

Returnto
WorkSA

2019-20 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 2019–20.

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





CONTENTS

- 3** About this report
- 6** Insurance performance highlights
- 12** Message from Chairman, Greg McCarthy and CEO, Michael Francis
- 14** About ReturnToWorkSA
- 19** Our strategic direction
- 20** Goal One
- 35** Goal Two
- 47** Workforce management summary
- 50** Corporate governance and administration
- 54** Financial statements
- 102** Independent auditor's report
- 106** Actuarial certificate outstanding claim liabilities

INSURANCE PERFORMANCE HIGHLIGHTS



Our strategic plan

The ReturnToWorkSA Board has a clear strategic plan for 2020–24. Our mission is *to provide a desirable, affordable and durable recovery and return to work insurance scheme for South Australia that reduces the social and economic costs of work injury*. The key strategic objectives to guide our mission are:

- 1 Early and purposeful action is taken to support workers:
 - › to realise the health and social benefits of work wherever possible
 - › being restored to the community when return to work is not possible.
- 2 Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.



Realising the health benefits of work

Claims lodgement and decisions

There were 14,299 claims received in the registered scheme with 95% of claims determined accepted for financial support. 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. 93% of all claims received were determined within 10 business days of receipt (excluding hearing loss, psychological, working director and death claims).



93%

of all claims received were determined within 10 business days of receipt

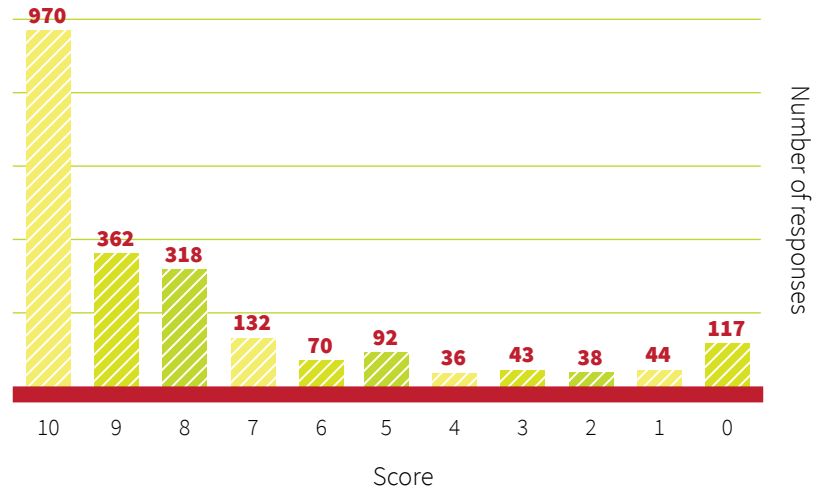
Personalised claims service

Our claims agents and ReturnToWorkSA have 117 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.



117
mobile staff

80% rate service 7 or higher, with more than 60% giving a rating of 9 or 10 out of 10. Our NPS Score is +40 (NPS range -150 to +150)



Remain at or returning to work

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 within 12 months from their injury.

Return to work results were lower than the last two financial years. The impact of COVID-19 on availability of work, combined with our claims agents being unable to mobilise their workforce, were both contributors to these results. Our claims agents have since increased their capacity for face-to-face service provision to increase the level of support provided to workers and employers in the pursuit of better return to work outcomes.

Injured workers at work at key intervals after injury

	4 weeks	13 weeks	26 weeks	52 weeks
2019–20	78%	83%	86%	91%
2018–19	80%	86%	89%	93%
2017–18	79%	87%	90%	93%
2016–17	75%	83%	87%	88%



Making it easier for South Australian business

ReturnToWorkSA has delivered a range of initiatives that have simplified and improved the service experience for South Australian businesses, including over 92% of all employers now having online access to manage their own accounts, and new businesses being able to register online or over the phone and receive a certificate of registration immediately. These changes have driven ReturnToWorkSA's best ever result for completed annual employer returns of 87% for 2019–20.



Effective economic operation of the Return to Work scheme

While the underwriting result improved by \$122m, the total comprehensive result deteriorated with return to work results and investment returns having not performed as well as previous years.

Profit from insurance operations	2015–16 \$'m	2016–17 \$'m	2017–18 \$'m	2018–19 \$'m	2019–20 \$'m
Underwriting result ¹	(109.9)	86.2	(156.3)	(378.5)	(256.3)
Change in economic factors ²	196.0	(97.0)	43.0	280.0	3.0
Long term investment earnings (net) ³	154.7	132.8	131.7	165.8	166.8
Operating expenses ⁴	(66.7)	(64.0)	(58.3)	(58.8)	(57.4)
Other income ⁵	13.1	12.8	13.2	12.3	12.4
Profit from insurance operations ⁶	187.2	70.8	(26.7)	20.8	(131.5)
Include change in economic factors	(196.0)	97.0	(43.0)	(280.0)	(3.0)
Investment earnings difference ⁷	(32.2)	76.8	87.2	105.8	(168.8)
Operating profit ⁸	(41.0)	244.6	17.5	(153.4)	(303.3)
Tax equivalents ⁹	0.0	(73.4)	0.0	0.0	0.0
Other comprehensive income ¹⁰	(3.4)	4.2	9.2	0.0	0.0
Total comprehensive result	(44.4)	175.4	26.7	(153.4)	(303.3)

1. Premium less claim costs (including economic factors), claim agent and tribunal fees [per Statement of Comprehensive Income]
2. Exclude impact of change in economic factors that are beyond ReturnToWorkSA's control e.g. discount rates
3. Investment earnings (net) calculated at the expected long term (10 years) earnings rate to exclude short term variability
4. Includes employee, depreciation, accommodation and other operating costs [per Statement of Comprehensive Income]
5. Self-insured employer fees and sundry income [refer Statement of Comprehensive Income]
6. Operating result excluding economic factors and investment variability
7. Difference between actual total net investment profit and long term investment earnings (net)
8. Reported operating profit before tax equivalents [per Statement of Comprehensive Income]
9. Tax equivalents are only payable if there is both an operating profit and a profit from insurance operations
10. [per Statement of Comprehensive Income]

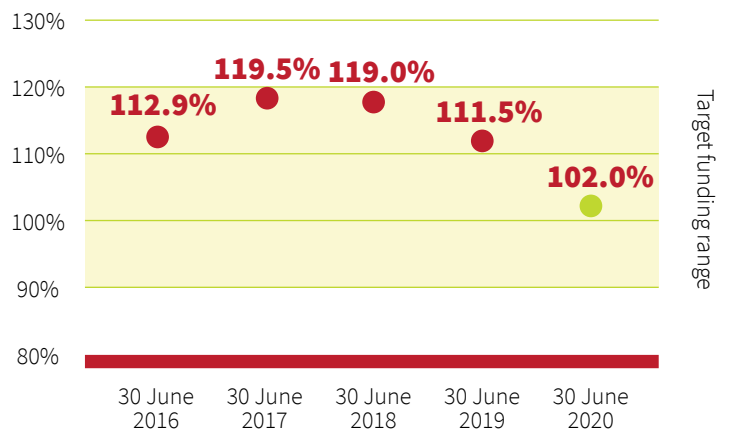


Financial

Scheme funding ratio

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

Despite liability increases on the back of unprecedented uncertainty, the Scheme funding position has remained positive and within the Board target range of 90%–120%. The 10-year Australian government bond rate dropped to 0.88% (the lowest ever discount rate to apply to the Scheme). The funding ratio was also impacted by an increase in claim liabilities partly offset by lower inflation allowances.



Net assets

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

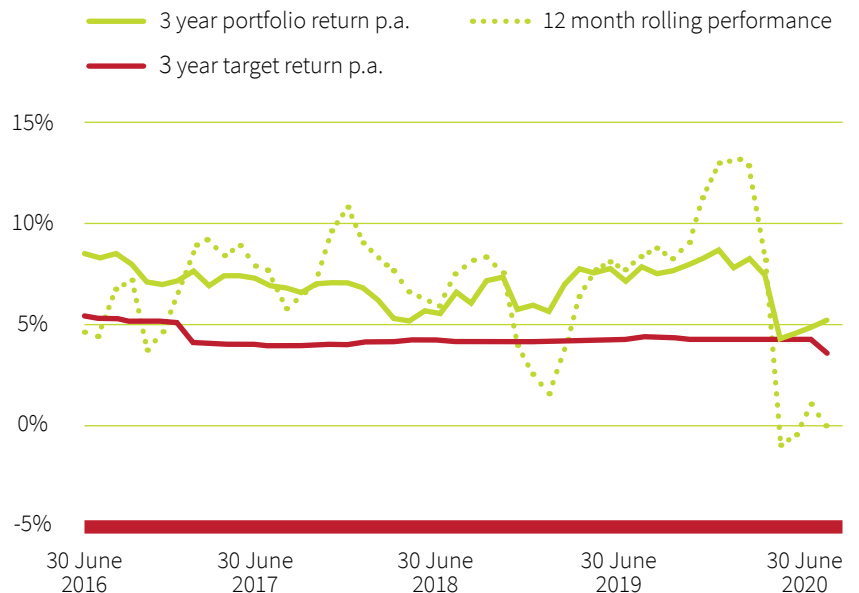
The positive net asset position provides stability and protection against an adverse change in investment markets, deteriorating economic conditions or adverse safety events such as fires or weather events which could adversely increase claims liabilities.

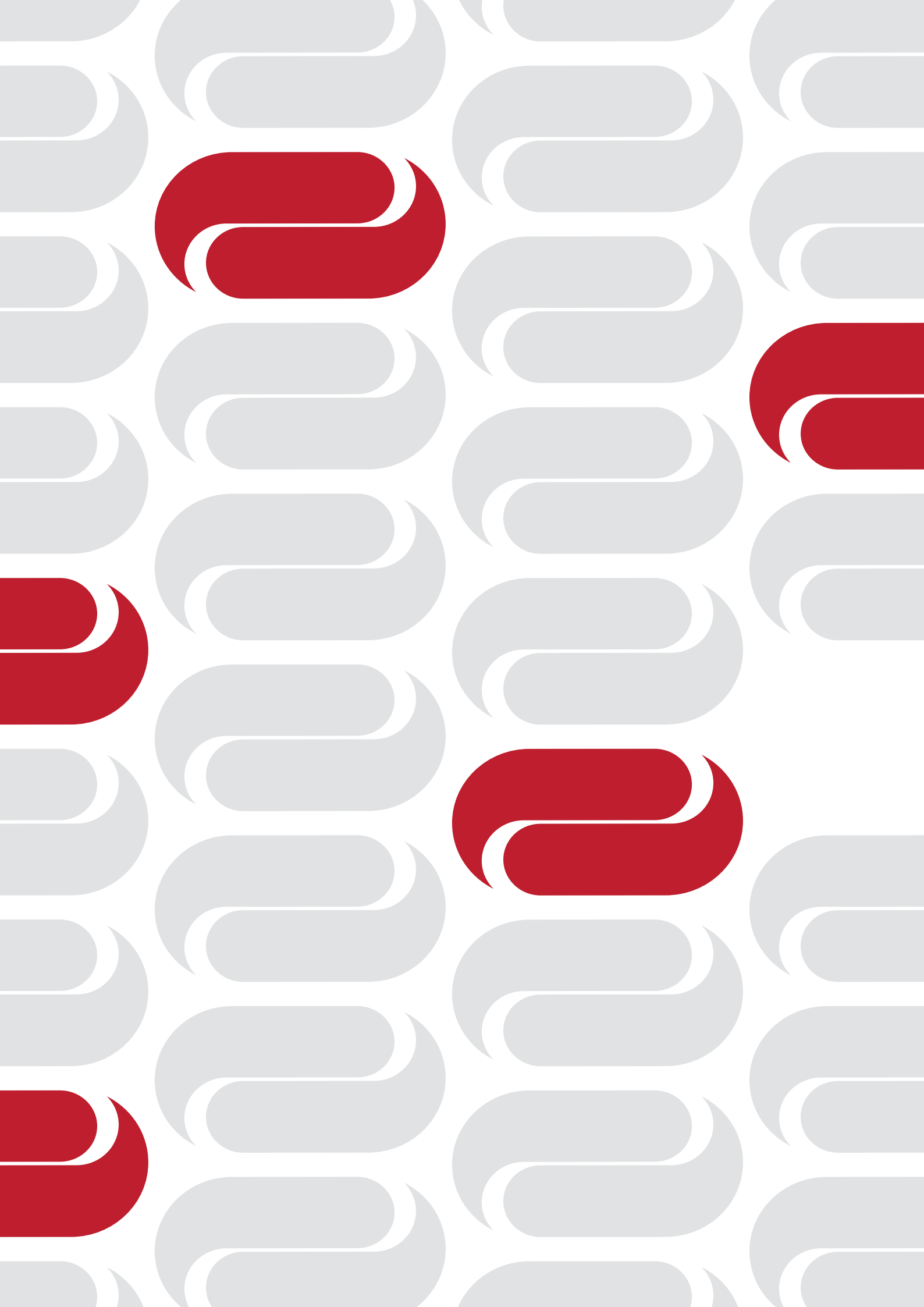
Investment return

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

In an economic environment impacted by international and local investment volatility (including a global pandemic), the diversified portfolio of investments delivered a flat return.

▲ Net return on investment of 0.0%







Our mission is to provide a desirable, affordable and durable recovery and return to work insurance scheme for South Australia that reduces the social and economic costs of work injury.

