

2020–2021

Annual report

Acknowledgement of country

WorkCover Queensland acknowledges and pays respect to Queensland's Elders past, present and emerging.

We thank the Traditional Custodians of Country throughout Australia for their ongoing custodianship of land, waters and community.

Contents

About this report	4
Letter of compliance	5
About WorkCover Queensland	6
Customer service commitment	7
Corporate plan 2020–2024	8
Our goals and performance indicators	9
Statement of Corporate Intent 2020–2021	10
Highlights	16
Statistics	17
Chair and CEO report	21
Board of Directors	26
Executive Leadership Team	28
Working together with our customers to improve outcomes	29
Engaged people	32
Governance management and structure	38
Governance – risk management and accountability	45
Financial performance	50
Consolidated financial statements	54
Compliance checklist	104
Glossary	106

About this report

Under the *Workers' Compensation and Rehabilitation Act 2003* (the Act), WorkCover Queensland is required to produce an annual report. This report has been prepared to meet the needs of stakeholders and the accountability requirements under the *Financial Accountability Act 2009*.



WorkCover is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on 1300 362 128 and we will arrange an interpreter to effectively communicate the report to you.

To view previous reports, please visit our website:

www.worksafe.qld.gov.au/forms-and-resources/publications/annual-reports

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Letter of compliance

24 August 2021

The Honourable Grace Grace MP
Minister for Education, Minister for Industrial Relations and Minister for Racing
1 William Street
BRISBANE QLD 4000

Dear Minister

I am pleased to submit for presentation to the Parliament the WorkCover Queensland 2020–2021 Annual Report and Financial Statements.

I certify that this Annual Report complies with:

- the requirements under the Workers' Compensation and Rehabilitation Act 2003
- the prescribed requirements of the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2019, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

I am pleased to acknowledge both the contribution of our Board as well as the care and dedication of our people in providing excellent workers' compensation cover in Queensland.

A checklist outlining the annual reporting requirements is provided at page 104 of this annual report.

Yours sincerely



Flavia Gobbo
WorkCover Queensland Chair

About WorkCover Queensland

Who we are

WorkCover Queensland has been providing workers' compensation insurance in Queensland for more than 20 years to more than 160,000 businesses.

Supporting Queensland workers and businesses is at the heart of everything we do. From customer service and managing claims, to accessing rehabilitation, and making sure employers have the right cover to protect their workers.

The most important thing for us is keeping Queenslanders working and we understand everyone's needs are different. We will work with each individual to make sure they get the best outcome for their situation.

We are committed to balancing employer and worker needs. We aim to keep premiums low for employers, while also supporting injured workers with their recovery and return to work.

Working together

WorkCover partners with various government agencies and key stakeholders to give Queensland businesses and the broader community efficient access to specialist advice on workers' compensation matters, rehabilitation, and return to work.

Minister for Education, Minister for Industrial Relations and Minister for Racing

Develops workers' compensation and workplace health and safety legislation.

Workplace Health and Safety Queensland (WHSQ)

Enforces workplace health and safety laws and educates stakeholders on their legal obligations.

Workers' Compensation Regulatory Services (WCRS)

Office of Industrial Relations

Regulates the Queensland workers' compensation scheme, including self-insurers and is a facilitator of legal and medical resolutions, and an educator and promotor of the scheme on behalf of all stakeholders.

The Electrical Safety Office

Develops and enforces legislative and compliance standards to improve electrical safety.

WorkCover Queensland

Provides and manages workers' compensation insurance for Queensland employers and workers.

Customer service commitment

WorkCover Queensland is committed to putting the customer first and providing quality experiences. We partner with our customers and stakeholders to deliver innovative and sustainable outcomes, creating value for Queensland businesses and workers.

Our values of excellence, integrity, responsiveness and respect are incorporated into everything we do. Our people also aim to live by our customer strategy principles—easy, fair and transparent, empowered, consistent and valued—with every customer interaction.

Service

WorkCover's aim is to deliver excellent customer service and to make doing business with us easy. We will always strive to meet our customers' expectations by:

- personally answering calls during business hours
- listening first, then responding in a timely way
- communicating openly and in plain language
- providing contact details of a person to assist
- being fair and impartial in all our interactions.

Recovery from injury

WorkCover is here to support the often difficult and emotional experience of a work-related injury. We are committed to assisting people to recover at work and liaising with all parties involved to achieve the best possible outcome by:

- communicating regularly with everyone involved
- undertaking necessary rehabilitation
- facilitating an early and safe return to work, subject to fitness and capability
- providing support to reduce the impact of the injury
- assisting to reduce the disruption an injury can cause.

Engagement

WorkCover cares about its customers and stakeholders and engages with them in a positive way for mutual benefit through:

- understanding individual requirements
- asking how we can improve
- providing regular updates
- proactively building relationships
- offering value added services.

Information and feedback

WorkCover values customer and stakeholder feedback to help continually improve services. We are also committed to protecting the privacy of our customers. We take all reasonable precautions to protect the information given to us by:

- storing personal information securely
- allowing access to information quickly and easily.

Corporate plan 2020–2024

Our vision is to be the best workers' compensation insurer and make a positive difference to people's lives.

Our purpose

We partner with and support our customers to keep Queenslanders working through:

- trusted partnerships that underpin our focus on return to work outcomes
- tailored quality experiences for workers and employers
- creating value for business through innovative and sustainable outcomes
- influencing and investing in injury risk reduction.

Our values

Excellence To deliver outcomes that are highly valued by our customers	Integrity To always do the right thing
Responsiveness To provide an experience that meets the individual needs of our customers	Respect To be considerate of the rights and dignity of everyone

Our customers

Our customers are injured workers and employers, supported by various stakeholder groups.

Challenges

- Maintain return to work rates, control costs and support customers in a challenging economic and financial environment, while maintaining a financially sustainable fund
- Emerging trends in claims including COVID-19, mental injuries, silicosis and other respiratory conditions
- Evolve the claims management model and the capability of our people to support the changing workforce and nature of injuries
- Engage with and influence customers and stakeholders to achieve mutually beneficial outcomes including a focus on minimising the risk of workplace injuries and improving the management of injuries and return to work
- Design and deliver products, services and experiences that are valued by our customers, now and in the future
- Continue to develop our technology base to ensure currency and alignment to a digital operating model
- Retain and grow our customer base
- Maintain an engaged, skilled, diverse, and capable workforce.

Our goals and performance indicators

Claims management: We work smart and innovate

- We deepen partnerships to create better outcomes
- Optimise the value and efficiency of what we do
- Execute the right projects and activities at the right time
- Explore and test opportunities for innovation and disruption.

Performance indicator

- Final return to work percentage
- Average claims costs (statutory and common law).

Customer: Our customers are at the heart of everything we do

- We understand our customers deeply and deliver valued experiences
- We provide tailored, innovative solutions for our customers.

Performance indicators

- Customer experience (CX) measure for workers and employers.

People: Our people are remarkable

- Create an environment that inspires our people to make a difference
- Ensure our people are connected to our purpose, which drives positive outcomes
- Enable a continuous learning culture that uplifts the capability of our people.

Performance indicator

- Employee engagement index.

Corporate: We are financially secure

- Perform at an optimal balance between premium, claims costs and investment return
- Invest in injury management and risk reduction
- Maximise the value of our spend for better return to work outcomes and operational efficiencies
- Maintain our financial stability.

Performance indicators

- Funding ratio
- Average premium rate.

Statement of Corporate Intent

2020–2021

Introduction

This Statement of Corporate Intent has been prepared under the direction of, and is submitted by, the WorkCover Queensland Board of Directors (WorkCover), in accordance with the *Workers' Compensation and Rehabilitation Act 2003* (the Act).

This Statement of Corporate Intent should be read in conjunction with the 2020–2024 WorkCover Queensland Corporate Plan.

Goals

- Our customers are at the heart of everything we do
- Our people are remarkable
- We work smart and innovate
- We are financially secure.

Main undertakings

WorkCover is a government owned statutory body and is the main provider of workers' compensation insurance in Queensland. A WorkCover accident insurance policy covers injured workers for their lost wages and medical and rehabilitation costs after a workplace accident, covers employers against these costs, and possible common law claims.

The main provisions of the Act provide the following for workers and employers:

- Compensation
- Access to damages
- Employers' liability for compensation
- Employers' obligation to be covered against liability for compensation and damages
- Management of compensation claims by WorkCover
- Injury management, emphasising rehabilitation and early return to suitable duties.

It is intended that WorkCover will:

- maintain a balance between:
 - providing the best possible benefits and RTW programs for injured workers, and
 - ensuring the lowest possible sustainable premiums for employers
- ensure that injured workers (and/or their dependents) and employers are treated fairly
- provide for injured workers and employers to participate in effective return to work (RTW) programs, and
- allow flexible, tailored and innovative insurance arrangements suited to the particular needs of industry.

Nature and scope of activities during 2020–2021

GOAL		STRATEGIES
Claims management	We work smart and innovate	<ul style="list-style-type: none"> – Evaluate and implement our tailored care and support claims management model – Engage with key stakeholders and providers to review and develop options to optimise treating services and outcomes to realise improvements in quality, price, outcomes, and timely access to services – Implement key data analytics initiatives to support our people, customers and providers – Modernise our information management and digital technology to ensure they continue to provide cutting edge solutions for our people and our customers – Enhance our specialist claims management models to address <ul style="list-style-type: none"> ○ emerging trends and risks including COVID-19 ○ mental injuries and post-traumatic stress disorder (PTSD) ○ silicosis and other latent onset conditions ○ catastrophic injuries – Continue to evolve our common law panel management strategy – Research, test and implement intervention strategies to improve return to work outcomes and common law claims management.
Customer	Our customers are at the heart of everything we do	<p>Engage with customers, stakeholders, and our people to understand our customers' needs and deliver an excellent end-to-end customer experience:</p> <ul style="list-style-type: none"> – Continue to implement our regional engagement program – Continue to explore and offer tailored solutions for employers and workers – Enhance our customer research and insight program – Research, design and implement improvements to our customer segmentation, customers' end-to-end experience for claims, premium and relationship management

		<ul style="list-style-type: none"> – Improve common law experiences for injured workers and employers – Redesign our customer channels including the website to achieve better alignment to our customers' needs – Partner with the Office of Industrial Relations and other key stakeholders to educate and influence customers on improved safety, and return to work – Partner with customers and stakeholders (including Workplace Health and Safety) to pilot injury risk reduction initiatives.
People	Our people are remarkable	<ul style="list-style-type: none"> – Continue to develop our people including leadership performance and specialist knowledge through our learning and capability framework – Continue our commitment to diversity through inclusive and flexible work practices and community engagement – Prioritise our employee engagement, workplace safety and wellbeing initiatives – Implement graduate and emerging leaders programs.
Corporate	We are financially secure	<ul style="list-style-type: none"> – Appropriately price and collect premium, considering emerging trends in claims, workforce and employment arrangements including legislation changes and COVID 19 – Review and design innovative products that meet changing customer needs, focused on increasing choice and incentives for improved safety and claims experience – Retain and grow our customer base – Continue our focus on education and compliance activities so that Queensland businesses have the right level of insurance coverage – Manage and monitor the investment strategy – Modernise our technology base and digital operating model to enhance customer experience and support our current business operations ensuring we are capable of leveraging emerging opportunities – Monitor outcomes of recent legislative amendments.

Financial, non-performance targets and results

Performance indicators are focused at the corporate level. As part of WorkCover's performance management system, managers and their people have indicators specifically directed to their business units.

INDICATOR	2020–2021 TARGET	WHAT DID WE ACHIEVE?
Claims management		
Final return to work (RTW)	94.0%	94.4%
Average cost of statutory claim	<\$11,000	\$11,108
Average cost of common law claim	<\$191,000	\$194,046
Customer		
Customer experience measure (Workers and employers)	7.6 / 10	7.5 / 10
People		
Employee engagement index	7.9 / 10	7.0 / 10
Financial		
Funding ratio	>120%	155%
Average premium rate	\$1.20	\$1.20

Capital structure and payments to the consolidated fund

In accordance with the Act, WorkCover is deemed to be fully funded if it is able to meet its liabilities for compensation and damages payable from its funds, accounts, and maintains capital adequacy as required under the *Workers' Compensation and Rehabilitation Regulation 2014* (the Regulation). The Regulation states that in order to maintain capital adequacy, WorkCover's total assets must at least be equal to total liabilities (this correlates to a funding ratio of 100%).

The Act allows for payments to be made to the consolidated fund. The WorkCover Board (the Board) will make a recommendation to the Minister with respect to such a payment (if any) following certification of the 2020–2021 financial statements.

WorkCover will also contribute to levies administered by the Regulator by way of an annual levy.

Borrowings made, proposed to be made

WorkCover currently has no borrowings and there are none planned for the immediate future. Investment funds are used to manage all cash flow requirements. WorkCover's borrowing policy is outlined below.

Policies adopted to minimise and manage risk of investments and borrowings that may adversely affect financial stability

Investment risk

WorkCover has a robust investment management program, maintaining a balanced investment profile with a long-term outlook commensurate with being a long-term insurance operation. WorkCover engages the Queensland Investment Corporation (QIC) as primary investment manager, with Mercer assisting with independent investment portfolio oversight and governance.

A strong investment management agreement governs WorkCover's arrangement with QIC. In addition, the Board monitors investments at each meeting and receives regular presentations from QIC. The Board reviews the investment strategy annually, and an independent review framework exists to continuously monitor the investment management program through focused quarterly reviews, including a holistic external strategy review every two years.

Derivative instruments are used as part of the investment strategy to hedge foreign exchange risks and rebalance asset classes.

Business risk

WorkCover has a risk management program in place. Risk registers are maintained and monitored by each business group. Strategies to manage risk are incorporated into each group's business planning process. The WorkCover Risk and Audit Committee is responsible for overseeing the risk management program, including reviewing and monitoring WorkCover's top strategic risks on a quarterly basis.

Borrowing risk

The Act provides the framework for WorkCover's procedures for borrowing. WorkCover may enter into such arrangements to procure equipment up to an amount and on such terms as it considers appropriate. All financing arrangements will be made in conjunction with the Queensland Treasury to establish that applicable rates are competitive, and conditions are appropriate. Board approval will be required for all financing arrangements over pre-defined expenditure limits. All limits are as stated in the WorkCover delegation manual.

Policies and procedures relating to acquisition and disposal of significant assets

In acquiring or disposing of significant assets, WorkCover complies with the *Financial and Performance Management Standard 2019* and Queensland Treasury guideline – *Non-Current Asset Policies for the Queensland Public Sector*.

Significant assets may be acquired via purchase, finance lease agreement, donations, or transfer from other government entities. A business case must be submitted to the Chief Executive Officer (CEO) and/or the Chief People and Financial Officer seeking approval. The CEO will present any major initiatives to the Board for approval.

Approval limits are as stated in the WorkCover delegation manual.

In disposing of significant assets, approval must be sought from the appropriate delegated authority. Approval limits are as stated in the WorkCover delegation manual.

Accounting policies applying to preparation of accounts

WorkCover's accounting policies are outlined each year in the Annual Report and are reviewed as part of the financial statements audit process. Further information on accounting policies is provided in WorkCover's Financial Management Practice Manual.

Community service obligations

It is not expected that the government will require WorkCover to perform any specific community service obligations.

Employment and industrial relations plan

WorkCover prepares an employment and industrial relations plan annually in accordance with the Act.

Information to be reported to the Minister

Quarterly reporting

A quarterly report is provided to the Minister within one month of the end of the relevant quarter, as required by the Act. The report contains information regarding WorkCover's performance against the Statement of Corporate Intent.

