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson
Auditor-General
12 September 2018

Actuarial certificate outstanding claim liabilities

finity

Actuarial and Insurance Consultants

RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

Actuarial Certificate

Outstanding Claim Liabilities at 30 June 2018

Finity Consulting has been requested by the Return To Work Corporation (ReturnToWorkSA) to estimate the outstanding claim liabilities of the Return To Work Scheme under the Return To Work Act 2014 (the RTW Act). We have also been requested to estimate the outstanding claim liabilities of ReturnToWorkSA's Statutory Reserve Fund (SRF) and Insurance Assistance Fund (IAF).

Data

We have relied on the accuracy and completeness of the data and other information (qualitative, quantitative, written and verbal) provided to us by ReturnToWorkSA for the purpose of making our estimates. We have not independently verified or audited the data but we have reviewed it for general reasonableness and consistency, including reconciliations to the previous actuarial review reports and to ReturnToWorkSA's financial statements. In our view there were no data deficiencies which would have a material effect on our estimates.

Basis of Our Estimates

We have calculated a central estimate of the outstanding claim liabilities, meaning that our assumptions have been selected to yield estimates which are not knowingly above or below the ultimate liabilities. Our estimates are discounted, i.e. they allow for the time value of money using risk free discount rates, they include allowance for future expenses incurred in the management of the outstanding claims and they are net of expected recoveries.

We note that areas of the RTW Act are currently subject to adverse legal decisions on a number of key issues – decisions which have been appealed – and, following discussion with ReturnToWorkSA's Board and management, all of our valuation work has been undertaken on the assumption that these decisions will be overturned on appeal. This means there is no allowance for the additional costs that would result if these decisions are maintained, other than legal costs. If these key decisions are not overturned on appeal then the liability will be higher than the current estimate.

We have also provided a recommended provision for outstanding claims which increases the central estimate to a level intended to achieve a 75% probability of sufficiency, in accordance with ReturnToWorkSA policy. While legal precedent risk has been considered in setting the risk margin loading, particularly in the context of the high number of decisions on appeal to the Supreme Court, the risk margin has *not* been set at a level that would cover the increased costs if the adverse precedents are maintained.

Our estimates and reports have been prepared in accordance with the Actuaries Institute's Professional Standard 300 and with our understanding of the relevant Australian Accounting Standard AASB 1023.

Valuation Results and Provisions

Return To Work Scheme

The Scheme's outstanding claim liabilities are the value of payments to be made after 30 June 2018 in respect of claims which, under the provisions of the RTW Act, arose on or before that date.

Our central estimate of the Scheme's outstanding claims liability for registered employers as at 30 June 2018 is $2,275 million. ReturnToWorkSA has provided $2,616 million in its financial statements as at 30 June 2018 for the net outstanding claim liabilities, having added to our net central estimate a risk margin of 15.0% which is intended to increase the probability of adequacy of the provision to 75%. These amounts are made up as follows:

Table 1 – Outstanding Claim Liabilities at 30 June 2018 – Return To Work Scheme

	Central Estimate	Provision
	$m	$m
Gross Liability for Outstanding Claims		
Serious Injuries	1,514	
Short Term Claims	609	
Claims Handling Expenses	205	
Gross Liability	2,328	2,677
Future Recoveries on Outstanding Claims	-53	-61
Net Liability	2,275	2,616

Other Funds

The SRF and IAF liabilities relate to workers compensation claims arising from uninsured and insolvent employers (SRF), insolvent insurance companies (SRF) and employers which were unable to obtain insurance under the 1971 Act (IAF).

Our central estimate of ReturnToWorkSA's net outstanding claim liabilities for the SRF and IAF as at 30 June 2018 is $50 million. Most of this liability is in respect of unreported (IBNR) asbestos-related disease claims, for which an actuarial valuation is carried out every two years; having reviewed the claims experience in 2017/18 we were satisfied with rolling forward the June 2017 valuation basis to 30 June 2018 for these claims.

ReturnToWorkSA has provided $72 million in its financial statements as at 30 June 2018 for the net outstanding claim liabilities, having added to our net central estimate risk margins (45% for IBNR claims, 10.5% for known claims) which are intended to increase the probability of adequacy of the provision to 75%. These amounts are made up as follows:

Table 2 – Outstanding Claim Liabilities at 30 June 2018 – SRF and IAF

	Central Estimate	Provision
	$m	$m
Gross Liability for Outstanding Claims		
Statutory Reserve Fund	46	
Insurance Assistance Fund	0.1	
Claims Handling Expenses	4	
Gross Liability	50	72
Future Recoveries on Outstanding Claims	-	-
Net Liability	50	72

Uncertainty

It is not possible to put a value on outstanding claim liabilities with certainty. We have prepared our estimates on the basis that they represent our current assessment of the likely future experience of the Scheme and the other Funds. However, deviations of the actual experience from our estimates are normal and to be expected.

Sources of uncertainty include difficulties caused by limitations of historical information, as well as the fact that outcomes remain dependent on future events, including legislative, social and economic forces, and behaviour by stakeholders such as ReturnToWorkSA management, claimants and claims Agents. As noted above, key legal precedent is also still to emerge in relation to the RTW Act and there is currently adverse legal precedent in relation to some of the RTW Act provisions; if these precedents are not overturned on appeal then the costs will be higher than our projections.

It is quite possible that one or more changes could produce a financial outcome materially different from our estimates.

In the case of asbestos-related disease liabilities in the SRF and IAF, additional sources of uncertainty are the extremely long-term nature of such claims, the risk of significant changes in the way in which claims are litigated and compensated by courts, and potential changes in the behaviour of claimants, defendants, legal principles, settlement practices and medical developments.

We have considered the range of uncertainties regarding the central estimates in deriving our recommended risk margins, which ReturnToWorkSA has adopted in its provisions.

Reports

Full details of the data, methodology, assumptions and results of our valuation are set out in our reports to ReturnToWorkSA dated 28 August 2018 (Scheme) and 26 July 2018 (SRF and IAF).

A McInerney

Andrew McInerney
(Scheme)
28 August 2018

David McNab
(SRF and IAF)
28 August 2018

Fellows of the Institute of Actuaries of Australia

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If you are deaf or have a hearing or speech impairment you can call ReturnToWorkSA on **13 18 55** through the National Relay Service (NRS) www.relayservice.gov.au.

For languages other than English call the Interpreting and Translating Centre on **1800 280 203** and ask for an interpreter to call ReturnToWorkSA on **13 18 55**.

For braille, audio or e-text of the information in this publication call **13 18 55**.

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