MESSAGE FROM THE CHAIRMAN AND CEO



GREG MCCARTHY
Chairman



MICHAEL FRANCIS
CEO

The Return to Work scheme has continued to deliver positive results for workers and South Australian businesses. Return to work rates continue to be superior to the former scheme and the premiums are the most affordable they have ever been in the history of the Return to Work scheme and the WorkCover scheme that preceded it, with an average premium rate of 1.65%.

As we reflect on a year of significant challenge to South Australians with the devastating impact of summer's bushfires, followed by the ongoing human and economic adversity caused by COVID-19, the objects of the *Return to Work Act*—which include supporting injured people to recover from injury and return to work, and ensuring the costs to businesses are contained within reasonable limits—have never been more important than at this point in our history.

In the immediate aftermath of the bushfires, ReturnToWorkSA used its data to reach out to businesses in impacted areas to offer assistance. We also made sure that workers with claims who were living in fire-affected postcodes were receiving the information and claims-related support they needed, as well as pointing them to relevant care and support services beyond ReturnToWorkSA's remit. Our EnABLE team, who case manage the most significantly injured of workers supported by the Scheme, reached

out to all of these people who were living in fire-impacted areas throughout the crises to ensure their immediate safety needs were being taken care of.

Through the course of the COVID-19 pandemic, ReturnToWorkSA's flexible premium system has allowed for immediate relief to be provided to affected employers who we were able to adjust their premiums, and for others we were able to negotiate deferrals and alternative payment arrangements. In total, 384 South Australian businesses had a hardship adjustment applied to reduce their premiums by \$1.2m due to the impact of December's bushfires and COVID-19.

The ReturnToWorkSA Board also supported a decision to exclude JobKeeper payments from declarable remuneration for 2020–21 and most significantly, despite emerging cost pressures, kept the average premium rate at 1.65%.

The impact of COVID-19 on the economy and the performance of the Scheme has been significant and has contributed to return to work efforts being hampered with a reduction in jobs for people to go back to in many instances. Our face-to-face service model, which has been central to improved return to work results under the Return to Work scheme, was not able to be delivered for most of the second half of the year.



Low interest rates partly offset by lower inflation expectations increased the value of the registered Scheme liability, as did an increase to the risk margin applied to the Schemes' liabilities, on account of the increased uncertainty associated with COVID-19 impacts on the economy. These broader economic influences combined to negatively impact our end of year result by \$12m. While the underwriting result was a loss of \$256m driven mostly by higher than budgeted claims costs, this was a \$122m better result than the previous year. Our investment portfolio performed well relative to comparable funds, however it still amounted to a loss of \$2m compared to a return of \$272m in 2018–19.

Notwithstanding the collective impact of these pressures leading to a comprehensive result loss of \$303m, the end of year Scheme funding ratio of 102% remains in the target range (90% – 120%), with the Scheme having net assets of \$70m.

Our focus for the year ahead is firmly on continuing to support South Australians injured at work and those who employ them to achieve early and sustainable return to work outcomes, and by doing so, keeping the costs to businesses in the state as low as possible.

Gains were made in reducing the compliance costs for business by greatly simplifying the new employer registration online process, which went live in June. The new registration

process received an average satisfaction rating of 4.3/5 by the 137 employers who completed the new process.

Our team worked collaboratively with SafeWork SA, the Mining and Quarrying Occupational Health and Safety Committee and Wellbeing SA to support a coordinated state response for workers and employers affected by the re-emergence of silicosis. This enabled the screening of 326 workers for the condition and the introduction of a new regulation to ensure that people who contract work-related silicosis receive the medical treatment they need for the duration of the condition.

This year we would like to especially thank the team at ReturnToWorkSA and the people at our respective claims agents for their flexibility, resilience and dedication in maintaining continuity of service to workers and the businesses we insure and provide regulatory services to, amidst the changes to working arrangements and impacts on their own lives that were necessitated by the COVID-19 response.

With Michael Francis commencing as CEO in late September 2019, ReturnToWorkSA is well placed to respond to these challenging times. Finally, we would both like to acknowledge and thank Rob Cordiner for his leadership, service and contribution to the South Australian Return to Work scheme before retiring as CEO during the first quarter of this financial year.

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 support workers injured at work and provide early intervention to ensure action is taken 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 53,000 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 the investment returns achieved 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 Corporation 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 are high.

Our Client Services 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.



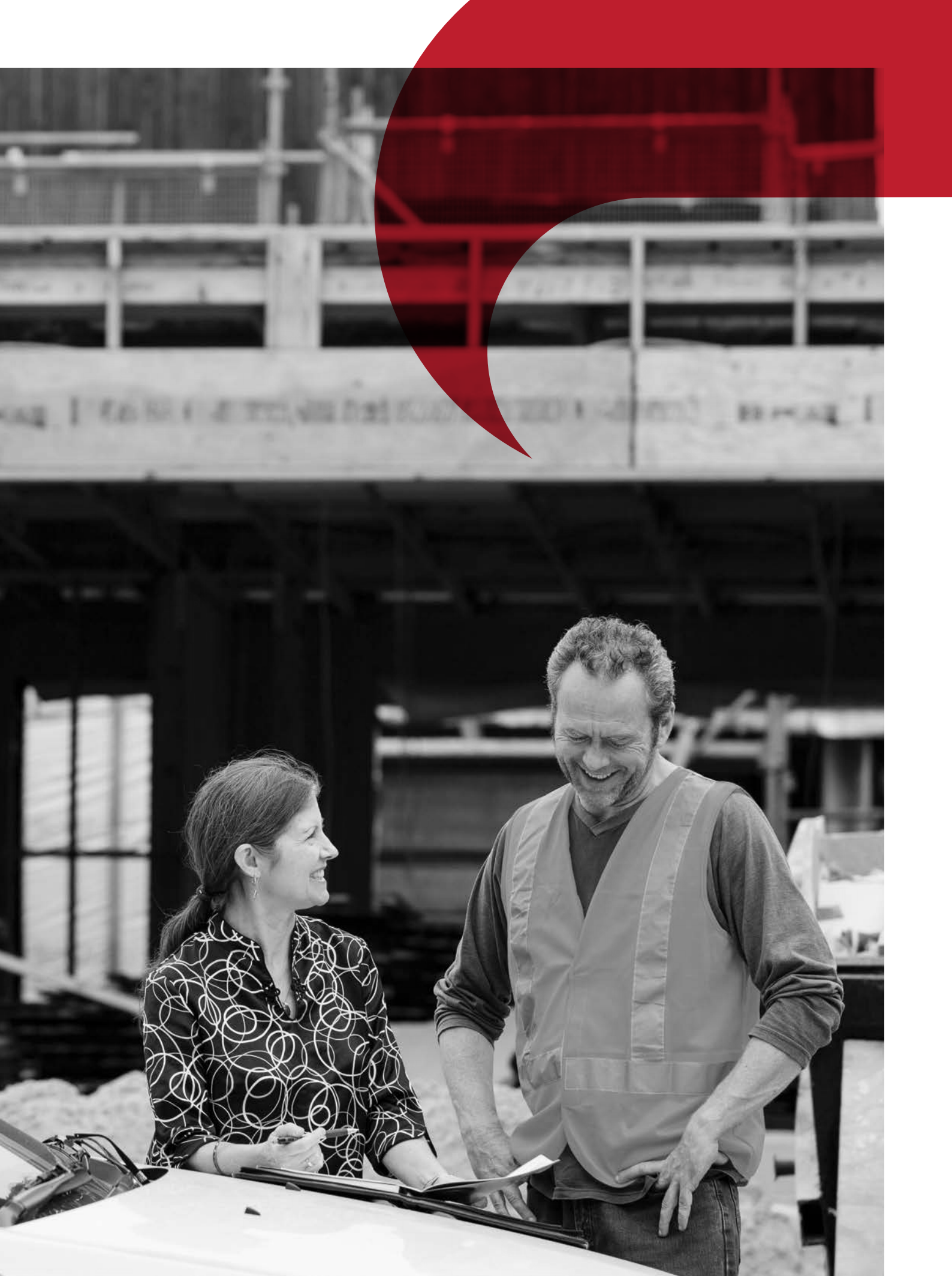
Our regulatory role

We protect the interests of South Australia's workers and businesses by monitoring and enforcing compliance with the *Return to Work Act 2014* (the Act) and providing education about the health benefits of work and legislative compliance obligations.

Our regulatory role is designed to protect the integrity and fairness of the Scheme and includes:

- managing compliance with employer obligations to register with ReturnToWorkSA, provide accurate remuneration returns, 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 insurance scheme for South Australia that reduces the social and economic costs of work injury.

Legislation with a clear focus on supporting people to remain at or return to work following a workplace injury led the ReturnToWorkSA Board to create a new strategic plan for 2015–18. The plan was revisited in 2017, 2018 and 2020 with adjustments incorporated reflecting the evolving maturity of the Return to Work scheme.

The key strategic objectives to guide our mission are:

- 1** Early and purposeful action is taken to support workers:
 - › to realise the health and social benefits of work wherever possible
 - › being restored to the community when return to work is not possible.
- 2** Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.

Return to Work Corporation of South Australia Charter and Performance Statement

The *Return to Work Corporation of South Australia Charter and Performance Statement* set out the government's key priorities, requirements and expectations for ReturnToWorkSA's performance.

The Charter and Performance Statement were reviewed and amended on 18 July 2019 by the Treasurer.

In accordance with the Charter, ReturnToWorkSA reports quarterly to the Treasurer against the objectives set out in the Performance Statement.

GOAL ONE

Early and purposeful action is taken to support workers to realise the health and social benefits of work wherever possible or being restored to the community when return to work is not possible.

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

Percentage of injured workers who were back (or remained) at work at key intervals

	4 weeks	13 weeks	26 weeks	52 weeks
2019–20	78%	83%	86%	91%
2018–19	80%	86%	89%	93%
2017–18	79%	87%	90%	93%
2016–17	75%	83%	87%	88%

Personalised and mobile service model

The ReturnToWorkSA business model has a strong focus on service and a personalised approach. ReturnToWorkSA and our claims agents have 117 mobile claims staff throughout Adelaide and major regional population centres.

Our return to work results did not fare as well as previous years. The impact of COVID-19 affected return to work

plans, the availability of suitable employment for people to return to, and an associated increase in unemployment made the job market more competitive for workers seeking new employment goals.

Our mobile claims management service was also prevented from providing invaluable face-to-face assistance to workers and employers for a significant period of time due to precautions taken in response to the pandemic. We have been working to systemically adjust our operations and increase the level of support to our customers accordingly. This includes, but it is not limited to, the initiatives noted below:

- a recent increase to the number of staff delivering front line claims services to our customers
- claims agents continuing to actively support injured workers using digital alternatives to face-to-face services when face-to-face is not possible due to public health reasons
- the review of our model of services for workers with a serious injury and psychological claims
- the implementation of targeted injury prevention and safety programs, including working with SafeWork SA, to respond to higher incidences of injury and claiming patterns in specific industries.

These and other initiatives are also documented in our strategic plan. 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.

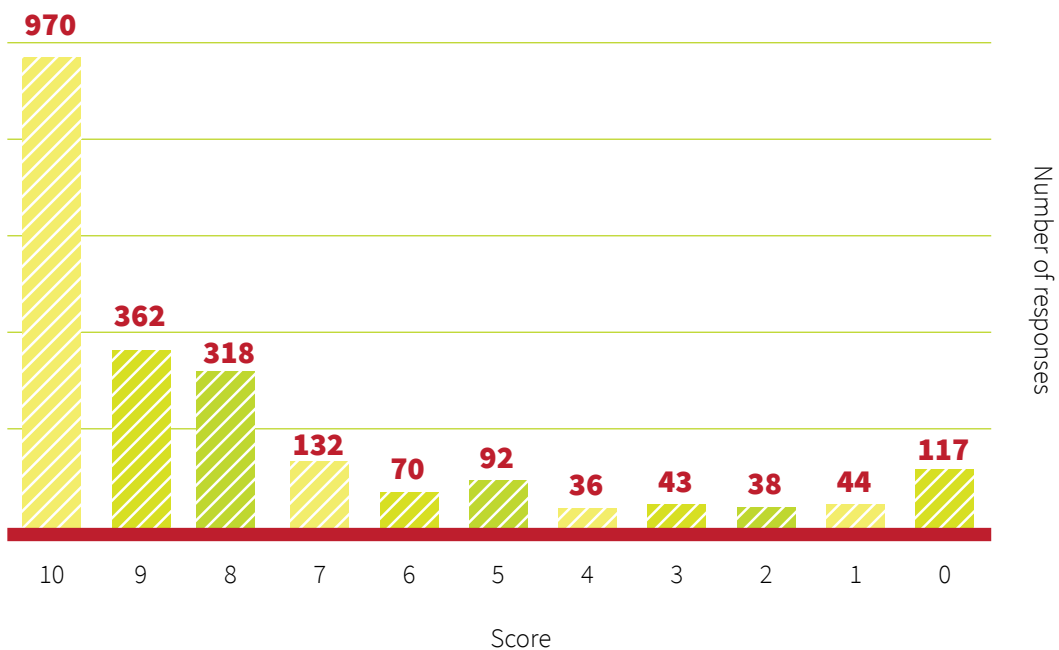




Feedback on personalised claims service

Our Net Promoter Score surveys are designed to capture customer opinions whilst the services are still being received, rather than only on completion. This immediacy has contributed to a high response rate of 23%. Importantly, if people indicate they are not satisfied with the service in the survey, we are able to contact them and discuss what we can do to address their concerns. This service recovery aspect is a critical element of the business model.