Annual reporting

A full annual report will be provided to the Minister in accordance with the Act and in compliance with the *Financial and Performance Management Standard 2019*, which requires WorkCover to give the annual report to the Minister to allow the report to be tabled in the Legislative Assembly within three months after the conclusion of each financial year.

Highlights

Our organisation

\$1.20

average premium rate per \$100 of wages, maintained for the seventh consecutive year

\$5.71B

funds under management

312,318

customer calls to our contact centre

86%

people survey response rate

7.5 / 10

combined customer experience measure*

70%

sustainable employee engagement

Our employers

170,723

employers insured

\$82M+

premium savings for employers (including apprentice and 5% early payment discounts)

122,560

customers renewed their policy online

298

customers helped onsite by our compliance advisors

555

employers helped through Injury Prevention and Management Program

7.8 / 10

average customer experience rating by employers, Q4 2020–2021 survey results*

Our workers

\$1.16B

statutory benefits and entitlements paid to workers

94.4%

injured workers returned to work

65,408

injured workers assisted

2,903

new common law claims

7.4 / 10

average customer experience rating by workers, Q4 2020–2021 survey results*

** number has been rounded to the nearest tenth.*

Statistics

STATUTORY CLAIMS AND PAYMENTS BY INJURY NATURE								
Injury nature	Number of accepted claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Burns	1,306	2.0%	1,355	2.2%	11.4	1.0%	10.1	0.9%
Fractures	5,426	8.3%	5,035	8.0%	158.6	13.7%	160.3	14.5%
Intracranial injuries and injuries to nerves and spinal cord	594	0.9%	341	0.5%	22.1	1.9%	17.6	1.6%
Mental disorders	1,724	2.6%	1,541	2.5%	104.7	9.1%	85.7	7.7%
Musculoskeletal injuries and diseases	36,160	55.3%	34,260	54.7%	552.5	47.7%	521.1	46.9%
Nervous system and sense organ diseases	1,345	2.1%	1,373	2.2%	25.1	2.2%	26.9	2.4%
Other injuries and diseases	5,572	8.5%	4,594	7.3%	133.9	11.6%	131.7	11.9%
Respiratory system diseases	336	0.5%	305	0.5%	51.6	4.5%	52.5	4.7%
Skin and subcutaneous tissue diseases	250	0.4%	299	0.5%	2.7	0.2%	2.3	0.2%
Wounds, lacerations, amputations and internal organ damage	12,695	19.4%	13,536	21.6%	93.8	8.1%	102.0	9.2%
Total	65,408	100.0%	62,639	100.0%	1,156.4	100.0%	1,110.2	100.0%

STATUTORY CLAIMS AND PAYMENTS BY INJURY LOCATION								
Injury location	Number of accepted claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Back	11,117	17.0%	10,594	16.9%	178.7	15.4%	171.1	15.4%
Foot and toes	2,122	3.2%	2,123	3.4%	27.6	2.4%	28.6	2.6%
Hand and fingers	10,653	16.3%	10,364	16.6%	88.7	7.7%	85.3	7.7%
Head and face	5,361	8.2%	5,480	8.7%	54.1	4.7%	59.4	5.3%
Lower limbs	11,938	18.3%	11,460	18.3%	177.7	15.4%	178.4	16.1%
Multiple locations	1,758	2.7%	1,780	2.8%	36.6	3.2%	37.7	3.4%
Neck	2,181	3.3%	2,118	3.4%	39.2	3.4%	39.0	3.5%
Systemic	2,066	3.2%	1,876	3.0%	112.8	9.8%	91.1	8.2%
Trunk	3,088	4.7%	2,935	4.7%	134.2	11.6%	135.1	12.2%
Unspecified location	1,075	1.6%	905	1.4%	26.5	2.3%	25.9	2.3%
Upper limbs	14,049	21.5%	13,004	20.8%	280.3	24.1%	258.6	23.3%
Total	65,408	100.0%	62,639	100.0%	1,156.4	100.0%	1,110.2	100.0%

STATUTORY CLAIMS AND PAYMENTS BY INDUSTRY CLASSIFICATION								
Injury Industry	Number of accepted claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Accommodation and Food Services	3,747	5.7%	3,749	6.0%	43.0	3.7%	48.0	4.3%
Administrative and Support Services	1,960	3.0%	2,001	3.2%	38.0	3.3%	35.5	3.2%
Agriculture, Forestry and Fishing	2,548	3.9%	2,268	3.6%	41.8	3.6%	36.8	3.3%
Arts and Recreation Services	872	1.3%	910	1.5%	12.4	1.1%	14.4	1.3%
Construction	7,521	11.5%	7,141	11.4%	172.5	15.0%	185.0	16.7%
Education and Training	5,581	8.5%	5,404	8.6%	68.6	5.9%	66.0	5.9%
Electricity, Gas, Water and Waste Services	829	1.3%	814	1.3%	15.6	1.3%	13.6	1.2%
Financial and Insurance Services	275	0.4%	381	0.6%	6.9	0.6%	7.7	0.7%
Health Care and Social Assistance	12,119	18.6%	10,439	16.7%	185.3	16.1%	143.0	12.9%
Information Media and Telecommunications	253	0.4%	162	0.3%	3.7	0.3%	4.0	0.4%
Manufacturing	9,611	14.7%	9,525	15.2%	147.2	12.8%	152.5	13.7%
Mining	1,141	1.7%	1,211	1.9%	49.6	4.3%	45.0	4.0%
Other	401	0.6%	335	0.5%	19.0	1.6%	12.2	1.1%
Other Services	2,064	3.2%	2,051	3.3%	36.3	3.1%	36.0	3.2%
Professional, Scientific and Technical Services	1,175	1.8%	1,171	1.9%	18.9	1.6%	19.9	1.8%
Public Administration and Safety	4,504	6.9%	4,410	7.0%	95.6	8.3%	88.8	8.0%
Rental, Hiring and Real Estate Services	661	1.0%	700	1.1%	11.6	1.0%	12.8	1.2%
Retail Trade	3,922	6.0%	3,895	6.2%	55.8	4.8%	52.8	4.8%
Transport, Postal and Warehousing	3,229	4.9%	3,056	4.9%	84.9	7.3%	85.2	7.7%
Wholesale Trade	2,995	4.6%	3,016	4.8%	49.7	4.3%	51.0	4.6%
Total	65,408	100.0%	62,639	100.0%	1,156.4	100.0%	1,110.2	100.0%

COMMON LAW CLAIMS AND PAYMENTS BY INJURY NATURE								
Injury nature	Number of new common law claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Burns	37	1.3%	23	0.8%	4.2	0.9%	2.7	0.6%
Fractures	260	9.0%	283	10.3%	53.9	11.1%	47.0	10.9%
Intracranial injuries and injuries to nerves and spinal cord	24	0.8%	17	0.6%	2.5	0.5%	5.2	1.2%
Mental disorders	298	10.3%	268	9.8%	57.4	11.7%	55.0	12.7%
Musculoskeletal injuries and diseases	1,759	60.5%	1,563	57.2%	269.6	55.3%	241.5	55.8%
Nervous system and sense organ diseases	39	1.3%	37	1.4%	7.1	1.5%	4.0	0.9%
Other injuries and diseases	179	6.2%	190	7.0%	29.5	6.1%	28.6	6.6%
Respiratory system diseases	52	1.8%	73	2.7%	21.3	4.4%	4.1	1.0%
Skin and subcutaneous tissue diseases	6	0.2%	4	0.1%	2.8	0.6%	0.3	0.1%
Wounds, lacerations, amputations and internal organ damage	249	8.6%	275	10.1%	38.3	7.9%	44.1	10.2%
Total	2,903	100.0%	2,733	100.0%	486.6	100.0%	432.5	100%

COMMON LAW CLAIMS AND PAYMENTS BY INJURY LOCATION								
Injury location	Number of new common law claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Back	800	27.7%	678	24.8%	131.1	26.9%	126.2	29.2%
Foot and toes	61	2.1%	81	3.0%	11.1	2.3%	12.7	2.9%
Hand and fingers	215	7.4%	200	7.3%	29.8	6.1%	23.2	5.4%
Head and face	110	3.8%	99	3.6%	18.7	3.8%	17.0	3.9%
Lower limbs	341	11.7%	366	13.4%	60.0	12.3%	57.9	13.4%
Multiple Locations	62	2.1%	62	2.3%	12.5	2.6%	10.3	2.4%
Neck	94	3.2%	94	3.4%	21.8	4.5%	17.4	4.0%
Systemic	308	10.6%	280	10.2%	59.9	12.3%	56.4	13.0%
Trunk	159	5.5%	160	5.9%	36.9	7.6%	16.3	3.8%
Unspecified location	27	0.9%	27	1.0%	4.7	1.0%	2.9	0.7%
Upper limbs	726	25.0%	686	25.1%	100.1	20.6%	92.2	21.3%
Total	2,903	100.0%	2,733	100.0%	486.6	100.0%	432.5	100.0%

COMMON LAW CLAIMS AND PAYMENTS BY INDUSTRY CLASSIFICATION								
Injury Industry	Number of new common law claims				Financial year costs			
	2021		2020		2021		2020	
	No.	%	No.	%	\$M	%	\$M	%
Accommodation and Food Services	158	5.4%	118	4.3%	17.6	3.6%	14.7	3.4%
Administrative and Support Services	88	3.0%	100	3.7%	11.7	2.4%	11.9	2.7%
Agriculture, Forestry and Fishing	79	2.7%	90	3.3%	12.6	2.6%	14.9	3.4%
Arts and Recreation Services	32	1.1%	48	1.7%	5.7	1.2%	7.4	1.7%
Construction	434	15.1%	429	15.7%	86.8	17.7%	82.5	19.1%
Education and Training	102	3.5%	81	3.0%	17.8	3.7%	10.6	2.5%
Electricity, Gas, Water and Waste Services	32	1.1%	30	1.1%	5.6	1.2%	4.3	1.0%
Financial and Insurance Services	6	0.2%	13	0.5%	0.9	0.2%	1.7	0.4%
Health Care and Social Assistance	367	12.6%	306	11.2%	52.7	10.8%	53.4	12.3%
Information Media and Telecommunications	7	0.2%	6	0.2%	1.0	0.2%	1.2	0.3%
Manufacturing	482	16.7%	454	16.6%	83.1	17.1%	68.8	15.9%
Mining	125	4.3%	96	3.5%	31.0	6.4%	31.1	7.2%
Other	108	3.7%	100	3.7%	16.4	3.4%	8.7	2.0%
Other Services	103	3.5%	90	3.3%	13.6	2.8%	11.1	2.6%
Professional, Scientific and Technical Services	34	1.2%	30	1.1%	4.4	0.9%	6.4	1.5%
Public Administration and Safety	161	5.5%	155	5.7%	28.6	5.9%	26.3	6.1%
Rental, Hiring and Real Estate Services	36	1.2%	37	1.3%	5.0	1.0%	7.2	1.7%
Retail Trade	185	6.4%	142	5.2%	27.4	5.6%	20.5	4.7%
Transport, Postal and Warehousing	214	7.4%	228	8.3%	35.9	7.4%	27.2	6.3%
Wholesale Trade	150	5.2%	180	6.6%	28.8	5.9%	22.6	5.2%
Total	2,903	100.0%	2,733	100.0%	486.6	100.0%	432.5	100.0%

STATUTORY AND COMMON LAW PAYMENTS				
Payment type	2021		2020	
	\$M	% on gross	\$M	% on gross
Statutory claims				
Weekly Compensation	520.2	31.7%	484.6	31.4%
Medical/Rehabilitation	299.6	18.2%	289.8	18.8%
Lump sum				
Permanent impairment	122.2	7.4%	116.7	7.6%
Fatal lump sum	15.1	0.9%	27.9	1.8%
Latent onset lump sum	93.0	5.7%	81.9	5.3%
Hospital	93.6	5.7%	96.5	6.3%
Statutory adjustments scheme	0.3	0.0%	0.2	0.0%
Other	12.4	0.8%	12.6	0.8%
Gross statutory payments	1,156.4	70.4%	1,110.2	72.0%
Common law claims				
Settlements	426.3	25.9%	374.5	24.3%
Legal and investigations				
Defendant	55.8	3.4%	55.3	3.5%
Plaintiff	4.5	0.3%	2.7	0.2%
Gross common law payments	486.6	29.6%	432.5	28.0%
Total gross payments	1,643.0	100.0%	1,542.7	100.0%

Chair and CEO report

A balanced approach in an uncertain environment.

WorkCover is committed to open communication with our customers and stakeholders. This report summarises our results, performance, outlook and financial position for 2020–2021.

Our organisation, like many others, has experienced a challenging year as we learned and adapted to the ‘new normal’ in a COVID-19 environment. We supported our customers by being understanding and flexible to their needs and working with them to achieve the best possible outcomes despite the hardships many of our customers have faced this year.

We have continued to experience growth in the numbers of statutory and common law claims during 2020–2021. This increase is similar to those seen in recent years in other jurisdictions and is, in part, due to changes in the claims mix, increases in mental injury claims, increase in claims durations and increased medical and allied health costs.

This trend has continued from last year, with many industry sectors experiencing changing levels of business activity, job recruitment and losses. For several industry sectors, it has been more challenging for us to help workers to get back to work after experiencing a work-related injury. Nevertheless, we have maintained our strong return to work results—of the claims that have been finalised, 94.4% of workers have returned to work. Our customer experience rating has also remained strong with a score for workers at 7.4, and the score for employers at 7.8 with an average of 7.5¹ out of 10.

Our continuing response to COVID-19

We have continued to provide financial relief to customers with extensions and/or deferral of payment plans beyond the current financial year, where required. Maintaining our average premium rate at \$1.20 for \$100 of wages will also assist businesses with financial certainty in the coming year.

At the start of the pandemic, our workforce shifted to 100% remote working during the lockdown in March through to June 2020. From July 2020, we made a gradual return to one day a week in the office before implementing our new hybrid-working model in February 2021, which helped our people to have flexibility to navigate the uncertain environment and continue to provide high-level customer experiences.

COVID-19 has demonstrated how quickly roles and industries can be severely impacted. We will continue to monitor trends, the factors that will shape the future of work, the workers’ compensation environment and continue to seek feedback from our customers and stakeholders on our approaches.

Our financial and investment performance

WorkCover’s final comprehensive result for 2020–2021 was \$108 million. This positive result was primarily due to strong investment returns.

In contrast, our claims costs have increased. This has been a continuing trend over the past few years—not limited to, but impacted by, legislative changes and an increase in complex claims such as mental injuries. The rising costs are driven by longer claim durations which incur an increase in weekly benefits, medical expenses, and a higher

¹ This is a weighted average.

number of common law claim settlements. While we achieved an investment return of over 10% on our funds under management this year, long-term future returns are expected to be closer to 3.5 – 4.5%. A reduction in investment returns next year, and in future years, is likely to place pressure on our financial performance if these trends continue.

WorkCover’s disciplined financial management over many years has helped us weather uncertain economic environments, build our investment reserves and maintain a strong equity position to face adverse events like the COVID-19 pandemic. We will continue with this approach to minimise any impact on services and support for our customers.

Our premium rate

For seven consecutive years, we have maintained one of Australia’s lowest average premium rates at \$1.20 per \$100 wages without compromising the level of support, compensation, and rehabilitation for injured workers.

The rising claim costs mentioned earlier have put upward pressure on the premium rate charged by WorkCover. Despite this, we have continued to support Queensland employers with premium discounts, flexible payment plans, apprentice discount, and policy reassessments, resulting in \$1.2 billion of subsidised premiums over the past six years, which led to direct savings for Queensland employers.

We understand that any changes to the premium rate will directly impact our customers. While keeping the average premium rate steady at \$1.20 for 2021-2022 is below our breakeven rate, it will provide customers with confidence in planning and budgeting for the coming year. We predict it will result in savings of \$360 million for Queensland businesses in 2021-2022. Below is a breakdown of our \$1.20 average premium rate for 2020-2021.

Common law claims	\$0.29
Settlements	\$0.25
Legal fees	\$0.04
Statutory claims	\$0.67
Weekly compensation	\$0.31
Medical, hospital, rehabilitation	\$0.22
Lump sum	\$0.09
Other*	\$0.05
Operating costs	\$0.09
Safe workplace contribution	\$0.09
Stamp duty	\$0.06
Average premium rate per \$100 of wages	\$1.20

*Other, under statutory claims includes asbestos, NIIS, and scheme amendments.

Claims management and return to work

Tailored care and support is our in-house statutory claims management model. It helps us tailor return to work and rehabilitation strategies to help injured workers get back to work as quickly and safely as possible. This year, we continued to enhance our claims management model with the introduction of evidence-based information gathering tools. These tools help us to identify early in the claims process any risks or barriers to return to work. Our Customer Advisors are now better informed to tailor the care and support required based on individual customer needs.

As mentioned earlier, we have seen delays in return to work due to reduced business activity across several business sectors. We will monitor this and look at ways to support our customers during these difficult periods, and optimise claim durations and return to work outcomes.

Mental injury claims

Presumptive legislation for post-traumatic stress disorder (PTSD)

On 20 May 2021, amendments to the *Workers' Compensation and Rehabilitation Act 2003* received assent in Queensland Parliament. This now means first responders and eligible employees diagnosed with PTSD have a more streamlined pathway to make a workers' compensation claim. They will not need to prove their PTSD was caused by work. Because of the nature of their work, first responders and eligible employees with PTSD (diagnosed by a psychiatrist) will be considered to have a work-related injury unless there is evidence to the contrary.

This ensures first responders and eligible employees are treated with dignity and limits the need to recount every traumatic incident they have endured throughout their careers.

The introduction of these amendments will allow first responders to get faster access to the support and compensation they need.

Mental injury treatment guidelines

Released in November 2020, our mental injury treatment guidelines support our people and providers to facilitate the treatment of mental injury claims within the workers' compensation setting and support improved outcomes for workers recovering from a mental injury.

The guidelines were developed in consultation with psychiatrists and psychologists. It involved gathering insights, data and information, and is used as a roadmap for visibility and transparency when supporting workers.

Optimising treating services and outcomes

We have continued our work to optimise treating services and outcomes to ensure workers receive timely treatment and rehabilitation services to help their recovery and return to good work, and that the treatment is at a fair and reasonable cost to minimise the impact on employer premiums. This work involves several initiatives and those we have progressed this year include:

- the development of a compliance framework to enhance provider behaviours for improved rehabilitation and return to work outcomes, and
- a review of our surgery approval process with improved tools and resources for both surgeons and our people.

Another initiative currently underway is the introduction of a consistent fee structure in the form of a table of costs for private hospital services conducting treatment of patients with a workers' compensation claim. The current fee model for private hospitals is based on individual contracts with these hospitals across Queensland. The variety and complexity of these contracts makes it difficult to achieve consistent pricing and service delivery.

We have undertaken a two-step consultation process with stakeholders, gathering their feedback and working collaboratively to ensure we develop a consistent fee structure that meets their needs as well as helping us meet our challenge of balancing return to work rates, costs and support for injured workers and employers.

Investing and influencing injury risk reduction

We continue to pilot injury risk reduction initiatives in partnership with stakeholder groups, industry bodies/employers and unions, and occupational injury experts including Workplace Health and Safety Queensland.

Our aim is to pilot ways to reduce the risk of injury and associated costs for our customers. Feedback from participants and stakeholders support the efficacy of these initiatives. Other initial measures in the pilots show that they could be ultimately effective in reducing injury risk, cost and number of claims.

Technology

Over the next few years, we are embarking on a digital transformation journey, which includes a transition to cloud and the development of our digital, information, and technology architecture, and supporting capabilities. This will help us deliver better customer experiences and be more responsive to changes in the way we work, accelerated by COVID-19 and the future of work.

In October 2020, we launched a redesign of the WorkSafe website in collaboration with the Office of Industrial Relations. Our dedicated website project team worked closely with customers and stakeholders to ensure the content was easy to navigate and understand for our many audiences. The new website was designed to better support mobile users' needs and complies with WCAG 2.1 AA standards to make our content more accessible to a wider range of people including those with disabilities.

Outlook for 2021–2022

Controlling weekly compensation costs, balanced with customer outcomes

The uncertainty of the economic climate over the next few years will impact our efforts towards balancing return to work rates, costs and support for injured workers and employers, to maintain a financially sustainable fund.

We're focused on getting the best outcomes for customers, both workers and employers. Our priority is to ensure workers receive timely treatment and rehabilitation services to help their recovery and return to good work, and that the treatment is at a fair and reasonable cost to minimise the impact on employer premiums. Research into the health benefits of good work provides evidence to support returning to work as soon as safely possible after an illness or injury is the best outcome for both worker and employer.

Controlling treatment costs while maintaining customer outcomes

We are working with our partners in the medical and allied health industry to ensure treatment and invoicing is aligned to a nationally recognised clinical framework, and complies with agreed guidelines and tables of costs, without compromising the treatment and rehabilitation of workers. We have extended our discussions with other jurisdictions and we are contributing to the General Practitioner principles in supporting work participation, the Royal Australian College of General Practitioners (RACGP) curriculum (via Heads of Workers' Compensation Authorities (HWCA)) and the HWCA National Capacity Certificate project.

Reviewing our premium rate

We have been able to provide our customers with one of the lowest average premium rates in the country for the past seven years. With the challenging economic environment, disruptions to medical treatment for workers, less return to work opportunities and rising statutory claim and common law costs, we anticipate a premium rate increase will need to occur over the next few years in order for us to maintain a financially sustainable fund.

WorkCover's investment reserves have shielded Queensland employers from the pressure on our premium rate so far, but there is a limit to how long we can do this before it impacts the financial sustainability of our workers' compensation fund. Our administration costs have remained relatively low and stable over the last few years and we will continue to look for opportunities to control these costs to limit their impact on premium rates.

Thank you

Our Board has seen some change throughout the year. In July 2020, we welcomed Michael Clifford and Judy Bertram to the Board and Stacey Schinnerl in October 2020. Michael, Judy and Stacey all bring a wealth of experience across various industries.

WorkCover's Board of Directors proudly has 67% female representation, contributing to our diverse and talented workforce. We would like to thank and acknowledge our Board members, Executive management team and our people for all their hard work throughout the year.

We pay tribute to our former Chair, Ian Brusasco AO who sadly passed away in May 2021. Ian was instrumental in transforming an underperforming insurer to one of Australia's best performing workers' compensation schemes. His work set the foundations to ensure WorkCover would become the strong organisation it is today, delivering the services our customers need and value.

We would also like to thank the Minister for Education, Minister for Industrial Relations and Minister for Racing, the Honourable Grace Grace MP, and the Queensland Government for their ongoing support.



Flavia Gobbo

Chair, WorkCover Queensland



Bruce Watson

Chief Executive Officer, WorkCover Queensland

Board of Directors

Flavia Gobbo BA/LLB, GAICD

Chair

Flavia is a Solicitor of the High Court of Australia and the Supreme Court of Queensland and has extensive experience as a senior corporate lawyer with one of Australia's top publicly listed companies. She is the Chair of the Emergency Services Telecommunications Authority, a Director of WorkSafe Victoria, the Deputy Chair of Rowing Australia and Deputy Chair of SecondBite, a not-for-profit national food rescue organisation. Flavia was Chair of QCOMP, the former Queensland workers' compensation regulatory authority.

Michael Clifford BA

Deputy Chair

Michael is the General Secretary of the Queensland Council of Unions. He has represented the interests of working people for over 25 years in a variety of roles including as National Industrial Officer of the Finance Sector Union, Queensland Secretary of the Finance Sector Union, Coordinator at United Voice (now United Workers Union) and Assistant General Secretary of the Queensland Council of Unions. Michael is the current Deputy Chair of Sunsuper and has been a Director on the Board of Sunsuper since 2016. He is a former Director of Intrust Super, where he also served as the Chairperson of the Marketing Committee. Michael was the inaugural Chairperson of the Australian Labor Party's Queensland Policy Coordination Council and prior to that was the Deputy Chairperson of the Economic and Infrastructure Policy Committee. He also worked in the Community Sector for six years. He holds a Bachelor of Arts degree, majoring in industrial relations and history.

Judy Bertram B Sc, Dip Ed, GAICD

Director

Judy has extensive experience at senior levels in government leading the strategy, policy and operational management of workplace health and safety, and in strategic policy and planning roles in the vocational education and training system and child safety. Judy has been employed by the Queensland Resources Council for the last nine years and is currently its Deputy Chief Executive and Director, Community and Safety. She is also a Trustee Board Director of MineSuper and served for nine years as a Director on the Board of Deaf Services Queensland.

John Crittall BEcon (Hons), MAdmin (IR)

Director

John has extensive experience providing strategic guidance in the key areas of industrial relations, workplace health and safety and legislative compliance. He is currently a Director of the Building Employees Redundancy Trust, Director of Mates in Construction, Chair of Construction Income Protection Limited and Chair of Electro Group. John was formerly a Director at Master Builders, a role he held for over 10 years.

Kerriann Dear BSc, BSocWk (Hons)**Director**

Kerriann has worked in the field of industrial and mental health social work since 1999. She has overseen the development and operations at a number of industrial advisory programs for vulnerable people including Working Women Queensland, Young Workers Advisory Service and Domestic Violence Work Aware. Kerriann is a Branch Councillor with The Services Union and works as a senior social work consultant and educator in the public, private and not-for-profit sectors.

Ian Leavers APM**Director**

Ian is the General President and CEO of the Queensland Police Union, a position he has held since 2009, as well as the Vice President of the Police Federation of Australia. He has been involved with the Queensland Police Union as a union official since 1997. Since 2013, he has been a Director of QBank. Ian was formerly a member of the Domestic and Family Violence Implementation Council, former director on the Queensland Workplace Health and Safety Board and is now a Domestic and Family Violence Prevention Champion for the Queensland Government. Ian was awarded the Australian Police Medal (APM) in the 2020 Queen's Birthday Honours List for his outstanding police leadership, advocacy and improvement of wages and conditions for all police, and being at the forefront of the creation of modern policing policy at both a state and national level, particularly with legislative reform.

Sarah Morris BEcon, GradDipApp Finance and Investment, GradDipApp Corporate Gov, CA, FGIA, GAICD**Director**

Sarah is Executive Manager—Strategy and Finance at TUH Health Fund. Sarah has held senior and executive positions with several organisations across defence services, finance, insurance, resources and professional services industries. She is a former state and national councillor of the Governance Institute of Australia.

Lyn Rowland BA, PostGradDipHR/IR**Director**

Lyn's career has spanned both public and private sectors with 35 years' experience in human resources management and industrial relations, providing strategic and transformational leadership in executive roles in Normandy Mining, Queensland Rail, MacMahon Holdings, Limitless Holdings (UAE) and Queensland Health. Lyn has held Director roles with the Queensland Museum, Southern Cross Soloists and the Normandy Mining Superannuation Fund.

Stacey Schinnerl BBus**Director**

Stacey is the Southern District Secretary and Vice President of The Australian Workers' Union of Employees, Queensland (AWU). In both industrial advocacy and elected union positions, Stacey has represented the interests of Queensland workers for over 16 years. Stacey has previously served on the Executive of the Australian Council of Trade Unions and is a current Director on the Board of Chifley Services Pty Ltd. She holds a Bachelor of Business degree majoring in Human Resource Management and Employment Relations.

Executive Leadership Team

Bruce Watson MOL, Dip Fin Services, FAICD, FASFA
Chief Executive Officer

Commencing as WorkCover Queensland CEO on 1 January 2017, Bruce was previously CEO of Mine Wealth and Wellbeing Super Fund for 11 years and was awarded “Executive of the Year” in 2010 by the Fund Executive Association for his contributions to business and industry. Bruce is a highly experienced and proven CEO, recognised by industry for delivering sustainable financial performance and customer service excellence in the financial services sector. Bruce is committed to achieving WorkCover's vision of being Australia's leading workers' compensation insurer by driving the delivery of technologically advanced claims management platforms and outstanding customer experience.

Christina Carras BComm, ACA, SIA (Aff), AGIA, GAICD
Chief Customer Officer

Christina leads the Customer Group to ensure the end-to-end claims management process meets WorkCover's corporate goals and balances the interests of both Queensland employers and injured workers. Christina oversees the claims, premium and relationship management of our industry aligned customer service model. She plays an integral role in delivery of innovative changes that benefit both our employers and injured workers, while at the same time engaging with our people to deliver the best outcomes.

David Heley BAdmin, FCPA, DFP, AGIA, GAICD
Chief People and Finance Officer

David has more than 20 years' experience in the finance and insurance sector. As Chief People and Finance Officer, David's focus is on ensuring a strong financial position and a committed, capable and diverse workforce both now and into the future. His group provides people and financial strategies to secure WorkCover as Australia's best workers' compensation insurer. These strategies are underpinned by learning and development, industrial relations and employment relations, reporting and analysis, taxation, treasury, governance, risk, compliance, and audit functions that support the business. David is also WorkCover's company secretary.

Janine Reid BLaws, MBA, GIA (Cert), GAICD
Legal Counsel

Janine has worked in personal injuries for over 20 years. Her knowledge and experience in personal injuries support her ability to manage our common law strategy and legal panel. She is also responsible for providing legal advice to the business and the WorkCover Board and engaging with external stakeholders.

Nick Wenck BBus and Law
Chief Strategic Development Officer

Nick leads teams across strategy development, strategic projects and portfolio management, experience design, and communications. His career spans strategic leadership roles across financial services, insurance, health, government, and management consultancy. Nick is passionate about the delivery of world leading customer experiences and claims outcomes underpinned by a clear, coherent strategy and business change program, supported by fully engaged and talented people.

Working together with our customers to improve outcomes

We are proud to report a customer experience rating of 7.5 out of 10 for the quarter ending June 2021. This data was gathered via our quarterly Customer Experience survey to workers and employers and reflects their experience with us across the principles of empowered, valued, easy, fair and transparent, and consistent.

This year we expanded our initiatives to reduce workplace injury risk, supported our customers in a COVID-19 environment, and moved many of our customer and stakeholder engagement activities online.

Our customer feedback and co-design projects define changes that will continue to enhance customer experience and better guide workers and employers during the claim or policy journey. This ensures our customers feel empowered and we are more responsive to their needs.

Reducing the risk associated with workplace injury

The Injury Risk Reduction Initiatives (IRRI) program was expanded in its second year in 2021. We worked with:

- key stakeholder groups, notably unions, employer associations and our customers
- occupational injury experts including:
 - the Australian Institute of Health and Safety (AIHS)
 - Workplace Health and Safety Queensland (WHSQ)
 - the Australian Rehabilitation Providers Association (ARPA), and
 - our allied health return to work panel.

We implemented several pilots during the year, focusing on:

- **high risk industries:** including a patient handling tool for aged care and disability
- **high risk employers:** solutions developed for employers with identifying issues that cause injuries
- **high risk injuries:** a range of mental health initiatives piloted with employers in targeted industries
- **high risk demographics:** focused on young workers, apprentices and new and small business safety education
- **high risk or harmful equipment:** testing equipment and consulting/training for forklifts and quad bikes.

Piloting these initiatives involved customers across the state including:

- regional business online assistance
- safety equipment trialling and training in Far North Queensland and Wide Bay, and
- mental health initiatives in Townsville and the Darling Downs.