80% of respondents rated the service at seven or above, with the largest cohort of responses being at the maximum score of 10.



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

96%

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

93%

claims submitted for physical injuries are determined within 10 days

Participant experience can also be measured by the levels of complaints 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) were 30% lower than the average number of disputes received per year in the old scheme.
- 27 premium disputes received in 2019–20 down from 31 last year.
- Complaints received continue to be low compared to the previous scheme.

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

- 93% of claims submitted for physical injuries were assessed within 10 business days (excluding hearing loss, psychological, working director and death claims which all require more detailed eligibility assessment processes). Claims for mental health injuries and claims for injuries incurred 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 of the claims received and determined in 2019–20, approximately 95% were accepted.
- 96% 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 the job they were performing before their injury occurred. These people may require retraining and assistance in finding new employment. The Return to Work scheme allows the employer's insurance premium to provide financial support to people in this situation.

Community participation and purpose: Each year ReturnToWorkSA receives in excess of 14,000 new claims. Most of these people will remain at work or return to work.

A small number of people will have a long term serious injury level of disability as a result of their injury. The *Return to Work Act 2014* provides for a lifetime care and support package for people determined to be seriously injured. As at 30 June 2020, there are 655 active seriously injured workers receiving support from the Scheme.

Enhanced technology to enable better service

In 2019, ReturnToWorkSA launched the My Claim app, a mobile device application designed to offer injured workers with a streamlined communication channel directly to their claims agent.

Supporting Scheme service providers to deliver better health outcomes

Supported by a Physiotherapy Advisor, Exercise Physiology Advisor and two Medical Advisors who are practising General Practitioners, ReturnToWorkSA continues to provide a diverse education and support program to medical and allied health service providers.

Delivery of training occurred face-to-face, online and via digital platforms, with many sessions including Continuing Professional Development (CPD) accreditation.



More than 90 educational sessions were conducted at medical and allied health clinics and 26 educational sessions were delivered to allied health undergraduate and postgraduate university students.

ReturnToWorkSA's free online modules for medical and allied health practitioners (*ReturnToWorkGP* and *ReturnToWorkAHP*) were complemented with the launch of a third module—*Opioids and Your Patient*—for medical practitioners and prescribers of opioids. This CPD accredited module acknowledged the marked increase in the use of prescription opioids to treat chronic non-cancer pain and aims to equip participants with the skills, tools and knowledge they need to help maximise patient benefits and minimise potential harms. The more broadly marketed ReachForTheFacts awareness campaign will assist service providers as patients who are exposed to it are more informed. ReturnToWorkSA also provided a variety of face-to-face education sessions for medical and allied health practitioners on the potential harms associated with the misuse of prescription opioids and alternate treatment and management options.

ReturnToWorkSA responded quickly to the COVID-19 pandemic, implementing a number of telehealth fees and virtual training sessions to support allied health and medical practitioners in maximising their treatment outcomes using a telehealth platform.

ReturnToWorkSA continually identifies opportunities to engage with larger groups of allied health and medical service providers at conferences and through sponsorship arrangements. In 2019–20, ReturnToWorkSA supported eight conferences (some which were national gatherings) to showcase resources and tools that can be used to support patient assessment and care, promote education and support programs and highlight the ReachForTheFacts prescription opioid awareness campaign.





REACH FOR THE FACTS ON PRESCRIPTION OPIOIDS

To find out more visit

REACHFORTHEFACTS.COM.AU



ReachForTheFacts

ReturnToWorkSA recognises the potential harms, including addiction and premature death, associated with the increasing and substantial use of prescription opioids for chronic non-cancer pain as a Scheme and community issue. In 2019–20, ReturnToWorkSA formed a coalition of health and community organisations and developed the ReachForTheFacts campaign and website to increase awareness of the dangers of prescription opioid misuse.

Throughout 2019–20, the ReachForTheFacts campaign ran across multiple media platforms, including television, radio, print media, outdoor advertising and multiple forms of social media.

The ReachForTheFacts website—www.reachforthefacts.com—served as a central hub for the campaign, providing information and resources, including a ‘medicine checker’ to learn more about specific prescription opioids, and an opioid dependency tool to provide further insight to those who may be unknowingly struggling with dependency issues.

In the campaign’s first year, the website was visited over 22,000 times.

A recent market research survey of South Australian residents (including health professionals) indicates that the ReachForTheFacts campaign has significantly raised awareness of prescription opioids and their associated risks, as well as increased the level of comfort people have in talking with a medical practitioner about pain management.

The risks associated with the use and misuse of prescription opioids remain a Scheme and community issue for South Australia.

ReturnToWorkSA will continue to work with our partners to raise community awareness about the use of prescription opioids.

Our partners include:

- Adelaide Primary Health Network
- The Australian Dental Association SA Branch
- The Australasian Faculty of Occupational & Environmental Medicine
- The Royal Australasian College of Physicians
- The Australian Medical Association (SA)
- The Australian and New Zealand Society of Occupational Medicine Inc
- The Australian Pain Society
- Council of the Ageing
- The CTP Insurance Regulator
- The Faculty of Pain Medicine (Australian and New Zealand College of Anaesthetists)
- Pain Australia
- The Pharmaceutical Society of Australia
- The Royal Australasian College of Surgeons
- The Rum Project (Return Unwanted Medicines)
- The Society of Hospital Pharmacists of Australia.

Post-Surgical Support Program

Surgical recovery can be a complex process with many variables which can influence and impact on recovery and return to work. To support work injured people after surgery, ReturnToWorkSA implemented the Post-Surgical Support Program, a voluntary service to provide support and education during recovery and rehabilitation after surgery. The tailored program is delivered by qualified health professionals for up to six weeks after surgery.

Since its launch, the program has successfully assisted participants in managing their post-operative experience, decreasing the need for ongoing pain medication, improving their health literacy and increasing functional capacity. The program has also provided effective support to help participants transition from the care of their surgeon to the care of their general practitioner.

Impairment assessments

Whole person impairment assessments are a critical element of the Return to Work scheme that help to determine whether an injured worker is entitled to lifetime care and support. They are a key component of the calculation of lump sum entitlements for economic loss and non-economic loss for workers who do not meet the serious injury 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 2019–20, 2,633 permanent impairment assessment reports were received. Of the total reports received, 86% were compliant on first review and 98% were compliant after discussion with the assessor.

Personalised support and case management

Our specialised unit of Disability Support Coordinators and claims officers continue 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 Support Coordinator contacts the worker and/or their family and employer as soon as they are aware of the injury to provide immediate assistance. Our Support Coordinators 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 Support Coordinators 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 less than six people suffer severe and traumatic injury each year. 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.

Client Services – Supporting people with severe traumatic injuries

At the age of 21 Max was working as an electrician when he sustained burns to his hands, shoulder, face, chest and abdomen following a switchboard explosion.

In the weeks that followed, Max received treatment at the Royal Adelaide Hospital in the intensive care and burns units, dealing not only with the physical recovery from his injury, but the mental challenges of being confined indoors with his thoughts.

Because of his burns, Max wasn't allowed outside for some time, denying him of his usual outlets to cope.

"I'm only in my 20s—what am I going to do for the rest of my life?" says Max on reflection of the thoughts that crossed his mind while confined indoors.

"I went from a job where I was happy to be there and then looking at whether I want to do that anymore."

As part of his recovery, Max had support from a team including an occupational therapist, physiotherapist, counsellor and claims manager.

"You're going through trauma but it's nice to have someone that's looking after your best interests" said Max of his claims manager and treating team.

"They supported me the whole way."

Max returned to work as an electrician but, due to the post-traumatic stress, found himself in an environment which reminded him of the incident.

"I just don't want to live like that every day," Max recalls thinking after his first day back.

With the help of his claims manager and after undertaking psychometric and personality tests, Max decided it was best to pursue a different path, pursuing tertiary studies in business to become a Certified Practising Valuer. He now works in the real estate industry.

The emotions of his first day as a valuer couldn't have been more different than his first day back as an electrician.

"It was heaps better," said Max.

"You go from having 4–5 years' experience to none, but you can see you're moving in the right direction."

The support to pursue a different career and study was critical to Max's recovery and return to work.

"If I didn't do the re-training things, would've worked out a lot worse. I probably would've kept spiralling down mentally, not having any sort of clear direction or clear goals."

"You set little goals and start achieving things again. Even though it's a bad thing that happened, you can turn it around."

"Max has an extremely positive outlook and is highly self-motivated," said his Support Coordinator.

"Following extensive medical intervention he made an excellent recovery and continues to use his experience to pave a path forward."

"We believe that supporting our clients to focus on their recovery and achieving their goals are important elements in providing lifetime care to workers with a severe traumatic injury."



Stock image used



Stock image used

Something to wake up for.

After experiencing a traumatic injury in his previous role in the automotive industry, Brian was referred to ReCONNECT for support in regaining his confidence and becoming independent again with his job seeking.

“I was in all sorts of trouble,” Brian said of his experience prior to ReCONNECT. “I had been tossed around... and I was in a bad place.”

Recognising that he had never had to apply for a job in the past, Brian worked with his ReCONNECT Advisor to identify ways he could build his skills and knowledge in job seeking.

“My ReCONNECT Advisor was a great support and she helped me so much. She’s a gem.”

The ReCONNECT Advisor provided Brian support in accessing vocational counselling and job seeking activities through rehabilitation services, including organising access to training as a forklift operator.

“I’m getting more hours now, and working with my ReCONNECT Advisor has boosted my confidence. She has gone well out of her way to help me. I feel like I’ve got hope... It feels like you’re going somewhere. It feels like it’s worthwhile getting up in the morning. I had dark times before that. I have something to wake up for now.”

“Without ReCONNECT I’d be in a whole different place.”

Through ongoing support, Brian has now been able to secure regular work as a traffic controller.

The ReCONNECT Service

ReturnToWorkSA's ReCONNECT Service provides free and voluntary support for people transitioning from Scheme-funded services to community-based programs and services, including:

- financial counselling
- mental health services
- family, legal and community services
- career guidance and job search support
- training, skills development and volunteering
- Centrelink.

ReCONNECT clients can access services at various stages in their transition from the Scheme, including when they have a dispute regarding their work injury claim, they are receiving return to work services, or if they have reached retirement age.

ReCONNECT services are available to any injured worker, regardless of whether their employer is premium-paying or self-insured.



The ReCONNECT Service received 491 referrals in 2019–20. 90% of clients achieved their ReCONNECT goal in 2019–20 and this includes 13 clients who were supported to secure employment.

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 subsidised wages.

In 2019–20, 92 applications for RISE subsidies from employers were approved.

Employer Education Advisory services

Our Employer Education Advisory service provides education and support to Return to Work Coordinators and businesses, assisting them to effectively manage recovery and return to work within their workplace. Throughout the year, a total of 388 participants attended skill building workshops as part of the free program.

The demand for Return to Work Coordinator training continued to grow throughout 2019–20, with 37 training courses delivered by four approved providers (both metropolitan and regionally based) resulting in more than 560 Return to Work Coordinators receiving training. Training continued during COVID-19 restrictions with ReturnToWorkSA supporting training providers to transition to virtual training, which will now be offered as an ongoing option.

Throughout 2019–20, the Employer Education Advisory service continued to provide Return to Work Coordinators with access to quarterly e-newsletters, resources at the Return to Work Matters website and topical information through the use of a private Facebook group, which has significantly grown since last year with over 442 members.

Mentally Healthy Workplaces Program

ReturnToWorkSA is committed to providing support for mentally healthy workplaces in South Australia. This has been an important service at a time when the health and wellbeing of the community and their workplaces has been significantly impacted by bushfires and the COVID-19 pandemic.

The Mentally Healthy Workplaces Program is available to all employers in South Australia and provides free education and consultancy services for those workplaces wanting to take action to embed mental health and wellbeing into their workplaces. The program consists of statewide collaboration with strategic partners, educational workshops and tailored programs for individual workplaces.

ReturnToWorkSA continues to work collaboratively with a broad range of stakeholders including Beyond Blue, Wellbeing SA, SA Mental Health Commission, Office of the Small Business Commissioner, Business SA, SA Unions and SafeWork SA, to align statewide efforts around workplace mental health. Joint industry workshops with Wellbeing SA have also been delivered to support workplace wellbeing programs, incorporating both physical and mental health.

Low Intensity Mental Health Support Service

In 2019–20, the Low Intensity Mental Health Support Service was accessed by over 100 injured workers with an accepted or pending claim. This service supports injured workers experiencing stress or mild to moderate anxiety and depression, assisting in their recovery and return to work. The service provides face-to-face, telephone based, or a blend of over the phone/online support and coaching from cognitive behaviour therapy coaches. The service is also available to family members who are actively supporting the injured worker's recovery and return to work.

Insurance Risk Management Program

In support of the 2020–24 strategic plan, ReturnToWorkSA provides customer support as well as support with a range of claims and safety projects.