Feedback from participants involved in the pilots and key stakeholders was positive. In addition, IRRI was selected as a finalist in the 2021 National Personal Injury Education Foundation awards for Innovation in Injury Management.

Further IRRI pilots for 2021–2022 are being developed in collaboration with our stakeholders covering our high-risk injuries and industries not previously addressed in the first two years such as construction, mining and agriculture.

Improving customer experience through feedback and co-design

In 2020–2021, we completed the final implementation stage of our customer feedback program with customer survey going live across all our key customer journeys—claim determination, recovery and return to work, and claim closure. We now can listen immediately to customer feedback across the lifecycle of a claim and policy. This enables us to respond to our customers' experiences so that we can rectify and support better outcomes, provide positive feedback to our people and identify where we can improve customer experience.

We have implemented outcomes from research and design initiatives where employers and past workers have been engaged to help improve the experience we provide. This includes:

- streamlining telephone routing structure so that our customers get the right person at the right time, increasing first call resolutions and reducing call transfers, and
- updating several written communication letters, so they are more customer centred, easier to understand, with clearer next steps.

Further co-design initiatives are underway to provide customer-centred guidance on what to expect when you have a WorkCover claim, continued improvement of our website experience and further written communication changes.

Telehealth services to resolve restricted access to services

COVID-19 disrupted the service ecosystem for providers. Due to physical restrictions and health risk, workers' access to in-person health services (particularly remote workers) were reduced. The restricted access to in-person services led to the development of telehealth services. This service offering has been underway over the course of this year, and we are formalising this service offering so that it remains as another means to access health services.

Supporting small businesses

We continue to provide financial relief for our customers who have reduced their workforce or closed because of COVID-19 through premium reassessments and refunds.

Representatives from our Small Business team worked closely with the Chamber of Commerce and Industry Queensland (CCIQ), presenting the following topics as part of small business initiatives hosted by the industry group:

- Health benefits of good work, and
- Making sense of your workers' compensation insurance obligations.

In May 2021, we shared information and resources to help support small businesses during Queensland Small Business Month.

Engaging customers and stakeholders

With travel restrictions, we turned to online webinars, email and online updates to reach out to our regional employers and stakeholders.

In early March, we piloted a webinar in Dalby, Kilcoy and Kingaroy, guest-presented by occupational physician Dr Sid O'Toole to bring employers and providers together to discuss ways to support workers living in regional areas with their recovery and return to work.

We supported medical students by remotely presenting at the University of Queensland Rural Clinical School in Rockhampton and the Griffith University Medical School in March and April 2021 respectively.

We hosted a free legal webinar series featuring our panel lawyers covering the following topics:

- calculating quantum
- personal injury law case wrap-up
- vicarious liability and contributory negligence
- duty of the employer to prevent bullying and harassment, and
- common law risk management strategies.

In March 2021, a small number of staff travelled to Townsville for our only in-person regional event, taking part in the North Queensland Injury Prevention and Return to Work conference. Our CEO, Bruce Watson, opened the conference on behalf of the Minister for Education, Minister for Industrial Relations and Minister for Racing, the Honourable Grace Grace, the Workplace Health and Safety Board and WorkCover Queensland.

We took this opportunity while in Townsville to meet face-to-face with key medical providers and facilities which was warmly received.

In Townsville, on a separate occasion, we supported mental health first aid training that was delivered to 15 employers in the transport industry as part of our involvement with Steering Healthy Minds.

In June 2021, key stakeholders, including unions, as well as industry, medical, allied health, and legal associations attended our CEO stakeholder forum, where we shared our current strategies and sought feedback for future planning.

Engaged people

Strategic workforce planning and performance

Workforce profile

836 full-time equivalent employees	64% of our workforce is female	9.5% employee attrition rate
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People survey

We measure employee engagement because we know strong employee engagement drives discretionary effort, performance and retention which contributes to better customer outcomes and business sustainability. We conduct an annual People survey that examines responses to our values, organisational goals and ideal behaviours and use results as a catalyst for action.

We produced strong results around inclusion, feedback on employees' immediate manager and performance as compared to the Australian and Financial Services Sector norm. Overall, 8 out of 16 categories are still above the Australian National Norm results.

While we have historically scored strongly on our measures, this year our score has decreased from 8.2 in 2020 (our highest ever) to 7.0/10 overall.

It has been a challenging year externally, as well as internally with operational impacts such as:

- rising claims costs
- durations impacting our people's workload
- return to work challenges
- changes in the work environment between office and remote, and
- our new 5 in 10 Contemporary Mobile Workforce (CMW) framework.

Our measure and outcomes give us the information we need to create positive change.

Across our results, these are the three key challenge areas that are we working on:

- **customer focus** e.g. being responsive to customer needs and the ability to deliver a good customer experience
- **leadership and direction** e.g. senior management caring about the wellbeing of employees and having trust and confidence in the decisions they're making, and
- **development** e.g. promoting the most competent people and training to improve skills within their current job.

In June 2021, we hosted internal workshops with our people to look at the way we work, the primary drivers around the engagement index decline, and how we can improve across the business. We aim to invest our efforts in priorities that are connected to the employee experience we want to create and maintain at WorkCover.

Health and wellbeing

The existing workplace health and safety framework underpins WorkCover's commitment to workplace health, safety, wellbeing and rehabilitation. A Workplace Health and Safety Committee (WHS Committee) remains common practice and meets monthly. The committee meets its obligations in accordance with the Work Health and Safety Act 2011, section 76(4) by ensuring 'At least half of the members of the committee must be workers who are not nominated by the person conducting the business or undertaking' (PCBU).

Current workplace health and safety policies and procedures provide:

- a broad and detailed framework for the maintenance of a physically and psychologically safe working environment
- an overall focus on the reduction of workplace injuries and best practice rehabilitation activities
- day-to-day operations and responsibilities for injury prevention and management
- centralised self-service workplace health and safety (WHS) reporting followed by committed incident follow up and investigation
- educational resources for our people through regular WHS and wellbeing team talks, and shared Yammer content. These are complimented with numerous self-led resources
- employee assistance program support for our people and their direct family members
- early intervention rehabilitation support for treatment of physical conditions affecting our community
- an online compliance module completed by all employees on an annual basis, along with various WHS relevant content across other annual compliance modules
- a report to the Board outlining all incident, hazard, claim data for the period, along with progress updates on proactive initiatives, and
- a Queensland Government validated People at Work safety and wellbeing risk assessment survey.

Wellbeing bootcamps

Following our 2020 People survey and People at Work survey, and in consultation with organisational psychologist, Dr Meg Hooper from Carousel Consulting, we conducted wellbeing bootcamps focusing on resilience and managing unreasonable customer behaviour. Our focus on psychological safety tied into insights from our WHS incident reporting and the People at Work survey.

Mates Connectors

The WHS Committee officially launched Mates Connectors in our workplace, a positive way to let our people know that we care about their mental wellness. There are 34 Connectors trained across WorkCover and provide initial informal support to our people and complement our formal support services, such as the Employee Assistance Program and our Early Intervention Program.

Recruitment

In 2021, we have seen growth in claims numbers and claims complexity and we understand that appropriate resourcing levels are a key factor to support our approach in addressing this. We implemented a reduction in recruitment activity from July – December 2020 as a response to the COVID-19 pandemic and aligned with the Queensland Government's fiscal measures.

Over the year we experienced:

- 3,280 applications for vacant positions in January – June 2021
- 59 external new starters welcomed to WorkCover, and
- 27 internal movements to a new role or promotions.

In 2022, we will continue to need more employees focused on managing the growing number of involved and complex claims.

To attract the best talent and support our vision to make a positive difference to the lives of Queensland workers, we use recruitment practices that put the candidate at the heart of the experience. We place a lot of value in creating an inclusive hiring process that involves a range of selection techniques from psychometric assessments, video interviews, assessment centres, work samples and panel interviews. Throughout the process we provide a realistic preview of what it's like to be part of the WorkCover team and aim to secure talent who are connected to our purpose.

Flexible working arrangements

The right to request flexible work arrangements is provided by sections 27 to 29 of the *Industrial Relations Act 2016* and requests are not restricted to specific purposes or categories of employees. WorkCover is supportive of flexible work arrangements to help balance our employees work, family and lifestyle responsibilities. We have implemented flexible work arrangements for WorkCover employees and we continue to respond to feedback on our implementation. To support this, we introduced the 5 in 10 CMW framework. This means at least 5 days out of 10 working days our people are required to work from WorkCover Central (the office at 280 Adelaide Street), but on other days may work remotely.

Prior to the re-opening of our premises in late-June 2020, a comprehensive COVID-19 risk assessment was completed, and control measures such as directional signage, social distancing and additional cleaning practices put in place to ensure the health, safety and wellbeing of our people. We have continued to maintain this responsively throughout the financial year.

Performance framework

WorkCover has a performance management framework which is our commitment to motivate and manage performance and ensure we deliver on both individualised goals and the wider business strategy. WorkCover's performance management framework has been designed to support leaders to understand best practice approaches to performance management, with a human-centered approach.

Diversity, inclusion and belonging

We are committed to ensuring our people feel included: they are treated fairly and respectfully, are valued, and have a community to which they belong. Our Board has endorsed our Diversity, Belonging and Inclusion strategy that supports our vision for an inclusive workplace.

Reconciliation

We are committed to a shared vision for reconciliation, by outlining the steps we will take to consult, build relationships and use our resources to work with Aboriginal and Torres Strait Island peoples and their communities. This forms part of our Diversity, Belonging and Inclusion strategy and ensures we utilise our unique position to foster inclusion for Aboriginal and Torres Strait Islander peoples across Queensland workplaces.

Our Reconciliation Action Plan (RAP) has been preliminarily endorsed by Reconciliation Australia. This means that we can formally continue with our journey and commitments and ensure our message of reconciliation is embedded within WorkCover. This preliminary status will be finalised with the formalisation of our plan in a booklet and electronic medium and be launched and distributed to employees, stakeholders, and customers. This document is currently under development in partnership with local Indigenous artist, Rachael Sarra.

Industrial and employee relations

As a business, WorkCover has created a strategic priority to foster a workplace where our people are remarkable, as described in Towards 2024 (our strategic plan). Supporting this strategic priority area is WorkCover's annual strategic workforce plan. The strategic workforce plan outlines observations of the past year and details emerging environment trends to inform people-related strategies to implement for the year ahead.

WorkCover is continually reviewing workplace practices that shape an environment where people have a voice and feel supported in raising employment concerns, seek advice or make suggestions for improvement. Accordingly, WorkCover engages purposefully in consultation with Together Union on workplace matters. Through the WorkCover Consultative Committee, management, Together Union and internal delegates are provided a forum to actively raise and quickly resolve employment matters, including organisational change, policy, people initiatives, wellbeing and safety.

Workload tool

As part of workload management and creating an environment and practice where people feel productive and supported at WorkCover, the Workload Management toolkit was created. The toolkit was created in accordance with our [WorkCover Employing Office – Certified Agreement 2018](#) in consultation with Together Union and our WorkCover Consultative Committee (WCC). During 2020–2021, the Workload Management toolkit featured as part of WCC meetings each month and was also rolled out to leaders in August 2020. Supported by a leader and team guide this tool provides insights to address workload concerns that may develop now and in the future at WorkCover.

Remuneration

The remuneration arrangements for other individual contract employees are determined by the CEO in accordance with WorkCover's annual remuneration strategy (Remuneration strategy 2021). The remuneration strategy is endorsed by the People Committee. The remuneration and other terms of employment for contract employees are formalised in individual employment contracts. All non-contract employees are remunerated in accordance with the [WorkCover Queensland Employees Award State 2015](#) and [WorkCover Employing Office – Certified Agreement 2018](#).

The current agreement applying to WorkCover Award-covered employees is the [WorkCover Employing Office – Certified Agreement 2018](#) which nominally expires on 30 September 2022 and covers approximately 631 employees.

Legislation regarding new public sector wages arrangements was passed by Parliament on 17 June 2020. The legislation was in response to the financial impact of the COVID-19 health pandemic and was designed to support certainty of ongoing employment security for public sector employees. The [WorkCover Employing Office – Certified](#)

Agreement 2018 was impacted as part of this legislation. The effect of the legislation meant that the wage increases contained in the WorkCover Employing Office – Certified Agreement 2018 were adjusted to incorporate a nil wage increase for the 2020–2021 financial year (while honouring all other aspects of the certified agreement), and a deferred wage increase to follow six months after the scheduled 2021–2022 wage increase in accordance with chapter 15A of the Industrial Relations Act 2016.

To give effect to the Premier’s announcement amendments to the Industrial Relations Act 2016 were passed by Parliament on 17 June 2020 and received assent on 22 June 2020 (becoming operational on this date). The amendments are framed around maximising the protection of public sector employment in Queensland, honouring certified agreements, and directing savings to the COVID-19 response. These changes were actioned by WorkCover, working in partnership with Together Queensland. In accordance with section 952ZF of the Industrial Relations Act 2016, the WorkCover Employing Office – Certified Agreement 2018 extended the Certified Agreement out until 30 September 2022.

Growing the capability of our people

WorkCover is committed to enabling a continuous learning culture that develops the capability of our people. We do this through ongoing investment in their development and by recognising the importance of building and developing capabilities to meet current and future needs. Learning and development programs are aligned with our strategic plan.

Enabling lifelong learning—on demand learning

WorkCover provides the opportunity for our people to learn on demand through easily accessible online learning tools to develop new skills (including technical and behavioural skills). WorkCover continues to connect learners with industry relevant external learning and customised e-learning modules to improve their technical knowledge with 880 employees accessing online learning throughout 2020–2021.

Personal Injury Education Foundation (PIEF)

WorkCover has a corporate membership with PIEF to support the personal injury industry, acknowledge the value the foundation provides the industry and importantly to demonstrate our ongoing commitment to the professional development of our people.

We had 28 employees studying with PIEF throughout 2020–2021, completing their Certificate IV in Customer Engagement, Certificate IV in Personal Injury Management or Diploma in Personal Injury and Disability Management.

Mental health awareness to support our customers and each other

Since 2017, WorkCover has provided our people with the opportunity to attend the evidence-based Mental Health First Aid (MHFA) program to grow our capability in understanding mental health and how it affects our people and customers. MHFA accreditation is valid for three years.

Harvard Corporate learning

To support leaders in developing and executing their capabilities, we continue to provide on demand access to Harvard Corporate learning through the Harvard Spark online portal for individual and group leadership learning.

Our leaders completed over 5,900 activities across the 2020–2021 year to date. The content is updated daily with personalised recommendations for leaders based on their individual needs and skills identified for interest and development.

Graduate program

Eight graduates completed their first year of the two-year graduate program and made valuable contributions to several projects across WorkCover. The graduates will have the opportunity to explore their future career options at WorkCover before completing the program in early 2022.

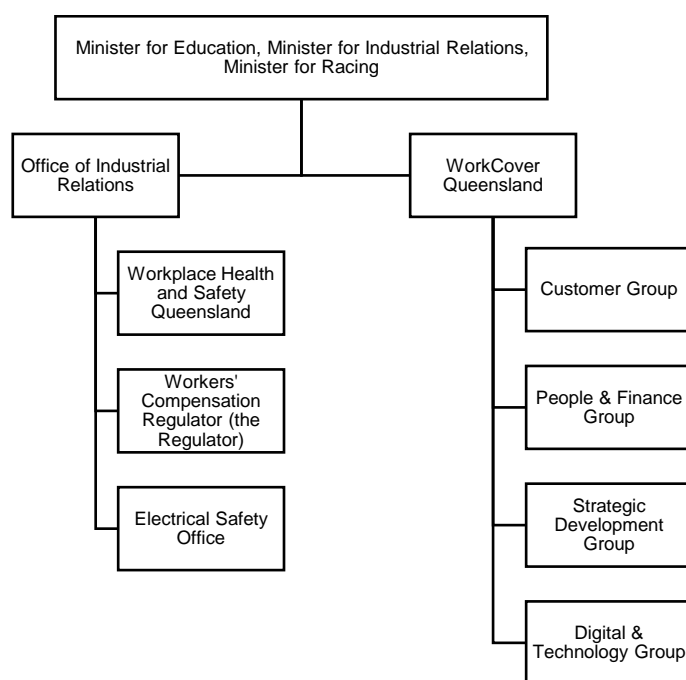
Study assistance

The Study Assistance Program is designed to support and assist our people to learn and develop through study for qualifications, certifications, or accreditations. We have 58 people currently studying and 20 who have completed their qualifications in 2020–2021.

Governance management and structure

WorkCover Queensland is a statutory authority established under the Act. The WorkCover Board is accountable to the Minister for Education, Industrial Relations and Racing, the Honourable Grace Grace.

Organisational structure



Corporate governance

WorkCover is committed to ensuring our systems, policies and the way we operate reflect best practice corporate governance that allows for continuous improvement.

Strategic planning

A comprehensive annual strategic planning process is undertaken with the Board and Executive Leadership Team. A four-year corporate plan and a one-year Statement of Corporate Intent are prepared annually and submitted by the Board each year for approval by the Minister in accordance with the Act. The corporate plan is tabled in the Queensland Parliament following Minister approval. The corporate plan summarises our vision, values, goals, strategies, challenges, and performance indicators. It forms the basis for the group operational business plans, which outline how we will achieve our business objectives. Group business plans include the key financial and operational performance indicators, which are used to measure and monitor our performance. Our Statement of Corporate Intent outlines our objectives and major activities and specifies various financial and non-financial performance targets for the financial year.

Board of Directors

Chapter 8 of the Act outlines the functions and powers of WorkCover. Section 424(1) of the Act provides for the establishment of the WorkCover Board. The Board's role is set out in section 427 of the Act and reflected in the [Board charter](#) which specifies the responsibilities of the Board collectively and individually. The charter is reviewed and approved annually by the Board and made available on our website.

The Board has delegated the operational management of WorkCover to the CEO, including the delivery of the Strategic Plan and direction, with the support of the Executive Leadership Team.

The Board consists of a maximum of nine independent non-executive directors appointed by the Governor in Council, based on their experience and knowledge, for a term of no more than five years. The Governor in Council also appoints the Board Chair and Deputy Chair and determines the terms of appointment including remuneration, paid in accordance with the Remuneration Procedures for Part-Time Chairs and Government Boards. WorkCover's Board has 67% female representation among the directors.

Information on directors' and executives' benefits is detailed in note E3 of the consolidated financial statements.

Newly appointed Directors receive a formal induction providing them with an overview of WorkCover's operations, objectives and board and committee information. Upon induction, Directors are provided with relevant board and committee documents, including charters and policies and an induction manual outlining key governance arrangements. During the year, three new Directors were appointed and inducted.

Board members undertake biennial performance evaluations. During the year, the Board participated in an independent Board performance evaluation process which was conducted in November 2020. The review assessed the performance of the Board as a whole, the Chair and the effectiveness of the Board Committees. The outworkings of the review were considered by the Board as part of the Board strategic planning session, with recommendations incorporated into future Board strategies.

The Board has established two working Committees including the Risk and Audit Committee (refer to Risk Management and Accountability section for details) and People Committee.

Director's appointment terms

CURRENT DIRECTORS	FIRST APPOINTED	END DATE
Flavia Gobbo, Chair	01/07/2014	30/06/2023
Michael Clifford, Deputy Chair	01/07/2020	30/06/2023
Sarah Morris, Risk and Audit Committee Chair	16/02/2018	30/06/2023
Lyn Rowland, People Committee Chair	01/07/2017	30/06/2023
John Crittall	01/07/2012	30/06/2023
Kerriann Dear	01/07/2017	30/06/2023
Ian Leavers	01/07/2012	30/06/2023
Judy Bertram	01/07/2020	30/06/2023
Stacey Schinnerl	02/10/2020	30/06/2023

FORMER SERVING DIRECTORS DURING THIS FINANCIAL PERIOD

Benjamin Fullarton ¹

01/07/2020

19/08/2020

1 Benjamin Fullarton was appointed but did not commence director duties.

People Committee

The role of the People Committee is to assist the Board in fulfilling its corporate governance responsibilities. The committee reports directly to the Board on matters pertaining to WorkCover's people matters, including:

- the development of terms and conditions of the Executive and senior management contracts and remuneration
- strategies, organisational policies and processes, including but not limited to:
 - employment terms
 - staff remuneration and contracts
 - termination payments
 - succession planning
 - industrial relations
 - talent and capability
 - attraction and retention
 - training and development
- ensuring sound processes are developed for performance evaluation and determination of levels of remuneration for the Executive and senior management
- giving guidance to the Chair regarding the annual evaluation of the performance of the CEO, and
- performing other functions that the Board may from time to time assign to the Committee.

The People Committee charter guides the committee, its structure and its specific roles and responsibilities. The People Committee are not paid any additional remuneration for serving on the Committee.

Committee membership

The committee consists of a minimum of three and a maximum of five independent non-executive directors, drawn from the Board, that meet quarterly. A summary of committee membership (as at 30 June 2021) is set out below.

PEOPLE COMMITTEE	
COMMITTEE MEMBER	COMMITTEE ROLE
Lyn Rowland	Committee Chair
Flavia Gobbo	Independent non-executive member
Ian Leavers	Independent non-executive member
Judy Bertram [^]	Independent non-executive member

[^] appointed to the Committee in February 2021

Directors' meetings

During the year, WorkCover held seven Board meetings, five Risk and Audit Committee meetings and four People Committee meetings. The CEO, Chief People and Finance Officer (Company Secretary), and Chief Customer Officer attend all Board meetings and other members of the executive leadership team and senior management are invited to present and discuss relevant topics. A register of Directors' interests is updated at each Board meeting to avoid any conflicts of interests, and Directors declare their Key Management Personnel related parties annually. Directors are also required to advise the Company Secretary, on an ongoing basis, of any changes to their Directors interests' or related parties that may conflict with their role at WorkCover. Board minutes are recorded and maintained in accordance with best practice.

Directors may seek independent, professional advice where considered necessary to fulfil their obligations. This is done so at WorkCover's expense and with the prior approval of the Chair.

Directors have access to assistance to support their professional development, including participation in further learning, and industry and association events and conferences.

Director attendance at 2020–2021 Board and Committee meetings is outlined below:

	BOARD	RISK AND AUDIT COMMITTEE	PEOPLE COMMITTEE
NUMBER OF MEETINGS HELD IN THE YEAR	7	4	4
Directors	Number of meetings attended		
Flavia Gobbo	7	3	2
Sarah Morris	7	4	-
John Crittall	7	4	-
Kerriann Dear	7	-	-
Ian Leavers	7	-	4
Lyn Rowland	7	-	4
Michael Clifford	7	2 [^]	-
Judy Bertram	7	-	2 [#]
Stacey Schinnerl	6 [*]	-	1

All Directors have a standing invitation to Committee meetings.

**Stacey Schinnerl appointed to the Board October 2020*

^ Michael Clifford appointed to the Risk & Audit Committee February 2021

Judy Bertram appointed to the People Committee in February 2021.

Senior executives

The People Committee reviews the senior executive remuneration strategy annually. The CEO assesses the performance of senior executives on an annual basis as part of the organisation's performance review process and in accordance with the remuneration strategy. The Board also assesses the performance of the CEO as part of this review process based on key performance indicators set annually, with remuneration aligned to the Queensland Government CEO Remuneration Framework.

Ethics

Ethics provide the overarching principles, values and rules that govern the behaviour of WorkCover's people and the impact on the community and environment. WorkCover has well established policies, procedures and practices that seek to promote the highest standards of ethical behaviour and a culture that embraces compliance with organisational, risk, legal and regulatory obligations. WorkCover's Ethics policy is reviewed annually, and was approved during the year by the Risk and Audit Committee. The expectation that employees and Directors act with integrity, honesty and accountability are reflected in WorkCover's [Code of conduct](#).

Code of conduct

Board members and employees are expected to maintain the highest level of ethical standards whilst performing their duties. WorkCover's [Code of conduct](#) supports our values providing a framework for high ethical standards and has been written to align with the requirements of the [Public Sector Ethics Act 1994](#) (PSE Act). The assertions of integrity, honesty and accountability are integrated into WorkCover's strategies, objectives and actions. The [Code of conduct](#) is communicated to our people through the corporate induction program and is available on the WorkCover intranet and website. Our people receive annual compliance training on this document and the PSE Act in general. All relevant internal policies and practices align with the code and the PSE Act, including the ethical principles and values as detailed in the PSE Act. All employees are required to comply with the code and any non-compliance may result in disciplinary action, which could include termination of employment.

The Board is bound by ethical standards outlined in the PSE Act, which requires directors to act honestly, disclose interests, exercise diligence and not use information or their position inappropriately. Directors are also bound by the PSE Act and WorkCover's [Code of conduct](#), on which they annually receive the same training as employees. Additionally, the Board follows the guidelines set out in [Welcome Aboard: A Guide for Members of Queensland Government Boards, Committees and Statutory Authorities](#) as issued by the Department of the Premier and Cabinet.

Compliance

WorkCover maintains a number of policies and procedures detailing our compliance obligations in accordance with relevant legislation, regulations and codes of practice. We continually monitor our systems and processes to ensure we maintain compliance with these obligations via an annual compliance calendar. WorkCover's compliance policy is reviewed annually and was approved in February by the Risk and Audit Committee. Progress against the annual compliance calendar is also reported to the Risk and Audit Committee on a quarterly basis.

Human rights

WorkCover supports the objectives of the [Human Rights Act 2019 \(Qld\)](#) (HRA), to protect, promote and build a culture that respects human rights.

WorkCover undertook a range of activities during the financial year to further the objectives of the HRA:

- reporting of WorkCover’s obligations
- reviewed its annual staff compliance training modules and induction training material for new starters which include references to the HRA and associated obligations
- conducted awareness raising for staff by incorporating human rights obligations into internal policies and procedures and annual compliance training
- conducted awareness raising for external customers by making reference to the HRA and how to make human rights complaints on WorkCover’s website
- nominated personnel for staff to contact who have enquiries relating to discrimination and harassment in the workplace
- reviewed amendments to the Act to ensure compatibility with the HRA.

WorkCover conducted the following reviews for compatibility with human rights:

- incorporated human rights into WorkCover’s internal complaint handling policies and procedures
- reviewed and updated workplace policies and procedures to refer to the HRA
- updated WorkCover’s website to incorporate obligations under the HRA and lodging complaints to the Queensland Human Rights Commission (QHRC)
- reviewed WorkCover’s processes and procedures in relation to claims management, claims determination and other decision-making frameworks to ensure the human rights provisions are appropriately documented.

Complaints under the HRA can only be made about alleged breaches which occurred after 1 January 2020.

WorkCover did not receive any human rights complaints regarding alleged breaches occurring during this financial year.

Customer and stakeholder feedback

WorkCover recognises the importance of complaints management as part of delivering a quality customer experience. We support the rights of our customers and stakeholders to have their complaints heard and actioned appropriately when they feel WorkCover has not met their expectations. We are committed to resolving complaints quickly and objectively and believe that all customer and stakeholder feedback, both positive and negative, presents opportunities for continuous improvement.

WorkCover maintains a complaints management framework in accordance with section 219A of the *Public Service Act 2008* and the AS/NZS ISO 10002:2014 Guidelines for complaints management in organisations. A copy of WorkCover’s [complaints policy](#) has been made available on the WorkCover website. In addition, the number of complaints received by WorkCover in the previous financial year are published on the WorkCover website as required under section 219A of the *Public Service Act 2008*. This includes the number of complaints resulting in further action and those complaints resulting in no further action.

WorkCover’s management of complaints is monitored to ensure compliance with the statutory, policy and reporting requirements concerning stakeholder feedback.

Training and development

WorkCover is committed to ensuring the ongoing capability and capacity of our people through the continued investment and development of our leadership and technical training competencies delivered throughout the year.

As part of this commitment, all employees complete regular training to keep up to date with compliance and industry requirements and for professional development. Further details of the Learning and Development program is included in the Engaged People section of this report.

Governance – risk management and accountability

Risk management

WorkCover is committed to the implementation of our risk management program throughout our organisation, including setting the risk appetite, periodic review and monitoring the treatment of the top strategic and corporate risks. Our Executive risk management framework and risk management policy is consistent with the principles set out in AS/NZS ISO 31000:2018 Risk Management – Guidelines and meets the requirements of the *Financial and Performance Management Standard 2019*. WorkCover's risk management policy was reviewed and approved through the year by the Risk and Audit Committee. During the year, the Board also held a risk workshop to review and set the risk appetite statements.

Our approach to risk management is aimed at embedding a risk aware culture throughout the organisation. This includes establishing an appropriate structure and clear lines of responsibility to systematically identify, evaluate and manage key risks associated with our activities. Our [risk management statement](#) is available on our website.

Risk and Audit Committee

The role of the Risk and Audit Committee is to assist the Board in fulfilling its corporate governance responsibilities. The committee reports directly to the Board on matters pertaining to WorkCover's risk governance framework, including:

- the reliability and integrity of financial information for inclusion in annual reports
- the integrity of internal control framework
- compliance with legislative, regulatory, and governance requirements
- oversight of the risk management framework, and
- safeguarding the independence of the internal and external auditors.

The [Risk and Audit Committee charter](#) guides the committee, its structure and its specific roles and responsibilities under the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*. The committee monitors its performance against the terms of the charter, with due regard to Queensland Treasury's [Audit Committee Guidelines: Improving Accountability and Performance](#). In discharging its duties, the committee has considered all audit recommendations as made by the external auditor.

Committee membership

The committee consists of a minimum of three and a maximum of six independent non-executive directors, drawn from the Board, that meet quarterly. A summary of committee membership (as at 30 June 2021) is set out below.

RISK AND AUDIT COMMITTEE	
COMMITTEE MEMBER	COMMITTEE ROLE
Sarah Morris	Committee Chair
Flavia Gobbo	Independent non-executive member
John Crittall	Independent non-executive member
Michael Clifford ^	Independent non-executive member

^appointed to the Committee in February 2021

Internal audit

The internal audit function supports the Risk and Audit Committee by providing independent and objective risk-based assurance advice, with the purpose of evaluating and improving the effectiveness of WorkCover's risk management, control and governance processes.

The internal audit function operates under an approved Internal audit charter which formalises the role, authority, responsibility, scope and operational framework of WorkCover's internal audit function, consistent with relevant assurance and professional ethical standards. The internal audit function is currently outsourced to an internal audit contractor, appointed by the Risk and Audit Committee. The internal audit function operates independently from management and WorkCover's external auditor.

Each year, the internal audit contractor prepares an internal audit plan, which outlines the internal audit activities to be performed during a financial year. The Risk and Audit Committee approve the internal audit plan and monitor the performance of the internal audit function, with due regard to the Audit committee guidelines: improving accountability and performance. The 2020–2021 internal audit plan was approved during the May Risk and Audit Committee meeting.

During the 2020–2021 financial year, 13 internal audit engagements were completed as per the annual internal audit plan. Two audits will continue into the 2021–2022 financial year as they relate to internal auditor's oversight on two key projects at WorkCover which are ongoing. At the completion of each engagement, the internal auditors report their findings and recommendations to the Risk and Audit Committee, including risks that have been identified. All recommendations arising from the completed internal audit engagements have either been implemented or, are on track to be implemented, within agreed timeframes. The internal audit plan's coverage over WorkCover's key risks is reviewed regularly through the use of an assurance map and discussions with key stakeholders.