A public health partnership agreement was signed by ReturnToWorkSA with Wellbeing SA and SafeWork SA to jointly promote the benefits of healthy workplaces. The Public Health Partnership oversees a collaborative effort in health and wellbeing, of which work is a major contributor.

The Partnership shares a single vision where employers are supported to improve health in the workplace.

Key areas of focus include:

1. the need for a coordinated statewide strategy for South Australia
2. ensuring a cohesive support system for all South Australian businesses
3. the use of data, research and evidence for effective action.

Safety services continued to be provided (pre-COVID-19) to employers with high cost claims to support workplaces to identify and address risks that resulted in injury and illness to their employees. Face-to-face safety visits are expected to resume early in the 2021 financial year.

ReturnToWorkSA has participated in the Young Worker Initiative, a collaboration involving SafeWork SA, the Department of Education, Skills and Employment, group training organisations and others. The group aims to further the safety skills of students undertaking work experience as well as innovating safety initiatives for apprentices and trainees.

A safety app, *Take 5*, will be piloted early in the 2021 financial year which encourages supervisors and their young workers to have a daily conversation about safety, the risks for the day ahead and ways to manage those risks. Staff and students from the Adelaide University School of Psychology will survey users to assess the benefits of the app

to reduce risk-taking behaviours before the app is considered for a broader implementation.

ReturnToWorkSA continues to work with SafeWork SA and MAQOHSC (Mining and Quarrying Occupational Health and Safety Committee) to reduce the respiratory risks of silica dust. A dedicated claims team has been established and working relationships are in place with the Royal Adelaide Hospital to support affected workers.

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 2019–20, the LSC received 334 phone enquiries and conducted 45 advice appointments.





GOAL TWO

Effective economic operation of the Scheme to contain employers' costs, within reasonable limits.

Fewer new disputes mean greater efficiencies and more time helping people. This year ReturnToWorkSA received 27 premium disputes from the 53,000+ businesses operating in South Australia.

About the insurance premium system

The insurance premium system 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:

- Employer choice: employers can choose to have their premium based on prior year actual remuneration (with no end of year adjustment) or an estimate of current year remuneration (with an end of year adjustment when actual remuneration is known). This enables them to choose the option that is best for their business.
- Flexible payment options, as premiums can be paid in nine equal instalments or in one instalment and via credit card or EFT.
- A simple premium calculation formula that is easy to explain and understand.
- A 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.
- Large employers can opt in to the Retro Paid Loss (RPL) arrangement. 83 employers are current participants.



Supporting South Australian businesses through COVID-19

The ReturnToWorkSA Board has determined that wage subsidy payments under the Commonwealth Government JobKeeper Program will not be included in remuneration for calculation of premium for 2020–21. The Board took this action to support South Australian businesses to maintain economic viability and employment during the COVID-19 pandemic. ReturnToWorkSA has supported employers through the impacts of the bushfires and COVID-19 through payment arrangements and deferrals. Our flexible premium model allows us to adjust premium payable immediately if remuneration is impacted or the employer is in financial hardship.

Making it easier for South Australian businesses

In January 2019, new online access was implemented for South Australian businesses providing them with increased functionality and the ability to manage their own account details. More than 92% of businesses now have an online account with ReturnToWorkSA.

In July 2019, we introduced employer choice for premium calculation, with over 52% choosing to fix their premium based on prior year actual remuneration. We also extended the period for employers to provide their remuneration returns from four weeks to 10 weeks and gave all employers a choice as to whether to pay their premium in one payment or nine instalments. These changes, supported by effectively targeted communications, led to the achievement of our highest ever compliance rate, with over 87% of employers completing their annual returns on time.

In June 2020, we introduced new system capability that allows businesses to register with ReturnToWorkSA online or over the phone and receive their certificate of registration immediately. The new capability also enables employers to cancel their registration.

Employers have rated the new registration and cancellation experience as 4.3 out of 5 to date.

ReturnToWorkSA and our claims agents' administrative efficiency

ReturnToWorkSA and our claims agents are constantly looking at better and more efficient ways of servicing our customers.

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 have reduced our operating costs as the new Scheme premium revenue reduces and active claims numbers stabilise over the next two to three years.

Fraud and investigations

ReturnToWorkSA uses qualitative and quantitative information taken from a variety of sources to detect, deter and, where appropriate, prosecute legislative non-compliance and offending.



ReturnToWorkSA received 209 referrals of suspected fraud in 2019–20. Following triage and analysis of these referrals, 50 investigations were commenced.

In 2019–20, ReturnToWorkSA's investigation activity resulted in a number of referrals being made to the Crown Solicitors Office for prosecution advice in relation to potential dishonesty offences committed. Those found guilty of offences of dishonesty under the *Return to Work Act 2014* face penalties of up to a \$50,000 fine or two years jail for each offence.

Improved face-to-face services and feedback provided to claims managers within the Scheme as a result of ReturnToWorkSA's investigations help limit the opportunities for individuals to commit fraud against the Scheme and resulted in favourable scheme outcomes.

Referrals, investigations & prosecutions

	2016–17	2017–18	2018–19	2019–20
Referrals	419	246	189	209
Investigations	104	57	32	50
Prosecutions	5	4	1	0

Regulating registered employer obligations

ReturnToWorkSA regulates the Scheme through education and enforcement, which involves the investigation of potential breaches of the Act. All employers have the obligation to provide suitable employment and to give 28 days notice of termination of an injured worker's contract of employment. ReturnToWorkSA has been working closely with our stakeholders during 2019–20 to ensure all suitable employment breaches are identified and referred to ReturnToWorkSA for further investigation.



216 suitable employment investigations were completed in 2019–20.

ReturnToWorkSA applies a robust, evidence-based process to investigate and treat suspected instances of non-compliance referred by stakeholders, as well as those identified through a proactive premium compliance program.



ReturnToWorkSA completed 322 employer premium audits in 2019–20, with \$1.4 million billed in additional premium.

Regulating Private and Crown self-insured employers

Self-insured employers are a significant part of the Return to Work scheme. In 2019–20, Crown and Private self-insured employers:



employed approximately 243,000 employees in South Australia, or 29% of the South Australian labour force (as at June 2020)



declared an estimated \$17.9 billion or 40% of total declared remuneration in the prior year



reported 4,998 (27%) claims for compensation as at July 2020.

In 2019–20, ReturnToWorkSA implemented several updates to its regulatory framework for private self-insured employers in order to:

- reduce the regulatory burden for self-insured employers by removing the requirement to submit self-assessment reports
- ensure ReturnToWorkSA's compliance tools and performance standards remain equitable across self-insurers by electing not to adopt AS/NZS ISO 45001:2018 in place of the current *ReturnToWorkSA Work Health and Safety Performance Standards*
- enhance ReturnToWorkSA's guidance documents to ensure compliance requirements and outcomes are transparent, well defined and understood by employers.

In 2019–20, the Crown Injury Management Regulatory Program included an audit of nine agencies and prescribed bodies. Audit outcomes indicate agencies are adequately maintaining systems to administer the powers and discretions delegated to Crown employers under the *Return to Work Act 2014*.

As at 30 June 2020, there were 72 private self-insured employers registered in the Scheme. Of the self-insured employers who have completed their initial term of registration, 92% (65 of 72) achieved a renewal for a period of three years or more. This includes 39 (55%) self-insured employers granted a five year period of registration.

These positive results continue to reflect the ongoing commitment of self-insurers to successfully fulfil their regulatory obligations under the Act and to achieve leading practice injury management and work health and safety practices.

ReturnToWorkSA continues to work in partnership with self-insurers to maximise knowledge-sharing and improvement opportunities.

Private self-insured regulation activities as at 30 June 2020:

- 19 private self-insured renewals were completed.
- One new application for self-insurance was approved.
- No employers ceased self-insurance.





The following private employers were self-insured at 30 June 2020

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

Net investment return at 30 June 2020

Past year	Past 3 years	Past 5 years
0.0%	5.2%	5.6%

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 improved funding and pricing. The long-term return objective is CPI +2.5 per cent.

To enhance and protect the value of our investments over the long-term we appoint fund managers who integrate Environmental, Social and Governance (ESG) factors into their investment process.

Board approved strategic asset allocation

Throughout 2019–20, the Board approved the continuation of the moderate risk, balanced portfolio approach.

Premium management

In 2019–20:

- \$519 million in insurance premium revenue was collected from more than 53,000 registered employers
- 2,523 businesses ceased registration during the year whilst 5,439 new business registrations were received.





Access and equity

We are committed to providing access to our services and products to all South Australians. The information on the Return to Work scheme is available in 22 community languages and in AUSLAN.

We provide Cultural Competency training for our employees and claims agents.





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 2019–20, we received 27 review applications compared with 31 in the previous financial year.

A total of 29 disputes and review files were closed during 2019–20:

- 12 were varied at reconsideration.
- 8 were withdrawn or conceded in favour of the employer after reconsideration.
- 5 were resolved by conciliation.
- 3 were withdrawn at formal review.
- 1 was determined by the Panel.

11 directions hearings and 4 full hearings were conducted by the Premium Review Panel and 2 directions hearings were conducted by the Independent Review Officer.

Complaints

During 2019–20, 172 formal complaints were handled, which is an increase from the 110 formal complaints handled in 2018–19.

In addition to the 172 formal complaints, ReturnToWorkSA and its claims agents handled 173 enquiries which were resolved without progressing to formal complaints.



WORKFORCE MANAGEMENT SUMMARY

As part of ReturnToWorkSA's response to COVID-19, we introduced a five phase roadmap focused on proactively protecting and supporting our employees' wellbeing, mental health and safety. Control measures and hygiene factors continue to be reassessed to ensure a safe work environment consistent with guidelines established by SA Health and Safe Work Australia. The roadmap also provides for review of the lessons we have learned during COVID-19 to ensure we continue to evolve our business operations.

ReturnToWorkSA performance management and development systems

100% of employees have had a performance review in the last 12 months.

Work health, safety and return to work programs

In 2019–20, ReturnToWorkSA employees engaged in a range of holistic health and wellbeing activities. Our nationally recognised program offers workshops, activities and information sessions across all five key pillars of holistic wellbeing (health, finance, values, family and community, and work). Many of the programs, and all of our charity fundraising efforts, are led by employees who volunteer their time.

We continue to strive to ensure we maintain exemplary work health and safety practices. As such, we reviewed our practices and policies against *ISO 45001 Occupational Health and Safety Management System Standard* and the WHS aspects of *ISO 31000 Risk Management Standard*.

Workplace injury claims	Current year 2019–2020	Past year 2018–2019	% change (+/-)
Total new workplace injury claims	Nil	1	-100%
Fatalities	Nil	Nil	0%
Seriously injured workers*	Nil	Nil	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1,000 FTE)	Nil	Nil	0%

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5).

Work health and safety regulations	Current year 2019–2020	Past year 2018–2019	% change (+/-)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	Nil	Nil	0%
Number of provisional improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	Nil	Nil	0%

Return to work costs**	Current year 2019–2020	Past year 2018–2019	% change (+/-)
Total gross workers compensation expenditure (\$)	\$146,897	\$148,340	-1.0%
Income support payments – gross (\$)	\$7,028	\$58,354	-88%

**before third party recovery. Return to work costs are a result of prior year claims.

Data for previous years is available at www.rtwsa.com/about-us/returntoworksa.

Executive employment in the agency

Executive classification	Number of executives
CEO	1
Executives*	5

*The Office of the Commissioner for Public Sector Employment has a workforce information page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Ensuring an inclusive workplace

Culture of inclusion

In 2020, we introduced a broad Cultural Inclusion Program. The program brings together a raft of initiatives aimed at respectfully acknowledging and celebrating the rich diversity of our workforce and community in which we operate. The program also looks to raise awareness of the importance of national reconciliation and acknowledgement of the traditional land owners.

Employment opportunities

ReturnToWorkSA continues 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

We have in place our *Disability Access and Inclusion Plan 2019–22*. The plan guides our actions to ensure we proactively address the needs of people with a disability. In support of the plan:

- we ensure disability and access requirements are captured in our key provider and claims agent contracts
- we provide information (publications, products and online) in accessible formats, including braille, audio and e-text
- we ensure our corporate website, intranet and online services meet appropriate standards (Web Content Accessibility Guidelines 2.0)
- we regularly review the accessibility of facilities for people with a disability.



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 strategy for achievement of scheme and organisational objectives. Board sub-committees also meet on a regular basis to fulfil their obligations in specialist areas.

As at 30 June 2020, the ReturnToWorkSA Board comprised:

- Greg McCarthy, Chairman
- Joanne Denley
- Yvonne Sneddon
- Nigel McBride
- Chris Latham
- A/Prof William Griggs, AM, ASM
- Elizabeth Perry, AM

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 2020, comprised:

- Michael Francis, Chief Executive Officer
- Julia Oakley, Executive General Manager
- Des Quirk, Chief Financial Officer
- Kerryn Hendy, Executive Leader Technology Systems and Service
- Jas Rieck, Executive Leader People and 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 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 2019–20, there were no instances of internal fraud detected.

Cyber Security

Keeping our customer and organisational information safe and secure is critical. 2019–20 was a very busy one for Cyber Security activity worldwide, and this was true for ReturnToWorkSA as well. The South Australian Government released the *SA Cyber Security Framework* in December 2019. ReturnToWorkSA submitted a tier selection letter which was endorsed by the Government Cyber Security Steering Committee, and a program of work was commenced to attain Tier 2 endorsement by December 2020. Excellent progress has been made towards this,

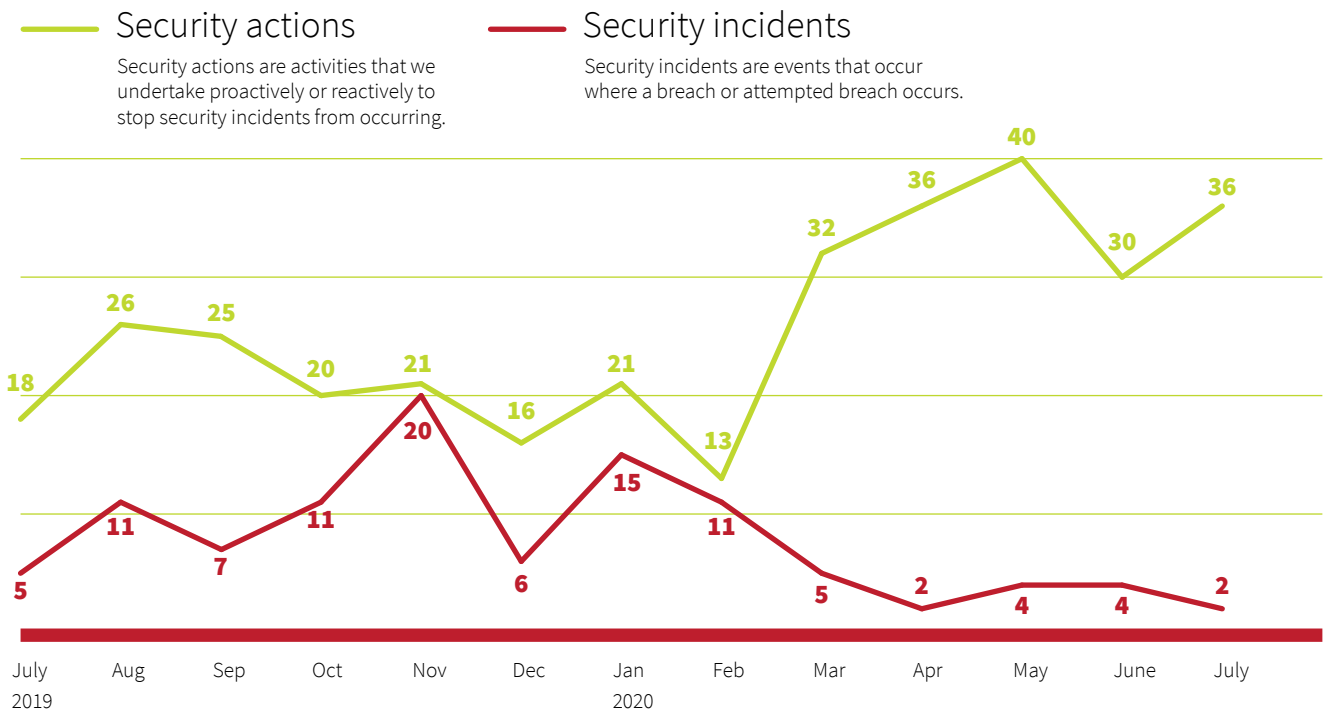
largely coming off a great base of controls in place already.

Whilst we detected zero breaches for the past year, our Cyber Security Team was kept extremely busy investigating incidents such as malware or phishing emails and implementing actions to strengthen our technical defences.

Major malicious campaigns in the past 12 months have affected many organisations both overseas and locally and also tested our staff and technical defences. The most activity was detected in the month of October 2019, with 784 malware detections for email as a result of the global Emotet campaign.

In March 2020, we also experienced a significant spike in intrusion protection activity at our perimeter.

Our technical controls provide a layer of defence. We also rely on our staff being educated and remaining vigilant. We continue to support staff with a learning program and regular testing of their knowledge of current cyber attack methods and conduct Cyber Security Awareness training every quarter to over 700 staff and claims agents. We also test our staff on how to spot phishing campaigns every quarter by simulating many real world examples.





Administrative matters

Access to information

In 2019–20, 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 2019–20, 1,476 applications were received for access to information. Of these, 1,086 (74%) were lodged under Section 180 of the Act (2018-19: 1,047) and 390 (26%) under the FOI Act (2018–19: 299).

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 2019–20, we received 2 internal reviews under Section 180 of the Act and one internal review under the FOI Act. There were no external reviews under the FOI Act.

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 2019–20, 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		Nil	Nil
Total over \$10,000		6	1,678,518
Deloitte	Consultancy advice		
Ernst & Young	Consultancy advice		
Finity	Actuarial advice		
Paul Laband	Investment consulting		
PricewaterhouseCoopers	Consultancy advice		
Willis Towers Watson	Investment consulting		
Total		6	1,678,518



FINANCIAL STATEMENTS

ReturnToWorkSA

ABN 83 687 563 395

Annual financial report for the year ended 30 June 2020

ReturnToWorkSA

Annual financial report - 30 June 2020

Financial statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to and forming part of the financial statements	6
Certificate under section 23(2) of the Public Finance and Audit Act 1987	46

ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Premium revenue	8(a)	518,811	510,026
Cost of claims	9	(711,529)	(826,827)
Claims management fees		(54,701)	(53,474)
Tribunal and ombudsman fees	12	(8,841)	(8,256)
Underwriting result		(256,260)	(378,531)
Net investment profit/(loss)	8(b)	(1,971)	271,585
Self-insured employer fee	8(c)	12,066	12,023
Other income		253	296
Net investment profit and other income		10,348	283,904
General operating expenses	13	(57,291)	(58,790)
Finance costs	15	(132)	-
Total operating expenses		(57,423)	(58,790)
Operating profit/(loss) before tax equivalents		(303,335)	(153,417)
Tax equivalents	16	-	-
Total comprehensive result		(303,335)	(153,417)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Cash	19	-	2
Trade and other receivables	20	70,485	54,098
Investments	21	3,527,697	3,570,862
Property, plant and equipment	22	1,620	2,404
Right-of-use assets	23	4,339	-
Intangible assets	24	-	3,898
Total assets		<u>3,604,141</u>	<u>3,631,264</u>
Liabilities			
Trade and other payables	26	17,037	14,934
Outstanding claims	10, 11	3,504,515	3,234,880
Lease liabilities	27	4,477	-
Employee benefits	17(c)	7,803	7,749
Provisions	28	82	139
Total liabilities		<u>3,533,914</u>	<u>3,257,702</u>
Net assets		<u>70,227</u>	<u>373,562</u>
Equity			
Retained earnings		<u>70,227</u>	<u>373,562</u>
Total equity		<u>70,227</u>	<u>373,562</u>
Commitments	32		
Employer financial guarantees	33		
Self-Insured Insolvency Contribution Aggregate	34		
Contingent liabilities	35		

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2020

	Retained earnings \$'000
Total equity at 1 July 2018	527,504
Adjustment on adoption of AASB 9	(525)
Total equity at the beginning of the financial year	<u>526,979</u>
Total comprehensive result	<u>(153,417)</u>
Total equity at 30 June 2019	<u>373,562</u>
Total equity at 1 July 2019	373,562
Total comprehensive result	<u>(303,335)</u>
Total equity at 30 June 2020	<u>70,227</u>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2020

	2020	2019
Notes	\$'000	\$'000
Cash flows from operating activities		
Premium receipts	582,027	586,613
Claim recoveries	13,276	10,648
Other receipts	278	326
Claim and other related payments	(481,254)	(367,618)
Interest received	34,019	37,571
Dividends received	68,983	71,220
Other payments to suppliers and employees	(113,539)	(121,491)
GST	(39,133)	(38,975)
Interest paid	(132)	-
Investment expenses	(5,998)	(6,944)
Net cash flows from/(used in) operating activities	29 <u>58,527</u>	<u>171,350</u>
Cash flows from investing activities		
Proceeds from the sale of investments	658,920	530,442
Acquisition of property, plant and equipment	(90)	(298)
Acquisition of investments	(646,515)	(681,975)
Net cash flows from/(used in) investing activities	<u>12,315</u>	<u>(151,831)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(2,085)	-
Net cash flows from/(used in) financing activities	<u>(2,085)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	68,757	19,519
Cash and cash equivalents at the beginning of the period	145,828	126,309
Cash and cash equivalents at the end of the period	19 <u>214,585</u>	<u>145,828</u>

The accompanying notes form part of these financial statements.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Contents of the notes to and forming part of the financial statements

	Page
1 Reporting entity and objectives	8
2 Statement of compliance	8
3 Basis of preparation	9
4 Use of judgements and estimates	9
5 Reporting by fund	10
6 Funding ratio	11
7 Impact of COVID-19 pandemic	12
8 Income	12
9 Cost of claims	13
10 Outstanding claims liability - Compensation Fund	14
11 Outstanding claims liability - Other Funds	18
12 Tribunal and ombudsman fees	21
13 General operating expenses	21
14 Depreciation and amortisation	21
15 Finance costs	22
16 Taxation	22
17 Employee benefits	22
18 Remuneration of board and committee members	24
19 Cash and cash equivalents	25
20 Trade and other receivables	25
21 Investments	26
22 Property, plant and equipment	27
23 Right-of-use assets	28
24 Intangible assets	29
25 Fair value measurement (non-financial assets)	30
26 Trade and other payables	31
27 Leases liabilities	31
28 Provisions	32
29 Reconciliation of comprehensive result to net cash flows from operating activities	32
30 Risk management	32
31 Related party transactions	42
32 Commitments	42
33 Employer financial guarantees	43
34 Self-Insured Insolvency Contribution Aggregate	43

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

35	Contingent liabilities	43
36	Changes in accounting policy	43
37	Impact of standards and statements not yet implemented	45
38	Events after the reporting period	45

ReturnToWorkSA

Notes to and forming part of the financial statements

30 June 2020

Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia is a not-for-profit 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 are general purpose financial statements prepared in compliance with:

- section 23 of the Public Finance and Audit Act 1987;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and
- relevant Australian Accounting Standards.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 2 Statement of compliance (continued)

For the 2019-20 financial statements RTWSA adopted AASB 15 - Revenue from Contracts with Customers, AASB 16 - Leases and AASB 1058 - Income of Not-for-Profit Entities. Further information is provided in Note 36.

Note 3 Basis of preparation

The financial statements have been prepared based on a twelve month reporting period and are presented in Australian currency.

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 10 and 11.

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 14.3% for the Compensation Fund (2019: 14.0%) and 10.5% for the Statutory Reserve Fund (2019: 10.5%) and the Insurance Assistance Fund (2019: 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% (2019: 45.0%) at 75.0% (2019: 75.0%) 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 2019, is \$100,000.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

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 2020

	Compensation Fund Notes	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Mining & Quarrying Industries Fund		2020 Total Funds \$'000	2019 Total Funds \$'000
				Part A \$'000	Part B \$'000		
Premium revenue	518,811	-	-	-	-	518,811	510,026
Cost of claims	(713,415)	1,876	10	-	-	(711,529)	(826,827)
Claims management fees	(54,701)	-	-	-	-	(54,701)	(53,474)
Tribunal and ombudsman fees	(8,841)	-	-	-	-	(8,841)	(8,256)
Underwriting Result	(258,146)	1,876	10	-	-	(256,260)	(378,531)
Net investment profit	(1,786)	(146)	(21)	-	(18)	(1,971)	271,585
Self-insured employer fee	12,066	-	-	-	-	12,066	12,023
Other income	253	-	-	-	-	253	296
Net investment profit and other income	10,533	(146)	(21)	-	(18)	10,348	283,904
General operating expenses	(56,200)	-	-	-	(1,091)	(57,291)	(58,790)
Finance costs	(129)	-	-	-	(3)	(132)	-
Total operating expenses	(56,329)	-	-	-	(1,094)	(57,423)	(58,790)
Operating profit/(loss) before tax equivalents	(303,942)	1,730	(11)	-	(1,112)	(303,335)	(153,417)
Tax equivalents	-	-	-	-	-	-	-
Total comprehensive result	(303,942)	1,730	(11)	-	(1,112)	(303,335)	(153,417)

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 5 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2020

	Notes	Compensation Fund \$'000	Statutory Reserve Fund \$'000	Insurance Assistance Fund \$'000	Mining & Quarrying Industries Fund		2020 Total Funds \$'000	2019 Total Funds \$'000
					Part A \$'000	Part B \$'000		
Assets								
Cash		-	-	-	-	-	-	2
Trade and other receivables		70,463	-	-	-	22	70,485	54,098
Investments		3,299,361	184,376	29,364	342	14,254	3,527,697	3,570,862
Property, plant and equipment		1,620	-	-	-	-	1,620	2,404
Right-of-use assets		4,297	-	-	-	42	4,339	-
Intangible assets		-	-	-	-	-	-	3,898
Total assets		3,375,741	184,376	29,364	342	14,318	3,604,141	3,631,264
Liabilities								
Trade and other payables		16,942	-	-	-	95	17,037	14,934
Outstanding claims	10, 11	3,439,540	64,703	172	100	-	3,504,515	3,234,880
Lease liabilities		4,434	-	-	-	43	4,477	-
Employee benefits		7,803	-	-	-	-	7,803	7,749
Provisions		82	-	-	-	-	82	139
Total liabilities		3,468,801	64,703	172	100	138	3,533,914	3,257,702
Net assets		(93,060)	119,673	29,192	242	14,180	70,227	373,562
Equity								
Retained earnings		(93,060)	119,673	29,192	242	14,180	70,227	373,562
Total earnings		(93,060)	119,673	29,192	242	14,180	70,227	373,562

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.