External scrutiny

The external audit function of WorkCover is performed by the Queensland Audit Office (QAO), with recommendations reported to and monitored by the Risk and Audit Committee.

A number of other state bodies have been established by legislation to provide independent scrutiny of government (and statutory body) performance, including assurance of WorkCover's performance. These include the Workers' Compensation Regulatory Services (WCRS), the Queensland Ombudsman, the Office of the Information Commissioner Queensland (OIC) and the Crime and Corruption Commission (the CCC).

The Chair and CEO meet with the Minister on a regular basis to discuss relevant matters, including the Quarterly Report which includes progress against our objectives. The CEO and Chief People and Finance Officer also meet with representatives from the Office of Industrial Relations and the Queensland Treasury to discuss WorkCover's financial performance.

Under section 584A of the Act, the Minister is required to ensure that a review of the workers' compensation scheme's operational effectiveness be undertaken at least once every five years. The last review was undertaken in 2017–2018.

Information system and recordkeeping

All employees at WorkCover are responsible for keeping and maintaining records which are stored through WorkCover's claims and policy information system for our claims and policy records and through an integrated electronic records system for all corporate records. Annual compliance training is completed to ensure all employees are aware of their obligations under the [Public Records Act 2002](#).

Public records are being retained in line with WorkCover's Records governance policy, the Queensland State Archives' General Retention and Disposal Schedule and WorkCover's Queensland State Archives approved Retention and Disposal Schedule. No records were transferred to the Queensland State Archives during the 2020–2021 financial year.

Additionally, no breaches of the retention and disposal schedules were noted during the year, with no records being reported as missing or lost during this same period.

Quality assurance programs

Our quality assurance program forms part of our compliance and risk management frameworks. The quality assurance programs emphasise continuous improvement and align with AS/ISO 19600:2015 Compliance management systems. Quality assurance program reporting is provided quarterly to the Risk and Audit Committee. The quality assurance reviews are designed to assess the effectiveness of internal controls implemented to manage risks and to identify potential areas for improvement to our processes.

Customer audit and intelligence

WorkCover has a dedicated customer audit and intelligence team who work with Queensland employers, to ensure they are aware of their obligations to maintain adequate cover when engaging workers. The team is both responsible for auditing Queensland businesses, as well as managing WorkCover's uninsured employer compliance.

The team maintains a balanced compliance strategy by providing targeted education and monitoring of employer compliance across the state.

In recognition of the impact of COVID-19 on many Queensland businesses, the program was paused for a portion of 2020–2021. However, with increased data sharing opportunities because of improved stakeholder engagement across the year, it returned to full operation and is delivering strong outcomes.

Audit targets and site visit selection occurs using detailed data analysis and data sharing to highlight non-compliant businesses throughout Queensland. This involves strong working relationships with the Australian Taxation Office, the Queensland Office of State Revenue, and the Labour Hire Licensing Compliance Unit to ensure a uniform compliance approach across Queensland.

Compliance audits

507 targeted employer policy compliance audits and classification rating reviews were conducted. Audited employers had a 71% non-compliance rate with the total amount of premium and penalties raised from compliance audits and reviews at \$8.1 million.

Site visits and uninsured employers

Industry trend information and data mining on business information, locations and growth were used to select 1,002 employer site visits and ad-hoc provisional coverage reviews. These visits and reviews recouped \$2.1 million of additional premium and penalties from uninsured and under-insured employers.

Additionally, 190 new uninsured claims were identified which resulted in \$5.5 million in uninsured claims costs and penalties being raised against employers who had failed to hold their compulsory accident insurance policy at the time a claim for compensation was lodged.

Privacy

WorkCover is committed to protecting the privacy of customers, employees and third parties in accordance with the [Information Privacy Act 2009](#) (IP Act), which governs how information is collected, used, stored and disclosed by Queensland Government agencies. All disclosures of personal information by WorkCover are managed under this IP Act, the [Right to Information Act 2009](#) (RTI Act) or the Act.

WorkCover has a Privacy Committee that meet quarterly and are responsible for the promotion of privacy principles and oversight to achieve compliance. Privacy awareness is encouraged through initiatives such as participation in Privacy Awareness Week. Additionally, employees undertake annual privacy training. The Board and Risk and Audit Committee receive updates on privacy matters at each meeting.

Workplace health and safety

WorkCover is committed to maintaining a safe working environment, preventing workplace injuries, and appropriately managing injuries should they occur through continued robust education, communication and contemporary practices.

All activities within workplace health and safety align with the strategic vision and goals determined by leading practices, predominantly via WHSQ guidelines. As an additional value-add to our incident management process, all stakeholders are informed of incidents lodged through the workflow process of our incident management software and are involved in the process to ensure transparency and understanding of incidents.

WorkCover provides and maintains safe equipment for employees and undertakes scheduled safety inspections throughout the year. WorkCover continues to monitor our compliance with the Work Health and Safety Act 2011 (WHS Act).

The WHS Committee maintains its commitment to foster open communication with employees and transparency with executive management. Throughout the year, the committee has continued to engage employees on the obligations, expectations, and due diligence required of those who work within the organisation through monthly agendas.

All newly appointed Health and Safety Representatives undergo an intensive five-day training program to instil (at the commencement of their service) the expectations of WorkCover to ensure they obtain the knowledge required to adequately and comprehensively contribute to ensuring a workplace free from harm. All HSRs complete bi-annual site audits of WorkCover occupied spaces throughout the building with a detailed action plan for any issues identified as a result.

The WHS Committee also works alongside Property and Facilities to ensure a safe environment is maintained at all times via regular communications, attendance at WHS Committee Meetings and via the Person Conducting a Business or Undertaking (PCBU) Report submitted to the Board.

Business continuity management

Business continuity management is the proactive approach of managing processes and resources for continued achievement of critical objectives, during a time of crisis and or disruption. WorkCover's business continuity and disaster recovery plans have been developed to minimise the impact of a crisis on our customers, stakeholders and employees, and were reviewed and tested during the year.

WorkCover successfully managed the impacts COVID-19 on the daily operations of the organisation resulting in the continuation of services with no interruption using the principles and strategies established in the business continuity plan.

Open data

WorkCover has published information through the Open Data portal, concerning the amount incurred for consultancies, overseas travel and the provision of language services, as per the mandatory open data reporting requirements.

Financial performance

The COVID-19 pandemic continues to affect economic activity in 2021, which has implications for many businesses.

WorkCover continues to work with policy holders to help alleviate the impact of COVID-19 by providing assistance with the completion of reassessments of premiums owed as well as providing extended payment terms.

WorkCover's final comprehensive result for 2020–2021 was \$108 million. This positive result was primarily due to strong investment returns.

FINANCIAL RESULTS	2020–2021 \$M	2019–2020 \$M
Statement of comprehensive income		
Net premium revenue	1,626	1,627
Net claims incurred	(2,143)	(2,142)
Underwriting expenses (net of claims handling)	(34)	(44)
Net investment and other expenses	705	(91)
Income tax equivalents	(43)	200
Total comprehensive income/(loss) for the year	108	(446)
Statement of financial position		
Total assets	6,170	6,067
Total liabilities	3,981	3,986
Net assets	2,189	2,081
Statement of changes in equity		
Reserves	1,390	1,281
Contributed equity	3	3
Accumulated surplus	796	797
Total equity	2,189	2,081

Premium revenue

Our net premium revenue was \$1.626 billion for the year, inline with 2019–2020.

The target average premium rate for 2020–2021 remained unchanged at \$1.20 and continues to be one of the lowest average rates for workers' compensation insurance for the 2021-2022 financial year.

Net claims incurred

Net claims incurred were \$2.143 billion for 2020–2021 (2019–2020: \$2.142 billion).

The increase in net claims costs in 2020–2021 is largely driven by higher than expected statutory law claims experience (particularly for medical and weekly benefits) and a higher proportion of large common law claims settlements. This was offset by a reduction in the movement in the net outstanding claims provision compared to 2019–2020 (the yearly increase in the provision reduced by \$90 million).

The overall increase in the net outstanding claims provision is mainly due to an increase in statutory benefits and economic assumptions made by the Actuary. An allowance for an expected increase in common law claims and permanent impairment payments have also contributed to the increase.

Underwriting expenses

Underwriting expenses include WorkCover's management and operational expenses and the levy payable to the WCRS and WHSQ. To meet disclosure requirements under accounting standards, the claims handling expense portion of the underwriting expenses is added to gross claims expense to reflect the total cost of administering claims during the year.

Investment portfolio

WorkCover's investment portfolio is managed by QIC. The net market value in funds invested as at 30 June 2021 was \$5.706 billion (30 June 2020: \$5.112 billion).

The net return on this investment portfolio for the year was 13.76% (2019–2020 : -1.94%). This return was largely driven by strong equity returns. We will continue to work with our investment fund manager to effectively manage our investment risk to ensure our portfolio achieves its long term objectives.

Capital adequacy

The Act outlines specific requirements that WorkCover must meet to be fully funded.

As with other workers' compensation scheme in Australia, WorkCover is fully funded if total assets are at least equal to its liabilities. WorkCover is currently achieving both our legislative requirements (100%) and the Board's aim of maintaining a funding ratio of at least 120%.

Looking to the future

WorkCover continues to use prudent financial management to ensure a balanced and financially viable scheme for all customers and stakeholders. Part of this continuing prudent financial management entails a focus by WorkCover in continuing to operate within budget, achieving value for money, and more generally, ensuring WorkCover continues to minimise its costs and risks in relation to its liabilities.

Premiums will be set and claims and operational expenses carefully managed in order to continue to deliver a balanced scheme and we will ensure our long term investment strategy is built around a balanced portfolio.

Our in-house statutory claims management models allow us to continue to progress several claims management strategies to facilitate injured workers' return to work as quickly and safely as possible. It also allows us to optimise treating services to ensure workers get the right treatment at the right price.



Consolidated financial statements

2020-2021

Contents

Consolidated statement of comprehensive income	55
Consolidated statement of financial position	56
Consolidated statement of equity	57
Consolidated statement of cash flows	58
Notes to the consolidated financial statements	59
Basis of preparation	59
A1 General information	59
A2 Compliance with prescribed requirements	59
A3 Presentation and measurement	59
A4 The reporting entity	59
A5 Coronavirus	60
Premium	61
B1 Net premium revenue	61
B2 Unearned premium liability	61
B3 Liability adequacy test	61
B4 Insurance risk	62
Claims	64
C1 Net claims incurred	64
C2 Outstanding claims liability and recoveries receivable	65
Financial instruments	70
D1 Investment income/(loss)	70
D2 Categories of financial instruments	71
D3 Fair value measurements	73
D4 Offsetting financial assets and financial liabilities	75
D5 Financial risk management	76
Supporting our business	83
E1 Underwriting expenses	83
E2 Employee benefits	83
E3 Related parties	85
E4 Property, plant and equipment	89
E5 Commitments	90
Other	91
F1 Taxation	91
F2 Reconciliation of operating result to net cash provided by operating activities	93
F3 Leases	93
F4 Equity and reserves	93
F5 Contingent liabilities	94
F6 Differences between WorkCover consolidated financial statements and WorkCover Queensland financial statements	94
F7 Controlled entity	96
F8 Summary of additional significant accounting policies	96
F9 Events after reporting date	97
Management certificate	98
Independent auditor's report	99
Actuarial certificate for outstanding claims liability	103

Consolidated statement of comprehensive income

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Net premium revenue	B1	1,625,723	1,627,379
Gross claims expense	C1	(2,257,761)	(2,205,002)
Claims recoveries revenue	C1	114,714	63,216
Net claims incurred	C1	(2,143,047)	(2,141,786)
Underwriting expenses	E1	(34,066)	(43,884)
Underwriting result		(551,390)	(558,291)
Investment income/(loss)	D1	737,932	(60,255)
Other income		1,089	1,508
Investment expenses	D1	(33,527)	(33,171)
Other expenses		(541)	(472)
Operating result for the year before income tax equivalent		153,563	(650,681)
Income tax equivalent (expense)/benefit	F1(a)	(42,735)	200,367
Operating result for the year		110,828	(450,314)
Other comprehensive income			
Items that will not be reclassified subsequently to operating result:			
Revaluation of land and building	F4(b)	(4,335)	6,298
Income tax effect on revaluation of land and building	F1(a)	1,301	(1,889)
Other comprehensive (loss)/income for the year, net of income tax equivalent		(3,034)	4,409
Total comprehensive income/(loss) for the year		107,794	(445,905)

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	D2(a)	94,387	135,521
Recoveries receivable on outstanding claims	C2(b)	60,369	51,467
Receivables	D2	32,536	34,391
Investment assets	D2(d)	1,466,846	1,706,210
Current tax asset		-	16,285
Other assets		2,366	3,338
Total current assets		1,656,504	1,947,212
Non-current assets			
Recoveries receivable on outstanding claims	C2(b)	135,160	110,062
Receivables	D2	2,400	2,432
Investment assets	D2(d)	4,267,682	3,850,081
Property, plant and equipment	E4	64,489	71,517
Deferred tax assets	F1(a)	42,677	84,111
Other assets		1,289	1,781
Total non-current assets		4,513,697	4,119,984
Total assets		6,170,201	6,067,196
Current liabilities			
Payables	D2(c)	18,063	21,329
Unearned premium liability	B2	12,361	11,688
Outstanding claims liability	C2(a)	1,505,885	1,394,484
Employee benefits liabilities	E2(b)	21,139	19,410
Investment related liabilities	D2(d)	21,330	363,193
Other liabilities		77	78
Total current liabilities		1,578,855	1,810,182
Non-current liabilities			
Unearned premium liability	B2	315	-
Outstanding claims liability	C2(a)	2,392,315	2,092,628
Employee benefits liabilities	E2(b)	2,922	2,385
Investment related liabilities	D2(d)	6,740	80,749
Other liabilities		24	16
Total non-current liabilities		2,402,316	2,175,778
Total liabilities		3,981,171	3,985,960
Net assets		2,189,030	2,081,236
Equity			
Contributed equity	F4(a)	2,500	2,500
Asset revaluation surplus	F4(b)	31,157	34,191
Investment fluctuation reserve	F4(c)	1,359,139	1,247,375
Accumulated surplus		796,234	797,170
Total equity		2,189,030	2,081,236

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of equity

For the year ended 30 June 2021

	Contributed equity	Asset revaluation surplus	Investment fluctuation reserve	Accumulated surplus	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	2,500	29,782	1,784,184	710,675	2,527,141
Operating result for the year	-	-	-	(450,314)	(450,314)
Other comprehensive income for the year	-	4,409	-	-	4,409
Total comprehensive income for the year	-	4,409	-	(450,314)	(445,905)
Transfer from investment fluctuation reserve to accumulated surplus	-	-	(536,809)	536,809	-
Total transactions with owners, recorded directly in equity	-	-	(536,809)	536,809	-
Balance at 30 June 2020	2,500	34,191	1,247,375	797,170	2,081,236
Balance at 1 July 2020	2,500	34,191	1,247,375	797,170	2,081,236
Operating result for the year	-	-	-	110,828	110,828
Other comprehensive income for the year	-	(3,034)	-	-	(3,034)
Total comprehensive income for the year	-	(3,034)	-	110,828	107,794
Transfer to investment fluctuation reserve from accumulated surplus	-	-	111,764	(111,764)	-
Total transactions with owners, recorded directly in equity	-	-	111,764	(111,764)	-
Balance at 30 June 2021	2,500	31,157	1,359,139	796,234	2,189,030

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Premiums received		1,624,241	1,615,060
Interest received		5,902	11,241
Managed unit trust distributions received		189,300	209,574
Investment management fees paid		(33,259)	(31,755)
GST collected on sales		163,085	161,896
Claims paid		(1,837,881)	(1,736,499)
Claims recoveries received		78,779	73,071
Other operating income received		1,184	1,398
Other operating expenses paid		(32,842)	(41,854)
GST paid on purchases		(28,335)	(27,677)
GST remitted to the ATO		(135,756)	(134,655)
Income tax equivalent paid		16,285	78,701
Net cash provided by operating activities	<i>F2</i>	10,703	178,501
Cash flows from investing activities			
Acquisition of investments		(192,035)	(212,860)
Proceeds from sale of investments		140,555	83,258
Acquisition of intangible assets		-	(403)
Acquisition of property, plant and equipment		(354)	(514)
Net cash used in investing activities		(51,834)	(130,519)
Cash flows from financing activities			
Principal elements of lease payments		(3)	-
Net cash used in financing activities		(3)	-
Net (decrease)/increase in cash and cash equivalents		(41,134)	47,982
Cash and cash equivalents at 1 July		135,521	87,539
Cash and cash equivalents at 30 June	<i>D2(a)</i>	94,387	135,521

This statement is to be read in conjunction with the accompanying notes.