	2020 \$'000	2019 \$'000
Funded position	70,227	373,562
Funding percentage	102.0%	111.5%

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 7 Impact of COVID-19 pandemic

The COVID-19 pandemic has impacted on the operations of RTWSA and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20, which are expected to continue in 2020-21, were:

- Reduced remuneration and premium growth in the current year, which is anticipated to continue in the 2020-21 year
- Claims have been impacted as detailed in the actuarial valuation; lower numbers, longer duration as well as an increase in the risk margin to 14.3% (2019: 14.0%)
- Investment returns have been affected by the decline in global markets
- Increased impairment provision assumptions for receivables in recognition of the downturn in the economy.

Note 8 Income

(a) Premium revenue

	2020	2019
	\$'000	\$'000
Registered employer premium	519,000	508,836
Fines and penalties	(189)	1,190
Premium revenue	518,811	510,026

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 26).

(b) Net Investment profit

	2020	2019
	\$'000	\$'000
Dividends	68,983	71,220
Interest received	34,019	37,571
Change in net market values:		
Investment held at end of financial year	(58,629)	193,624
Investment realised during the financial year	(40,891)	(24,517)
Investment profit	3,482	277,898
Investment expenses	(5,453)	(6,313)
Net investment profit/(loss)	(1,971)	271,585

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 8 Income (continued)

(c) Self-insured employer fee

	2020	2019
	\$'000	\$'000
Self-insured employer fee - SA Government	5,548	5,636
Self-insured employer fee - Non SA Government	6,518	6,387
Self-insured employer fee	12,066	12,023

Note 9 Cost of claims

	2020	2019
	\$'000	\$'000
	Notes	
Income support	171,004	139,296
Redemptions	-	1
Lump sum payments	100,072	62,430
Hospital treatment	18,396	16,328
Medical treatment	79,744	67,437
Vocational rehabilitation	15,494	11,457
Physiotherapy	10,588	9,374
Legal costs	37,104	31,061
Other	25,000	21,890
Claims paid	457,402	359,274
Less recoveries from other parties	(12,069)	(9,680)
Net claims paid	445,333	349,594
Increase/(decrease) in net outstanding claims liability	258,348	483,425
Net self-insurer settlements	7,848	(6,192)
Cost of claims	711,529	826,827

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 10 Outstanding claims liability - Compensation Fund

(a) Outstanding claims

	Notes	2020 \$'000	2019 \$'000
Expected future gross claims payments (undiscounted)		4,243,423	4,154,355
Discount to present value		(1,234,202)	(1,376,304)
Central estimate		3,009,221	2,778,051
Risk margin		430,319	388,927
Liability for outstanding claims		3,439,540	3,166,978
Recoveries	20	(74,924)	(63,637)
Net liability for outstanding claims		3,364,616	3,103,341
Current liability for outstanding claims		501,619	429,108
Non-current liability for outstanding claims		2,937,921	2,737,870
Total liability for outstanding claims		3,439,540	3,166,978
Change in liability for outstanding claims		272,562	490,140
Change in claim recoveries receivable		(11,287)	(2,593)
Movement in net outstanding claims liability		261,275	487,547

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 302, 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% (2019: 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 14.3% (2019: 14.0%) to bring the estimated net liability to a 75% (2019: 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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 10 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 10(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 2.10% at 30 June 2019 to 1.88% at 30 June 2020.

Note 10(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	2020 Total \$'000	Current year \$'000	Prior years \$'000	2019 Total \$'000
Undiscounted						
Gross incurred	899,907	(267,824)	632,083	904,860	(1,094,167)	(189,307)
Recoveries	(15,016)	(8,753)	(23,769)	(12,873)	655	(12,218)
Net incurred	<u>884,891</u>	<u>(276,577)</u>	608,314	<u>891,987</u>	<u>(1,093,512)</u>	<u>(201,525)</u>
Discounted						
Gross incurred	729,665	60,712	790,377	687,954	204,426	892,380
Recoveries	(14,759)	(9,923)	(24,682)	(12,371)	(1,480)	(13,851)
Net incurred	<u>714,906</u>	<u>50,789</u>	765,695	<u>675,583</u>	<u>202,946</u>	<u>878,529</u>
Discount and discount movement						
Gross incurred	(170,242)	328,536	158,294	(216,906)	1,298,593	1,081,687
Recoveries	257	(1,170)	(913)	502	(2,135)	(1,633)
Net discount movement	<u>(169,985)</u>	<u>327,366</u>	157,381	<u>(216,404)</u>	<u>1,296,458</u>	<u>1,080,054</u>

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 10 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development

	Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	\$'000	\$'000	\$'000
Prior years*	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of ultimate claims cost**														
At the end of the year	506,902	527,850	625,012	665,173	574,982	353,734	406,719	411,384	421,395	534,781	563,788			
One year later	487,196	586,296	616,974	602,689	403,139	373,333	407,683	407,585	466,182	578,043	-			
Two years later	521,046	562,035	581,152	435,366	400,500	339,167	409,268	436,585	473,493	-	-			
Three years later	499,973	545,014	415,185	448,842	387,006	364,907	422,385	462,185	-	-	-			
Four years later	515,277	448,017	416,116	433,620	401,389	384,569	422,591	-	-	-	-			
Five years later	420,122	429,945	413,940	426,533	413,075	419,405	-	-	-	-	-			
Six years later	432,573	405,541	415,322	446,462	405,411	-	-	-	-	-	-			
Seven years later	416,154	415,383	431,659	433,923	-	-	-	-	-	-	-			
Eight years later	418,988	420,175	424,538	-	-	-	-	-	-	-	-			
Nine years later	411,132	415,607	-	-	-	-	-	-	-	-	-			
Ten years later	409,016	-	-	-	-	-	-	-	-	-	-			
Eleven years later	-	-	-	-	-	-	-	-	-	-	-			
Current estimate of cumulative claims costs**	409,016	415,607	424,538	433,923	405,411	419,405	422,591	462,185	473,493	578,043	563,788			
Cumulative payments**	346,625	347,112	349,250	340,343	299,984	256,507	269,303	251,451	238,165	202,368	83,013			
Outstanding payments**	62,391	68,495	75,288	93,580	105,427	162,898	153,288	210,734	235,328	375,675	480,775			
Discount adjustment***	19,646	18,377	15,943	15,097	13,289	16,016	11,191	11,039	8,613	7,995	3,062			
Net outstanding claims	82,037	86,872	91,231	108,677	118,716	178,914	164,479	221,773	243,941	383,670	483,837			

* Development of incurred cost estimate as at 30 June 2010 for accidents prior to 30 June 2009.

** 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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 10 Outstanding claims liability - Compensation Fund (continued)

(c) Claims development (continued)

	2020 \$'000	2019 \$'000
Prior years	513,844	558,825
Year ended 30 June 2010	82,037	89,501
Year ended 30 June 2011	86,872	95,865
Year ended 30 June 2012	91,231	104,981
Year ended 30 June 2013	108,677	128,564
Year ended 30 June 2014	118,716	135,690
Year ended 30 June 2015	178,914	155,910
Year ended 30 June 2016	164,479	194,215
Year ended 30 June 2017	221,773	237,565
Year ended 30 June 2018	243,941	309,843
Year ended 30 June 2019	383,670	468,164
Year ended 30 June 2020	483,837	-
Net outstanding claims	<u>2,677,991</u>	2,479,123
Claims handling expenses	265,680	243,105
Risk margin	<u>420,945</u>	381,113
Net liability for outstanding claims	<u>3,364,616</u>	3,103,341

(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
2020	477,121	546,984	275,074	443,398	633,378	988,661	3,364,616
2019	417,859	495,103	244,522	390,673	579,261	975,923	3,103,341

(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:

	2020	2019
Economic Assumptions		
Inflation rate - income support	0.00% to 2.30%	0.00% to 2.50%
Inflation - medical, legal and other costs	2.00% to 2.40%	2.10% to 2.60%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 2.00%
Superimposed inflation rate - other	0.00% to 2.00%	0.00% to 2.00%
Discount rate	1.88%	2.10%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.70%	9.60%
Risk margin	14.30%	14.00%

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 10 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 (1% gap between inflation and discount rate)	(544)	(16%)
Weak economic conditions (-1% gap)	545	16%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	446	13%
Impact of removing mortality loadings for catastrophic claims	443	13%
WPI assessments increase by 2% as a result of the higher incentives under the RTW Act	285	8%

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 11 Outstanding claims liability - Other Funds

(a) Outstanding claims - SRF and IAF

	SRF \$'000	IAF \$'000	2020 Combined \$'000	2019 Combined \$'000
Open claims	2,479	-	2,479	3,061
Total incurred but not yet reported (IBNR)	39,238	109	39,347	40,765
Claims handling expenses	3,546	10	3,556	3,725
Central estimate	45,263	119	45,382	47,551
Risk margin	19,440	53	19,493	20,251
Net liability for outstanding claims	64,703	172	64,875	67,802

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 11 Outstanding claims liability - Other Funds (continued)

(a) Outstanding claims - SRF and IAF (continued)

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% (2019: 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 2020 due to exposure prior to 30 June 2020. 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
2020	2,765	5,442	6,232	15,288	23,193	11,955	64,875
2019	3,121	5,516	6,243	15,338	24,154	13,430	67,802

(c) Movement in liability - SRF and IAF

	SRF 2020 \$'000	2019 \$'000	Change \$'000	IAF 2020 \$'000	2019 \$'000	Change \$'000
Asbestos related						
Reported	1,412	1,903	(491)	-	-	-
IBNR / re-opened claims	39,183	40,509	(1,326)	109	116	(7)
	40,595	42,412	(1,817)	109	116	(7)
Non-asbestos related						
Reported	1,067	1,158	(91)	-	-	-
IBNR / re-opened claims	55	140	(85)	-	-	-
	1,122	1,298	(176)	-	-	-
Central estimate	41,717	43,710	(1,993)	109	116	(7)
Claims handling expenses	3,546	3,715	(169)	10	10	-
Risk margin	19,440	20,195	(755)	53	56	(3)
Total outstanding claims liability	64,703	67,620	(2,917)	172	182	(10)

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 11 Outstanding claims liability - Other Funds (continued)

(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.

	2020	2019
Inflation rate		
asbestos claims	4.17%	4.50%
non-asbestos claims	2.17%	2.50%
Discount rate	1.34%	1.67%
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 2019 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.

(g) Summary of Other Funds

	2020 \$'000	2019 \$'000
Statutory reserve fund	64,703	67,620
Insurance assistance fund	172	182
Mining and quarrying industries fund	100	100
Net liability for outstanding claims	<u>64,975</u>	<u>67,902</u>
Current liability for outstanding claims	2,766	3,121
Non-current liability for outstanding claims	62,209	64,781
Total liability for outstanding claims	<u>64,975</u>	<u>67,902</u>
Change in liability for outstanding claims	<u>(2,927)</u>	<u>(4,122)</u>

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 12 Tribunal and ombudsman fees

	2020	2019
	\$'000	\$'000
South Australian Employment Tribunal	8,233	7,620
Ombudsman funding	608	636
Total tribunal and ombudsman fees	8,841	8,256

Note 13 General operating expenses

	Notes	2020	2019
		\$'000	\$'000
Employee benefits	17	31,641	31,975
Depreciation and amortisation	14	6,987	5,843
Expenses relating to operating leases		-	2,606
Other operating costs		18,663	18,366
Total general operating expenses		57,291	58,790

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$416,900 (2019: \$412,700). 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. This information is provided for 2018-19 only, as AASB 16 Leases does not distinguish between operating and finance leases for lessees.

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

	No.	2020	No.	2019
		\$'000		\$'000
Below \$10,000	-	-	2	9
\$10,000 or above	6	1,679	9	1,601
Total	6	1,679	11	1,610

Note 14 Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Leasehold improvements including office furniture and fittings	677	678
Computer, communications and general office equipment	189	369
Right-of-use land and buildings	2,126	-
Right-of-use motor vehicles	97	-
Intangible assets	3,898	4,796
Total depreciation and amortisation	6,987	5,843

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 15 Finance costs

	2020 \$'000	2019 \$'000
Interest and finance charges paid/payable for lease liabilities	132	-
Finance costs expensed	132	-

Note 16 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.

Note 17 Employee benefits

	2020 \$'000	2019 \$'000
Salaries and wages	28,345	27,588
Long service leave	14	1,202
Annual leave	692	334
Skills and experience retention leave	59	58
Contributions to defined contribution plans	2,531	2,793
Total employee benefits expenses	31,641	31,975

(a) Key management personnel

RTWSA key leadership personnel include the Minister, Board members, the Chief Executive Officer and members of the Executive Team. 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.

	2020 \$'000	2019 \$'000
Compensation		
Salaries and other short-term employee benefits	2,372	2,238
Post-employment benefits	217	212
Total	2,589	2,450

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 17 Employee benefits (continued)

(b) Remuneration of Employees

	2020 No.	2019 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151,000 to \$154,000*	-	6
\$154,001 to \$174,000	14	11
\$174,001 to \$194,000	6	4
\$194,001 to \$214,000	-	1
\$214,001 to \$234,000	3	3
\$254,001 to \$274,000	3	3
\$294,001 to \$314,000	-	1
\$314,001 to \$334,000	2	-
\$334,001 to \$354,000	1	-
\$354,001 to \$374,000	-	1
\$374,001 to \$394,000	1	-
\$534,001 to \$554,000	-	1
Total	30	31

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2018-19.