Basis of preparation

A1 General information

WorkCover Queensland is a not-for-profit statutory body established by the *Workers' Compensation and Rehabilitation Act 2003* (WCRA). WorkCover Queensland is controlled by the Queensland State Government and is the main provider of workers' compensation insurance in Queensland.

WorkCover Queensland's principal place of business is 280 Adelaide Street, Brisbane, Queensland, Australia.

WorkCover Queensland's Chair, Ms Flavia Gobbo, authorised this report for issue on 24 August 2021.

A2 Compliance with prescribed requirements

These general purpose financial statements are prepared on an accrual basis and in accordance with Australian Accounting Standards (AASBs) made by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the AASB, the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019*, the WCRA and the *Workers' Compensation and Rehabilitation Regulation 2014*.

The significant accounting policies adopted in the preparation of these financial statements have been included in the relevant notes. These policies have been consistently applied for all years presented unless otherwise stated.

New accounting standards applied for the first time in these financial statements are outlined in note F8.

The preparation of financial statements also requires the use of accounting estimates and management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are:

- outstanding claims liability and claims recoveries receivable (note C2(d)); and
- financial instruments (note D3).

A3 Presentation and measurement

The measurement basis is historical cost, unless the application of fair value, present value, or net realisable value is required by the relevant accounting standard or as nominated in the notes to the consolidated financial statements.

Assets and liabilities are classified as either 'current' or 'non-current' in the consolidated statement of financial position and the associated notes. Assets are classified as current where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or there is not an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

The presentation currency is Australian dollars. Amounts included in these consolidated financial statements have been rounded to the nearest \$1,000 or, where the amount is less than \$500, to zero, unless disclosure of the full amount is specifically required.

A4 The reporting entity

These financial statements represent the financial statements for the consolidated entity 'WorkCover', consisting of the parent entity, WorkCover Queensland, and its controlled entity, the WorkCover Employing Office (WEO). All transactions and balances internal to the consolidated entity have been eliminated in full.

WEO is a statutory body established under the WCRA. WEO is assessed as a structured entity under AASB 12 *Disclosure of Interests in Other Entities* that is controlled by WorkCover Queensland in accordance with AASB 10 *Consolidated Financial Statements* based on relevant factors including:

- WEO's work performance arrangement with WorkCover Queensland, which requires WEO to provide employees to perform work for WorkCover Queensland. WEO has only this agreement and is unlikely to make another; and
- WorkCover Queensland has been deemed to act as WEO's principal under the delegation of powers, due to the fact that WorkCover Queensland exercises its own discretion and is not subject to specific direction by the Minister regarding WEO.

These financial statements do not separately disclose the financial statements of the parent entity, WorkCover Queensland, due to the immaterial differences between the consolidated and parent entity's financial statements. These differences are disclosed in note F6.

A summary of WEO's financial statements is provided in note F7.

A5 Coronavirus

The global coronavirus (COVID-19) pandemic developed in 2020 has continued to affect economic activity in 2021, which in turn has implications for many businesses for financial reporting purposes. Despite the disruption to Queensland businesses, there has been minimal financial impact on WorkCover.

WorkCover continues to work with policyholders to help alleviate the impact of COVID-19 by providing assistance with the completion of reassessments of premiums owed as well as providing extended payment terms.

Premium

Premium received from policyholders is the key source of revenue for WorkCover. This section provides detail on the measurement of premium, its adequacy, and insurance risk.

B1 Net premium revenue

	Note	2021 \$'000	2020 \$'000
Gross written premiums		1,679,417	1,678,551
Discount on premiums		(55,726)	(56,016)
Premium penalties		3,020	5,513
		1,626,711	1,628,048
Movement in unearned premium	B2	(988)	(669)
		1,625,723	1,627,379

Premium revenue is earned from contracts when a policyholder transfers significant insurance risk to WorkCover. Gross written premiums are the amounts charged to the policyholder excluding stamp duty and goods and services tax (GST). A discount is offered to policyholders for early payment subject to certain conditions.

Premium revenue, including that on unclosed written business, is recognised in the consolidated statement of comprehensive income over the period of the contract from the date of attachment of risk. The pattern of recognition over the policy period is based on time, which is considered to closely approximate the pattern of risks underwritten.

The proportion of premium received but not earned in the consolidated statement of comprehensive income at the reporting date is recognised as an unearned premium liability in the consolidated statement of financial position. The carrying value reflects its fair value.

B2 Unearned premium liability

	Note	2021 \$'000	2020 \$'000
Balance at 1 July		11,688	11,019
Movement in unearned premium:			
Deferral of premiums on contracts written during the year		12,676	11,369
Earning of premiums written in previous years		(11,688)	(10,700)
	B1	988	669
Balance at 30 June	B3	12,676	11,688
<i>Represented by:</i>			
Current		12,361	11,688
Non-current		315	-
	B3	12,676	11,688

B3 Liability adequacy test

At the end of each reporting period WorkCover assesses whether the unearned premium liability is adequate to cover all expected future cash flows relating to future claims against current insurance contracts. This test is performed at a portfolio of contracts level using contracts that are subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims and the additional risk margin reflecting the inherent uncertainty in the central estimate exceeds the unearned premium liability, the unearned premium liability is deemed to be deficient. If there is a deficiency, the entire deficiency is expensed immediately in the consolidated statement of comprehensive income.

	Note	2021 \$'000	2020 \$'000
Unearned premium liability	B2	12,676	11,688
Less present value of expected future cash flows for future claims:			
Discounted central estimate		9,446	8,984
Risk margin		1,185	1,268
		10,631	10,252
Surplus		2,045	1,436
Risk margin		12.5%	14.1%
Probability of adequacy		75%	75%

As the test has identified a surplus (2020: surplus), no further liability has been recognised.

B4 Insurance risk

(a) Terms and conditions of insurance contracts

WorkCover writes one class of business, workers' compensation. It provides two types of insurance contracts:

- accident insurance; and
- contracts of insurance.

Accident insurance

All employers in Queensland are required to have accident insurance coverage for all employees that meet the definition of a 'worker' under the WCRA.

Contracts of insurance

WorkCover provides optional insurance instruments that provide cover to individuals, employees, or members of associations who do not meet the definition of a 'worker' and are therefore not covered by the accident insurance policies.

The terms and conditions attaching to accident insurance contracts and contracts of insurance determine the level of insurance risk accepted by WorkCover. All insurance contracts entered into are in the same standard form and are subject to substantially the same terms and conditions under the WCRA.

The WCRA provides that all insurance policies issued by or on behalf of WorkCover are guaranteed by the Queensland State Government.

(b) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

WorkCover has an objective to manage insurance risk to reduce the volatility of insurance premiums and operating results so that the required funding ratio can be maintained. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results are affected by market factors. Short-term variability is, to some extent, a feature of the insurance business.

Key aspects of processes established to mitigate insurance risks include:

- the maintenance and use of management information systems, which provide up-to-date, reliable data on the risks to which WorkCover is exposed to at any point in time;
- the use of actuarial models, using information from the management information systems, to monitor claims patterns and calculate premiums. Past experience and statistical methods are used as part of the process; and
- the mix of assets in which WorkCover invests being driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

(c) Concentration of insurance risk

WorkCover's exposure to concentration of insurance risk relates to injuries caused through an event or disaster that may have occurred during the reporting period. This risk is mitigated as WorkCover supplies compulsory workers' compensation insurance to most Queensland businesses who employ workers and as such, WorkCover's customers are geographically and occupationally diverse.

(d) Liquidity risk

WorkCover's exposure to liquidity risk is managed by ensuring that investments held to meet policyholder liabilities are matched to the expected duration of those liabilities and sufficient cash deposits are available to meet day-to-day operations. The liquidity risk associated with WorkCover's investment related liabilities is disclosed in note D5(b).

The liquidity risk of outstanding claims held by WorkCover, representing the maturity of outstanding claims liabilities calculated based on discounted cash flows relating to the liabilities, at reporting date is as follows:

	Note	2021 \$'000	2020 \$'000
1 year or less	C2(a)	1,505,885	1,394,484
1 - 3 years		1,524,337	1,368,431
3 - 5 years		465,824	400,482
More than 5 years		402,154	323,715
	C2(a)	3,898,200	3,487,112

Claims

WorkCover's claimants are individuals injured at work who are covered by WorkCover's accident insurance policies and contracts of insurance. This section provides information on net claims costs incurred and the net outstanding claims provision, including the assumptions and estimates.

C1 Net claims incurred

	Note	2021 \$'000			2020 \$'000		
		Current year	Prior years	Total	Current year	Prior years	Total
Gross claims expense:							
Undiscounted claims expense		2,276,154	98,723	2,374,877	2,054,836	151,832	2,206,668
Discount		(73,132)	(43,984)	(117,116)	(34,895)	33,229	(1,666)
	C2(a)	2,203,022	54,739	2,257,761	2,019,941	185,061	2,205,002
Claims recoveries revenue:							
Undiscounted claims recoveries revenue		(63,206)	(51,913)	(115,119)	(50,949)	(10,009)	(60,958)
Discount		811	(406)	405	527	(2,785)	(2,258)
	C2(b)	(62,395)	(52,319)	(114,714)	(50,422)	(12,794)	(63,216)
		2,140,627	2,420	2,143,047	1,969,519	172,267	2,141,786

Current year claims relate to risks borne in the current financial year. Prior years claims relate to a reassessment of the expense for risks borne in all previous financial years.

There was an increase in net claims incurred for injury years prior to 2021 before the unwinding of one year discounting on future payments. This increase is largely driven by higher than expected common law entitled claims and corresponding changes in valuation assumptions as well as higher than expected settlement numbers for permanent impairment benefits. This was partially offset by higher than expected recoveries and corresponding changes in valuation assumptions.

Reconciliation of net claims incurred

	Note	2021 \$'000	2020 \$'000
Gross claims incurred:			
Statutory claims paid		1,156,444	1,110,217
Common law claims paid		486,573	432,463
Claims handling expenses	E1	202,212	193,850
Net self-insurance payments		1,444	4,837
	C2(a)	1,846,673	1,741,367
Claims recoveries:			
Statutory claims recovered		(77,371)	(64,483)
Common law claims recovered		(3,343)	(1,951)
	C2(b)	(80,714)	(66,434)
Movement in net outstanding claims liability:			
Gross claims liability		411,088	463,635
Recoveries receivable		(34,000)	3,218
		377,088	466,853
		2,143,047	2,141,786

Claims expenses are recognised in the consolidated statement of comprehensive income as the costs are incurred. Claims recoveries are recognised as revenue in the consolidated statement of comprehensive income once the amount to be recovered can be estimated and is likely to be recovered.

Self-insurance

Under the WCRA, an employer may provide their own accident insurance for their workers instead of insuring with WorkCover if they meet certain requirements. Upon separation or return, WorkCover will make a payment to or receive a payment from the self-insurer for the estimated liability of outstanding claims payments which relate to the period of insurance covered by WorkCover or the self-insurer.

Bank guarantees, financial guarantees given by an insurance company that is an approved security provider and cash deposits of \$466.790 million (2020: \$468.475 million) are held by the Workers' Compensation Regulator on behalf of self-insurers. If a self-insurer fails its obligations under the WCRA, WorkCover may recover from the guarantees for any debts owing from the self-insurer. As the likelihood of having to call on the guarantees has been assessed as low, no financial asset has been recognised in the consolidated statement of financial position.

C2 Outstanding claims liability and recoveries receivable

(a) Gross outstanding claims liability

Note	2021 \$'000	2020 \$'000
Expected future claims payments	3,513,682	3,046,194
Claims handling expenses	291,359	244,071
	3,805,041	3,290,265
Less discount to present value	(228,711)	(120,163)
Discounted central estimate	3,576,330	3,170,102
Risk margin	321,870	317,010
B4(d)	3,898,200	3,487,112
<i>Represented by:</i>		
Current	1,505,885	1,394,484
Non-current	2,392,315	2,092,628
B4(d)	3,898,200	3,487,112
Reconciliation of movement during the year:		
Balance at 1 July	3,487,112	3,023,477
Provisions made	C1 2,203,022	2,019,941
Payments made	C1 (1,846,673)	(1,741,367)
Effect of changes in assumptions to prior year provisions	C1 54,739	185,061
Balance at 30 June	B4(d) 3,898,200	3,487,112

This liability is calculated by an independent actuary, PricewaterhouseCoopers Consulting (Australia) Pty Ltd (the Actuary), in accordance with the WCRA and AASB 1023 *General Insurance Contracts*.

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments for claims incurred at the end of the reporting period plus an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER), and anticipated claims handling costs. The expected future payments are discounted to present value at the reporting date using a risk-free rate.

In respect of latent onset injuries, the WCRA states that the definition of the date of injury for a latent onset injury, is the date at which a medical practitioner diagnoses the injury. No liability is held for latent onset injuries where a medical practitioner has not yet diagnosed the injury.

(b) Recoveries receivable on outstanding claims

	Note	2021 \$'000	2020 \$'000
Expected future recoveries		180,910	147,989
Less discount to present value		(1,526)	(1,144)
Discounted central estimate		179,384	146,845
Risk margin		16,145	14,684
		195,529	161,529
<i>Represented by:</i>			
Current		60,369	51,467
Non-current		135,160	110,062
		195,529	161,529

Reconciliation of movement during the year:

Balance at 1 July		161,529	164,747
Recoveries recognised	C1	62,395	50,422
Recoveries received	C1	(80,714)	(66,434)
Effect of changes in assumptions to prior year provisions	C1	52,319	12,794
Balance at 30 June		195,529	161,529

Claims recoveries receivable is measured as the present value of the expected future receipts and is calculated by the Actuary on the same basis as the liability for gross outstanding claims in accordance with the WCRA and AASB 1023.