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

The total remuneration received by those employees for the year was \$6.2 million (2019: \$6.3 million).

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.

(c) Liability for employee benefits

	2020 \$'000	2019 \$'000
Current		
Accrued salaries and wages	643	487
Annual leave	2,218	1,942
Skills and experience retention leave	63	69
Long service leave	2,611	2,769
	5,535	5,267
Non-current		
Long service leave	2,268	2,482
Total employee benefits	7,803	7,749

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 17 Employee benefits (continued)

(c) Liability for employee benefits (continued)

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

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

The liability of salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at the reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable in full within 12 months and are measured at the undiscounted amount expected to be paid.

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

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.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 1.25% at 30 June 2019 to 0.75% at 30 June 2020. This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The salary inflation rate used in the actuarial assessment performed by the Department of Treasury and Finance decreased from 4.00% at 30 June 2019 to 2.50% at 30 June 2020 for long service leave liability. The net financial effect resulting from changes in the salary inflation rate is a decrease in the reported long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of \$0.4 million and employee benefits expense of \$0.5 million. The impact of future periods is impracticable to estimate as the long service leave is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

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 18 Remuneration of board and committee members

Members during the financial year ended 30 June 2020 were:

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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 18 Remuneration of board and committee members (continued)

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

	2020	2019
\$0 to \$20,000	-	1
\$20,001 to \$40,000	-	1
\$40,001 to \$60,000	-	2
\$60,001 to \$80,000	6	4
\$80,001 to \$100,000	-	1
\$100,001 to \$120,000	1	-

The total remuneration received and receivable by board members was \$471,000 (2019: \$476,000) which includes superannuation contributions.

The Minister'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 \$67,000 (2019: \$61,000). Members of the Committee include M. Atchison (Presiding Member), L. Birch, D. Blairs, E. Dabars, P. Jezukaitis, E. van der Linden, A. Moeller, S. Myatt and R. Paterson, as appointed to the Committee on 23 January 2018 by His Excellency, the Governor in Executive Council.

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

Note 19 Cash and cash equivalents

	Notes	2020 \$'000	2019 \$'000
Cash		-	2
Cash equivalents		214,585	145,826
Cash and cash equivalents in the Statement of Cash Flows		214,585	145,828

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 20 Trade and other receivables

	Notes	2020 \$'000	2019 \$'000
Current receivables			
Trade receivables - non government entities		16,019	11,771
Less allowance for doubtful debts		(8,600)	(7,600)
		7,419	4,171
Refunds		(15,117)	(13,711)
Recoverable claim payments	10	24,498	11,249
Sundry receivables and prepayments		3,259	1
Total current receivables		20,059	1,710
Non-current receivables			
Recoverable claim payments	10	50,426	52,388
Total non-current receivables		50,426	52,388
Total trade and other receivables		70,485	54,098

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 20 Trade and other receivables (continued)

Notes	2020 \$'000	2019 \$'000
Impairment of receivables		
Opening balance under AASB 139	(7,600)	(10,555)
Adjustments on initial adoption of AASB 9	-	(525)
Closing balance	<u>(7,600)</u>	<u>(11,080)</u>
Amounts written off	2,014	5,954
Increase in allowance recognised	<u>(3,014)</u>	<u>(2,474)</u>
Closing Balance	<u>(8,600)</u>	<u>(7,600)</u>

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. Allowances for doubtful debts are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. Bad debts are written off when identified.

The calculation of the impairment of receivables includes estimates to allow for businesses affected by the forecast downturn in the economy due to the effects of COVID-19.

Note 21 Investments

	2020 \$'000	2019 \$'000
Deposits with financial institutions	236,315	235,952
Government/semi-government securities	952,781	852,813
Non-government debt instruments	427,699	436,468
Securities listed on the Australian Stock Exchange	308,728	375,151
Securities listed on overseas stock exchanges	875,857	935,437
Unit Trust – unlisted property, infrastructure and private debt assets	712,064	728,628
Derivatives	14,253	6,413
Total investments	<u>3,527,697</u>	<u>3,570,862</u>
Current	372,659	337,909
Non-current	3,155,038	3,232,953
Total investments	<u>3,527,697</u>	<u>3,570,862</u>

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).

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 22 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 2018	6,775	1,566	8,341
Additions	-	271	271
Disposals	-	(1,019)	(1,019)
Balance at 30 June 2019	<u>6,775</u>	<u>818</u>	<u>7,593</u>
Balance at 1 July 2019	6,775	818	7,593
Additions	-	82	82
Disposals	-	(394)	(394)
Balance at 30 June 2020	<u>6,775</u>	<u>506</u>	<u>7,281</u>
Depreciation			
Balance at 1 July 2018	(4,106)	(1,055)	(5,161)
Depreciation charge	(678)	(369)	(1,047)
Disposals	-	1,019	1,019
Balance at 30 June 2019	<u>(4,784)</u>	<u>(405)</u>	<u>(5,189)</u>
Balance at 1 July 2019	(4,784)	(405)	(5,189)
Depreciation charge	(677)	(189)	(866)
Disposals	-	394	394
Balance at 30 June 2020	<u>(5,461)</u>	<u>(200)</u>	<u>(5,661)</u>
Carrying Amounts			
At 30 June 2019	<u>1,991</u>	<u>413</u>	<u>2,404</u>
At 30 June 2020	<u>1,314</u>	<u>306</u>	<u>1,620</u>

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 25 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:

	2020	2019
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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 23 Right-of-use assets

	Land and buildings \$'000	Motor vehicles \$'000	Total \$'000
Cost			
Additions	6,378	184	6,562
Balance as at 30 June 2020	<u>6,378</u>	<u>184</u>	<u>6,562</u>
Depreciation			
Depreciation charge	(2,126)	(97)	(2,223)
Balance at 30 June 2020	<u>(2,126)</u>	<u>(97)</u>	<u>(2,223)</u>
Carrying Amounts			
At 30 June 2020	<u>4,252</u>	<u>87</u>	<u>4,339</u>

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. If applicable, the associated lease payments are recognised as an expense.

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:

	2020	2019
Right-of-use land and buildings	Lease term	-
Right-of-use motor vehicles	Lease term	-

RTWSA has a limited number of leases:

- RTWSA leases land and buildings for its offices, under agreements of between five to ten years with options to extend. On renewal, the terms of the leases are renegotiated.
- RTWSA leases motor vehicles with terms of three years with options to extend.

The lease liabilities related to the right-of-use assets are disclosed in note 27. The maturity analysis of lease liabilities is disclosed in note 30(d). Expenses related to leases, include depreciation, as disclosed in note 14 and interest expense, as disclosed in note 15.

Impairment

Property, plant and equipment leased by RTWSA has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 24 Intangible assets

	IT development and software \$'000
Cost	
Balance at 1 July 2018	44,966
Balance at 30 June 2019	<u>44,966</u>
Balance at 1 July 2019	44,966
Balance at 30 June 2020	<u>44,966</u>
Amortisation	
Balance at 1 July 2018	(36,272)
Amortisation Charge	<u>(4,796)</u>
Balance at 30 June 2019	<u>(41,068)</u>
Balance at 1 July 2019	(41,068)
Amortisation Charge	<u>(3,898)</u>
Balance at 30 June 2020	<u>(44,966)</u>
Carrying Amounts	
At 30 June 2019	<u>3,898</u>
At 30 June 2020	<u>-</u>

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.

The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 25 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) have 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 2018	2,669	511	3,180
Additions	-	271	271
Depreciation	(678)	(369)	(1,047)
Disposals	-	-	-
Balance at 30 June 2019	1,991	413	2,404
Balance at 1 July 2019	1,991	413	2,404
Additions	-	82	82
Depreciation	(677)	(189)	(866)
Disposals	-	-	-
Balance at 30 June 2020	1,314	306	1,620

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

	\$'000
2019	(1,047)
2020	(866)

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 26 Trade and other payables

	2020 \$'000	2019 \$'000
Current		
Trade payables	16,048	13,880
Unearned premiums	45	125
Employment on-costs	715	681
Non-current		
Employment on-costs	229	248
Total trade and other payables	<u>17,037</u>	<u>14,934</u>

Payables are measured at nominal amounts, and are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs include payroll tax, RTWSA premium and superannuation contributions and are settled when the respective employee benefits that they relate to are discharged.

RTWSA contributes to several State Government and externally managed superannuation schemes. These contributions 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 schemes. The only liability outstanding at the reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has risen to 42% at 30 June 2020 from 41% at 30 June 2019. The average factor for the calculation of employer superannuation on-costs has remained constant at 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment benefit expense is immaterial.

Note 27 Leases liabilities

(a) Lease liabilities

	2020 \$'000	2019 \$'000
Current		
Lease liabilities	2,209	-
Non-current		
Lease liabilities	2,268	-
Total lease liabilities	<u>4,477</u>	<u>-</u>

All material cash outflows are reflected in the lease liabilities disclosed above.

(b) Cash outflow for leases

	2020 \$'000	2019 \$'000
Land and buildings	2,115	-
Motor vehicles	102	-
Total cash outflow for leases	<u>2,217</u>	<u>-</u>

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 27 Leases liabilities (continued)

(c) Extension options

The lease for office space had a remaining term of three years at the application date, with a right of renewal for a further 10 years, separated into two blocks of five years. As at 30 June 2020 it is not reasonably certain that RTWSA will take up an option to extend as future business requirements are still to be determined and there has been no discussion with the Department of Planning, Transport and Infrastructure, which has responsibility for accommodation leases.

Note 28 Provisions

	2020	2019
	\$'000	\$'000
Balance at the start of the year	139	-
Provisions made/(written back) during the year	82	139
Provisions used during the year	(139)	-
Balance at the end of the year	82	139

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2020. The redundancy provision was calculated in accordance with the RTWSA Award 2018 and RTWSA Enterprise Agreement 2018.

Note 29 Reconciliation of comprehensive result to net cash flows from operating activities

	2020	2019
	\$'000	\$'000
Total comprehensive result	(303,335)	(153,417)
Depreciation	3,089	1,047
Amortisation	3,898	4,796
Investment (profit)	(3,482)	(277,898)
Dividends received	68,983	71,220
Interest received	34,019	37,571
Increase/(decrease) in payables	2,110	(7,710)
(Increase)/decrease in receivables	(16,387)	8,736
Increase/(decrease) in outstanding claims liability	269,635	486,018
Increase/(decrease) in employee benefits	54	848
Increase/(decrease) in provisions	(57)	139
Net cash flows from operating activities	58,527	171,350

Note 30 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

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(a) Overview (continued)

- 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.

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 \$13,284 (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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(b) Insurance risk (continued)

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 53,000. 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 10 and 11. A key control utilised by RTWSA in seeking to ensure the adequacy of the claims provision is the regular completion of actuarial valuations:

- 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 system 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.

(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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

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 and a global equity index fund.

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.

The composition of each asset group at 30 June 2020 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	214,585	-	-	-	-	-	-	214,585
Fixed interest	6,574	252,586	87,282	-	-	-	(210)	346,232
Inflation Linked Securities	7,291	687,450	78,832	-	-	-	(555)	773,018
Australian Equities	3,100	-	-	289,727	-	-	(15)	292,812
Overseas Equities - hedged	-	-	-	-	104,660	-	3,924	108,584
Overseas Equities - unhedged	-	-	-	-	496,617	-	-	496,617
Property & Infrastructure	6,554	-	-	19,001	274,580	480,207	5,214	785,556
Alternative income	(1,789)	12,745	261,585	-	-	231,857	5,895	510,293
	<u>236,315</u>	<u>952,781</u>	<u>427,699</u>	<u>308,728</u>	<u>875,857</u>	<u>712,064</u>	<u>14,253</u>	<u>3,527,697</u>

The composition of each asset group at 30 June 2019 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	145,826	-	-	-	-	-	-	145,826
Fixed interest	7,028	244,944	117,562	-	-	-	712	370,246
Inflation Linked Securities	41,192	607,869	76,333	-	-	-	(27)	725,367
Australian Equities	5,220	-	-	353,518	-	-	13	358,751
Overseas Equities - hedged	-	-	-	-	263,140	-	1,848	264,988
Overseas Equities - unhedged	-	-	-	-	383,907	-	-	383,907
Property & Infrastructure	9,689	-	-	21,633	288,390	508,422	1,656	829,790
Alternative income	26,997	-	242,573	-	-	220,206	2,211	491,987
	<u>235,952</u>	<u>852,813</u>	<u>436,468</u>	<u>375,151</u>	<u>935,437</u>	<u>728,628</u>	<u>6,413</u>	<u>3,570,862</u>

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

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
- 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 intentionally 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

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

Credit risk - investments

RTWSA manages its exposure to credit risk related to fixed interest, cash investments and non-centrally cleared financial instruments through its Investment Strategy and Investment Guidelines, which incorporate credit limits. Credit exposures are monitored against approved limits with breaches corrected and notified to the Board Investment and Finance Committee.

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

As at 30 June 2020:

	Short-term issue ratings*			Long-term issue ratings**				BB/B	Not Rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	214,585	-	-	-	-	-	-	-	-	214,585
Fixed interest	6,574	-	-	261,996	46,031	17,305	14,536	-	(210)	346,232
Inflation linked securities	7,291	-	-	652,438	75,196	21,959	16,689	-	(555)	773,018
Alternative income	-	-	-	45,987	30,778	109,324	231,528	28,237	64,439	510,293
	<u>228,450</u>	<u>-</u>	<u>-</u>	<u>960,421</u>	<u>152,005</u>	<u>148,588</u>	<u>262,753</u>	<u>28,237</u>	<u>63,674</u>	<u>1,844,128</u>

As at 30 June 2019:

	Short-term issue ratings*			Long-term issue ratings**				BB/B	Not rated***	Total
	A1+	A1	A2	AAA	AA	A	BBB			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	115,826	30,000	-	-	-	-	-	-	-	145,826
Fixed interest	-	-	-	269,376	73,907	14,539	11,712	-	712	370,246
Inflation linked securities	38,546	-	-	556,851	77,576	35,821	16,600	-	(27)	725,367
Alternative income	-	-	-	51,923	25,580	123,859	207,068	19,887	63,670	491,987
	<u>154,372</u>	<u>30,000</u>	<u>-</u>	<u>878,150</u>	<u>177,063</u>	<u>174,219</u>	<u>235,380</u>	<u>19,887</u>	<u>64,355</u>	<u>1,733,426</u>

* 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 predominately of cash or investments in pooled funds.

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

17.4% of RTWSA's trade receivables and sundry receivables were past due greater than 30 days (2019: 30.0%). The ageing of RTWSA's trade receivables and sundry receivables at the reporting date was:

	2020	2019
	\$'000	\$'000
Not past due	6,929	2,297
Past due 1-30 days	1,895	623
Past due 31-60 days	1,363	1,077
Past due 61 days to one year	491	175
	10,678	4,172

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. 85.0% (2019: 86.1%) 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 10 & 11.

As at 30 June 2020:

	1 year or less \$'000	1 to 3 years \$'000	3 to 5 years \$'000	Over 5 Years \$'000	No Term \$'000	Total \$'000
Lease liabilities	2,209	2,268	-	-	-	4,477
Trade and other payables	16,808	229	-	-	-	17,037

As at 30 June 2019:

	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	14,686	248	-	-	-	14,934

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

RTWSA is exposed to market risk primarily through:

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

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. The 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 2020				
US Dollar (10% movement)	(28,205)	28,205	(28,205)	28,205
China (10% movement)	(2,363)	2,363	(2,363)	2,363
Euro (10% movement)	(4,321)	4,321	(4,321)	4,321
JPY (10% movement)	(3,414)	3,414	(3,414)	3,414
Sterling (10% movement)	(1,904)	1,904	(1,904)	1,904
Other (10% movement)	(9,769)	9,769	(9,769)	9,769
30 June 2019				
US Dollar (10% movement)	(17,612)	17,612	(17,612)	17,612
China (10% movement)	(2,525)	2,525	(2,525)	2,525
Euro (10% movement)	(3,218)	3,218	(3,218)	3,218
JPY (10% movement)	(2,203)	2,203	(2,203)	2,203
Sterling (10% movement)	(1,603)	1,603	(1,603)	1,603
Other (10% movement)	(11,313)	11,313	(11,313)	11,313

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

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.

		Profit or loss		Equity	
		Strengthening	Weakening	Strengthening	Weakening
		\$'000	\$'000	\$'000	\$'000
1% interest rate movement - interest bearing investments					
	2020	(100,315)	100,315	(100,315)	100,315
	2019	(95,802)	95,802	(95,802)	95,802

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 long-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 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	Weakening	Strengthening	Weakening
		\$'000	\$'000	\$'000	\$'000
Listed Securities					
30 June 2020					
Domestic securities - (20% movement)		61,746	(61,746)	61,746	(61,746)
International securities - (20% movement)		175,171	(175,171)	175,171	(175,171)
30 June 2019					
Domestic securities - (20% movement)		75,030	(75,030)	75,030	(75,030)
International securities - (20% movement)		187,087	(187,087)	187,087	(187,087)

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 Risk management (continued)

(d) Financial risk (continued)

Fair value measurements

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

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 2020:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	236,315	-	-	236,315
Government / semi-government securities	952,781	-	-	952,781
Non-government debt instruments	427,699	-	-	427,699
Securities listed on the Australian Stock Exchange	308,728	-	-	308,728
Securities listed on overseas stock exchanges	875,857	-	-	875,857
Unit Trusts - unlisted property and debt security assets	231,857	281,222	-	513,079
Unit Trusts - unlisted infrastructure	-	-	198,985	198,985
Derivatives	-	14,253	-	14,253
Total investments at fair value through profit and loss	3,033,237	295,475	198,985	3,527,697

At 30 June 2019:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Deposits with financial institutions	235,952	-	-	235,952
Government / semi-government securities	852,813	-	-	852,813
Non-government debt instruments	436,468	-	-	436,468
Securities listed on the Australian Stock Exchange	375,151	-	-	375,151
Securities listed on overseas stock exchanges	935,437	-	-	935,437
Unit Trusts - unlisted property and debt security assets	220,206	310,400	-	530,606
Unit Trusts - unlisted infrastructure	-	-	198,022	198,022
Derivatives	-	6,413	-	6,413
Total investments at fair value through profit and loss	3,056,027	316,813	198,022	3,570,862

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.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 30 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 2020 and 2019:

	Financial year ended 30 June 2020 \$'000	Financial year ended 30 June 2019 \$'000
Unit Trusts - unlisted infrastructure		
Opening balance	198,022	183,839
Contributions	194	3,185
Withdrawals	(5,805)	(1,434)
Gains recognised in investment profit	6,574	12,432
Closing balance	198,985	198,022

Note 31 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 32 Commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Office Leases \$'000	Motor Vehicles \$'000	2020 Total \$'000	Office Leases \$'000	Motor Vehicles \$'000	2019 Total \$'000
Within one year	-	-	-	2,446	101	2,547
Later than one year but not longer than five years	-	-	-	5,244	102	5,346
	-	-	-	7,690	203	7,893

Operating lease commitments is provided for the comparative year only as AASB 16 Leases does not distinguish between operating and finance leases for the lessee.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 33 Employer financial guarantees

Under section 129 of the Act and schedule 3 of the Regulations, RTWSA administers financial guarantees lodged by self-insured employers. As at 30 June 2020, RTWSA held security to the value of \$277.3 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.

Note 34 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 2020 is \$54.6 million (2019: \$54.3 million).

Note 35 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 36 Changes in accounting policy

(a) AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

The adoption of AASB 16 Leases from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 Leases only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 Leases applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position
- AASB 117 Leases resulted in operating lease payments being recognised as an expense under expenses relating to operating leases. AASB 16 Leases largely replaces this with depreciation expenses that represents the use of the right-of-use asset and finance costs that represent the cost associated with financing the right-of-use asset.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 36 Changes in accounting policy (continued)

(a) AASB 16 Leases (continued)

The total impact on RTWSA's retained earnings as at 1 July 2019 is as follows:

	2020
	\$'000
Closing earnings 30 June 2019 - AASB 117	373,562
Assets - property, plant and equipment	6,562
Liabilities - lease liabilities	(6,562)
Opening retained earnings 1 July 2019 - AASB 16	373,562

RTWSA disclosed in its 2019-20 financial statements total un-discounted operating lease commitments of \$7.9m under AASB117. The following table presents the reconciliation of lease liabilities as at 1 July 2019:

	2020
	\$'000
Reconciliation of lease liabilities	
Operating lease commitments (gross) at 30 June 2019	7,893
Non-lease components	(1,060)
Effect of discounting at the incremental borrowing rate as at 1 July 2019	(235)
Recognition exemption for short-term leases	(36)
Lease liabilities as at 1 July 2019	(6,562)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The Treasurer's Instructions (Accounting Policy Statements) require certain choices in those transitional provisions to be taken. RTWSA has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations
- the initial measurement of lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate. Based on the SA Government's cost of borrowing, the rate for land and buildings as published by the Department of Treasury and Finance, was 2.38% as at 1 July 2019. The relevant rates for motor vehicle leases were the inherent rates within each lease
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the RTWSA's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- RTWSA, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are subsequently measured applying a cost model.

ReturnToWorkSA
Notes to and forming part of the financial statements
30 June 2020

Note 36 Changes in accounting policy (continued)

(a) AASB 16 Leases (continued)

Significant accounting policies that relate to the application of AASB 16 are disclosed under relevant notes and referenced to at note 23.

(b) AASB 15 Revenue from Contracts with Customers

No impact on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and from 2023-24, AASB 17.

(c) AASB 1058 Income of not-for-profit entities

No impact on RTWSA's revenue recognition as all material revenue earning is currently subject to AASB 1023 and from 2023-24, AASB 17.

Note 37 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 effective.

The material impacts on RTWSA are outlined below:

(a) AASB 17 - Insurance Contracts

A comprehensive standard for all insurance contracts (life, general and health) replacing AASB 4, AASB 1023 and AASB 1038.

Application date is 1 July 2023.

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 Comprehensive Income or in Other Comprehensive Income.

Note 38 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 2020.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2020

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 2020 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.



G. McCarthy
Chair



M. Francis
Chief Executive Officer



D. Quirk
Chief Financial Officer

ii September 2020



**INDEPENDENT
AUDITOR'S
REPORT**



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

Opinion

I have audited the financial report of Return to Work Corporation of South Australia for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- 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, 10 and 11 of the financial report.

There is a 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 10 and 11 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 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* (including Independence Standards) have been met.

I believe that the audit evidence I have 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 is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant 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

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 Return to Work Corporation of South Australia for the financial year ended 30 June 2020.

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:

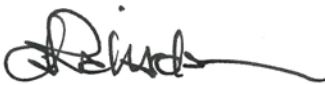
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

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, but not for the purpose of expressing an opinion on the effectiveness of the Return to Work Corporation of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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 and the members of the Board 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

18 September 2020



**ACTUARIAL
CERTIFICATE
OUTSTANDING
CLAIM LIABILITIES**

RETURN TO WORK CORPORATION OF SOUTH AUSTRALIA

Actuarial Certificate

Outstanding Claim Liabilities at 30 June 2020

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.

Our estimates include allowances for the expected impacts of the COVID-19 pandemic and associated economic disruption. These allowances were set based on the situation as at the time of our work (July 2020), and implicitly assume South Australia avoids a 'second wave' of infections and that there are no further economic shutdowns or major impacts on business confidence.

Despite a number of 'key cases' having resolved over the last two years, new avenues of legal challenge to the operation of WPI assessments (which govern access to the Serious Injury benefit package) continue to emerge. There are again cases on appeal to the Full Court, which if they do not resolve favourably for ReturnToWorkSA then there are likely to be adverse financial consequences for the scheme.

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.

Our estimates and reports have been prepared in accordance with the Actuaries Institute's Professional Standard 302 and with our understanding of the relevant Australian Accounting Standard AASB 1023.

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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 2020 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 2020 is \$2,944 million. ReturnToWorkSA has provided \$3,365 million in its financial statements as at 30 June 2020 for the net outstanding claim liabilities, having added to our net central estimate a risk margin of 14.3% 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 2020 – Return To Work Scheme

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Serious Injuries</i>	1,974	
<i>Short Term Claims</i>	770	
<i>Claims Handling Expenses</i>	266	
Gross Liability	3,009	3,440
<i>Future Recoveries on Outstanding Claims</i>	-66	-75
Net Liability	2,944	3,365

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 2020 is \$45 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 2019/20 we were satisfied with rolling forward the June 2019 valuation basis to 30 June 2020 for these claims. ReturnToWorkSA has provided \$65 million in its financial statements as at 30 June 2020 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 2020 – SRF and IAF

	Central Estimate	Provision
	\$m	\$m
Gross Liability for Outstanding Claims		
<i>Statutory Reserve Fund</i>	42	
<i>Insurance Assistance Fund</i>	0.1	
<i>Claims Handling Expenses</i>	4	
Gross Liability	45	65
<i>Future Recoveries on Outstanding Claims</i>	-	-
Net Liability	45	65

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.

The uncertainty at this valuation is heightened by the impact of COVID-19 and the associated shutdowns. While we have made allowances that we consider to be reasonable, it is impossible to estimate the impact of COVID-19 on ReturnToWorkSA's liabilities with any level of certainty at the current time. The actual impacts of COVID-19 may be materially different from what we have assumed.

As shown in Table 1, the largest component of ReturnToWorkSA's liabilities relate to Serious Injuries (as defined in the Act). These claims are entitled to benefits for life, and so deviations from our assumptions have the potential to compound over many years. In particular, continued legal challenge to the rules about how and when claims are determined to be eligible for the Serious Injury benefit package means the costs could be higher than our projections.

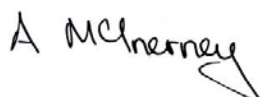
It is quite possible that one or more changes could produce a financial outcome materially different from our estimates.

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 1 September 2020 (Scheme) and 31 July 2020 (SRF and IAF).



Andrew McInerney
(Scheme)
1 September 2020



David McNab
(SRF and IAF)
1 September 2020

Fellows of the Institute of Actuaries of Australia

Notes

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Notes

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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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