(c) Claims development

The development of net undiscounted outstanding claims for each underwriting year relative to the ultimate expected claims is as follows:

	Injury year										Total \$'000
	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	
Estimate of ultimate claims cost:											
At end of injury year	1,270,052	1,217,658	1,081,408	1,046,117	1,339,208	1,407,682	1,445,470	1,435,652	1,590,785	1,777,829	
One year later	1,162,090	1,183,786	1,079,142	1,119,682	1,206,767	1,268,765	1,302,500	1,512,595	1,615,787		
Two years later	1,158,901	1,144,077	1,036,739	1,025,004	1,084,722	1,186,315	1,325,147	1,560,243			
Three years later	1,119,311	1,096,225	992,802	972,577	1,064,268	1,213,882	1,316,980				
Four years later	1,087,829	1,092,614	993,291	958,846	1,063,510	1,251,196					
Five years later	1,083,788	1,092,539	990,576	961,472	1,078,682						
Six years later	1,085,964	1,095,397	992,872	965,637							
Seven years later	1,088,932	1,090,962	996,883								
Eight years later	1,086,697	1,091,724									
Nine years later	1,086,953										
Current estimate of cumulative claims cost											
Cumulative payments	1,086,953	1,091,724	996,883	965,637	1,078,682	1,251,196	1,316,980	1,560,243	1,615,787	1,777,829	12,741,914
Undiscounted outstanding claims	9,686	12,776	16,812	24,481	47,615	145,040	220,799	458,244	755,691	1,314,432	3,005,576
Undiscounted outstanding claims for prior injury years											327,196
Claims handling expenses											291,359
Central estimate of outstanding claims											
Discount											(227,185)
Discounted central estimate											
Risk margin											305,725
Net outstanding claims liability											
											3,702,671

The claims development table has been presented on a net of recoveries basis to give the most meaningful insight into the impact on the operating result. The net outstanding claims liability can be reconciled by taking the gross outstanding claims liability per note C2(a) and offsetting the recoveries receivable on outstanding claims as per note C2(b).

(d) Claims actuarial assumptions and methods

In calculating the gross outstanding claims liability, the Actuary uses a variety of estimation techniques based upon statistical analyses of historical experience. The projections given by the estimation techniques assist in setting the range of possible outcomes. The most appropriate technique is selected taking into account the characteristics of the insurance class and the extent of the development of each injury year. These techniques assume that the development pattern of the current claims will be consistent with past relevant experience.

In estimating the cost of settling claims already notified to WorkCover, the Actuary gives regard to the claim circumstances as reported and information on the cost of settling claims with similar characteristics in previous periods. These claims tend to display lower levels of estimation volatility as more information about the claims events is generally available.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty as information is not yet available and these claims may often not be apparent until many years after the claim event.

Large claims are generally assessed separately, being projected or measured on a case by case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Allowances are made for changes or uncertainties that may create distortions in the underlying statistics which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in WorkCover's processes, which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation and discount rates;
- movements in industry benchmarks; and
- medical and technological developments.

Payments experience is analysed to obtain averages paid per claim incurred and averages paid per claim settled, active or finalised. Estimated claims payments are adjusted to allow for general economic inflation and are discounted to allow for the time value of money, being the investment return expected based on risk-free rates in the period to settlement. The resulting average claims payments together with the ultimate numbers of claims and anticipated claims handling costs are analysed to determine a final central estimate of gross outstanding claims. A risk margin is also added to allow for the inherent uncertainty in the central estimate.

In addition to the calculation of the gross outstanding claims liability, estimates for potential claims recoveries are analysed separately and derived using the same methods, based on past recovery experience and adjustments to assumptions where appropriate. In addition, the recoverability of the assets are assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as credit risk. Impairment is recognised where there is objective evidence that WorkCover may not receive the amounts due and where these amounts can be reliably measured. Estimated outstanding recoveries are then subtracted from gross outstanding claims to arrive at the net outstanding claims estimate.

The Actuary takes all reasonable steps to ensure that it has appropriate information regarding WorkCover's claims exposures. However, given the uncertainty in establishing claims provisions, it is likely the final outcome will be different from the original liability established.

Key assumptions

The key actuarial assumptions made in determining the net outstanding claims liability and the processes used to determine the assumptions are as follows:

Variable	2021	2020	Variable	2021	2020
Ultimate claim numbers per annum			Inflation rates¹ (average weekly earnings)		
Statutory claims	70,615	65,448	Gross outstanding claims:		
NIIS	14	6	Not later than one year	2.3%	1.3%
Common law	2,963	2,689	Later than one year	2.5%	2.3%
Silicosis	24	43	Recoveries receivable on outstanding claims:		
Ultimate claims size			Not later than one year	2.3%	1.3%
Statutory claims	\$16,570	\$16,231	Later than one year	2.5%	2.3%
NIIS	\$2,430,403	\$2,814,997	Discount rates		
Common law	\$175,148	\$170,824	Gross outstanding claims:		
Silicosis	\$1,252,331	\$1,204,346	Not later than one year	0.0%	0.2%
Average weighted term to settlement from claims reporting date			Later than one year	1.8%	1.3%
Gross outstanding claims	2.8 years	2.6 years	Recoveries receivable on outstanding claims:		
Recoveries receivable on outstanding claims	2.1 years	2.1 years	Not later than one year	0.0%	0.2%
Claims handling expense rate			Later than one year	0.5%	0.4%
Statutory claims	20.0%	20.0%	Risk margin		
Common law and latent	1.0%	1.0%		9.0%	10.0%

¹ The inflation rate for later than one year is based on a weighted average of the uninflated and undiscounted gross outstanding cash flow.

Ultimate claim numbers per annum

Numbers of claims incurred are used in determining the estimates in respect of claims IBNR for statutory and common law claims and in respect of claims diagnosed but not reported (DBNR) for latent onset related claims. The incurred claims total for the current underwriting year has been estimated based on past reporting patterns for statutory and common law claims separately, taking into account trends or changes in reporting patterns. The ratio of numbers of common law to statutory claims is also examined for reasonableness. The incurred claims total for latent onset related claims for the current underwriting year is an estimate of all claims diagnosed in the current year. This is estimated using past reporting patterns and delays from diagnosis to report for latent onset related claims. Silicosis, a latent onset related claim, and claims related to the National Injury Insurance Scheme (NIIS) have been included into the key assumptions disclosure as these emerging classifications include assumptions that have a significant impact on the outstanding claims liability.

Ultimate claims size

The average ultimate claims size for the current underwriting year has been estimated based on past payment patterns for statutory, common law, and latent onset related claims separately, taking into account trends or changes in payment patterns.

Average weighted term to settlement from claims reporting date

The average weighted term to settlement is calculated separately based on historic settlement patterns. A decrease in the average term to settlement rates would lead to more claims being paid sooner than anticipated.

Claims handling expense rate

Claims handling expenses are calculated by reference to past experience of claims handling costs as a percentage of past payments. For the purposes of this calculation, latent comprises of silicosis and asbestos related claims costs.

Inflation rates (average weekly earnings)

Expected future payments are inflated to take into account inflationary increases. Economic inflation assumptions are set by reference to current economic indicators.

Discount rates

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. Discount rates derived from market yields on Commonwealth Government securities at reporting date have been adopted.

Risk margin

The risk margin is determined having regard to the inherent uncertainties in the actuarial models and economic assumptions, the quality of the underlying data used in the models, and industry and market conditions. The analysis of these inherent uncertainties is performed considering the statutory, common law, and latent onset related gross outstanding claims estimates separately. The assumptions regarding uncertainty are applied to the net central estimates in order to arrive at an overall provision which is intended to have a 75% (2020: 75%) probability of adequacy.



Sensitivity analysis

WorkCover conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables as disclosed above. The movement in any key variable will impact the operating result and equity of WorkCover as follows:

Variable	Movement	Impact on operating result and equity		Variable	Movement	Impact on operating result and equity	
		2021 \$'000	2020 \$'000			2021 \$'000	2020 \$'000
Ultimate claim numbers per annum				Inflation rates - net claims cost:			
- latest year	+10%	-111,037	-98,868	Not later than one year	+1%	-11,186	-14,041
	-10%	+111,037	+98,868		-1%	+11,198	+14,054
Ultimate claims size				Later than one year	+1%	-43,095	-40,018
- latest year	+10%	-111,037	-98,868		-1%	+36,757	+35,176
	-10%	+111,037	+98,868	Discount rates - net claims cost:			
Average weighted term to settlement				Not later than one year	+1%	+12,660	+18,284
- years	+0.5	-26,458	-18,825		-1%	-12,900	-18,629
	-0.5	+26,048	+18,549	Later than one year	+1%	+39,700	+41,578
Claims handling expense rate					-1%	-47,261	-48,022
	+1%	-24,066	-21,425	Risk margin	+1%	-23,898	-21,049
	-1%	+24,066	+21,425		-1%	+23,898	+21,049

Financial instruments

Financial instruments are held by WorkCover to fund future claims payments. Financial instruments include cash, contractual rights to deliver or receive cash or another type of financial instrument, or an equity instrument of another entity. This section provides information about the financial instruments held, the associated risks arising from holding these financial instruments, income derived, and fair value measurement methodology.

D1 Investment income/(loss)

	2021 \$'000	2020 \$'000
Financial assets at amortised cost:		
Interest income	2,996	7,625
	2,996	7,625
Financial assets or liabilities at fair value through profit or loss (FVPL):		
Designated upon initial recognition:		
Interest income	2,846	3,504
Managed unit trust distributions	255,804	195,873
Gain/(loss) on financial instruments	357,541	(259,247)
Other income	-	59
	616,191	(59,811)
Mandatorily measured:		
Gain/(loss) on financial instruments	118,745	(8,069)
	118,745	(8,069)
Total investment income/(loss)	737,932	(60,255)
Investment expenses	(33,527)	(33,171)
Net investment income/(loss)	704,405	(93,426)

Interest income and managed unit trust distributions are recognised in the consolidated statement of comprehensive income when earned. Changes in the fair value of investments are recognised as gains or losses in the consolidated statement of comprehensive income as they occur.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. Refer to note D5(a) for credit risk disclosure.

WorkCover holds a diverse portfolio of investments with QIC Limited (QIC) and has experienced a recovery in returns this financial year after significant shifts in the market value of the financial instruments throughout the prior financial year as a result of COVID-19. The final rate of return net of fees for the QIC portfolio for this financial year is 13.76% (2020: -1.94%). Refer to note D5(c) for the cash and cash equivalents interest rates.

Investment management fees are recognised in the consolidated statement of comprehensive income when incurred.

Direct investment management expenses are calculated as a percentage of the balance under management which were 0.6% for QIC and 0.15% for Queensland Treasury Corporation (QTC) for 2021 (2020: 0.6% and 0.15% respectively). Other investment fees paid to QIC include custody fees and brokerage fees.

D2 Categories of financial instruments

	Note	2021 \$'000			2020 \$'000		
		Current	Non-current	Total	Current	Non-current	Total
Financial assets							
Financial assets at amortised cost:							
Cash and cash equivalents	D2(a)	94,387	-	94,387	135,521	-	135,521
Receivables	D2(b)	32,536	2,400	34,936	34,391	2,432	36,823
Financial assets at FVPL:							
Investment assets	D2(d)	1,466,846	4,267,682	5,734,528	1,706,210	3,850,081	5,556,291
		1,593,769	4,270,082	5,863,851	1,876,122	3,852,513	5,728,635
Financial liabilities							
Financial liabilities at amortised cost:							
Payables	D2(c)	18,063	-	18,063	21,329	-	21,329
Financial liabilities at FVPL:							
Investment related liabilities	D2(d)	21,330	6,740	28,070	363,193	80,749	443,942
		39,393	6,740	46,133	384,522	80,749	465,271

(a) Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank	93,437	97,165
QTC Capital Guaranteed Cash Fund	950	38,356
	94,387	135,521

Cash and cash equivalents are measured at amortised cost and include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand at WorkCover's option. Cash and cash equivalents exclude those classified and held as investments within the QIC investment portfolio. Further, the cashflow statement reflects actual cashflow movements by WorkCover for operational cashflow management and not the balance or short-term movements within the underlying investment portfolio with QIC. Refer to note D2(d) and note D3 for more information about cash and cash equivalents amounts held for the purpose of investment strategy.

(b) Receivables

	Note	2021 \$'000	2020 \$'000
Premiums and related penalties		20,504	25,623
Claims and related penalties		17,783	18,297
Unclosed business		5,230	5,745
Other debtors		1,419	1,558
		44,936	51,223
Less allowance for impairment	D5(a)	(10,000)	(14,400)
		34,936	36,823

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Receivables are not discounted as the effect of discounting is immaterial. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts. Receivables exclude those classified and held as investments within the QIC investment portfolio. Refer to note D2(d) and note D3 for more information.

The allowance for impairment is the difference between the carrying amount of the receivables and the present value of estimated future cash flows. The amount of the allowance raised, used or derecognised is recognised in the consolidated statement of comprehensive income. Refer to note D5(a) for further information.

(c) Payables

	2021 \$'000	2020 \$'000
Trade creditors	9,173	10,708
Premiums in credit	1,487	1,466
Claims creditors	3,590	4,149
	14,250	16,323
GST receivable	(2,683)	(1,704)
GST payable	6,496	6,710
Net GST payable	3,813	5,006
	18,063	21,329

Payables are carried at amortised cost and due to their short-term nature are not discounted. Trade creditors are recognised for unpaid goods or services for which WorkCover has a present obligation to make payment. Premiums in credit are recognised upon receipt for premiums received in advance and upon adjustment for policies in credit. Claims creditors are recognised for amounts related to claims payments or claims made. All amounts are unsecured and are paid as they fall due. Payables exclude those classified and held as investments within the QIC investment portfolio. Refer to note D2(d) and note D3 for more information.

The carrying amounts of payables are considered to be the same as their fair values due to their short-term nature.

(d) Investments

	2021 \$'000			2020 \$'000		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets at FVPL						
Designated upon initial recognition:						
Cash and cash equivalents	43,342	-	43,342	51,033	-	51,033
Cash collateral and margin accounts	1,669	9,693	11,362	11,403	12,030	23,433
Receivables	129,814	-	129,814	54,292	-	54,292
Managed unit trusts	1,283,443	4,242,164	5,525,607	1,517,881	3,468,442	4,986,323
Debt securities	-	-	-	-	334,115	334,115
Mandatorily measured:						
Derivatives held for trading	8,578	15,825	24,403	71,601	35,494	107,095
	1,466,846	4,267,682	5,734,528	1,706,210	3,850,081	5,556,291
Financial liabilities at FVPL						
Designated upon initial recognition:						
Cash and cash equivalents	2,149	-	2,149	3,464	-	3,464
Cash collateral and margin accounts	-	1,248	1,248	-	80,555	80,555
Payables	1	-	1	301	-	301
Repurchase agreements	-	-	-	331,093	-	331,093
Mandatorily measured:						
Derivatives held for trading	19,180	5,492	24,672	28,335	194	28,529
	21,330	6,740	28,070	363,193	80,749	443,942

WorkCover classifies and designates all investments at FVPL on the basis that the investments are managed as a portfolio based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies. Initial recognition is at cost in the consolidated statement of financial position, with attributable transaction costs expensed as incurred. Subsequent measurement is at fair value with any resultant realised and unrealised gains or losses recognised in the consolidated statement of comprehensive income. Purchases and sales of financial assets are recognised on the settlement date.

As part of its investment strategy, WorkCover engages QIC to actively manage its investment portfolio and to ensure that sufficient cash and liquid assets are on hand to meet the expected future cash flows arising from insurance contract liabilities. Investments that are required to meet current insurance contract liabilities and current investment related liabilities are classified as current investments in the consolidated statement of financial position. While this classification policy may result in a reported working capital deficit, included in non-current investments are liquid investments which QIC uses to ensure it is able to meet WorkCover's operating requirements.

There were no significant changes to the overall investment strategy and processes during the current financial year (2020: no significant changes). However, notwithstanding that some of WorkCover's investment instruments are complex and interrelated, for greater transparency, WorkCover has restated the investment disclosures to provide a breakdown of the instruments held by WorkCover's custodian. These instruments consist of cash and cash equivalents, cash collateral and margin accounts, receivables, payables, derivatives, debt securities and repurchase agreements. Under the direction of QIC, WorkCover's custodian actively trades and holds investment assets and liabilities on behalf of WorkCover. Further details of financial instruments and the methods and assumptions used to estimate fair value are included in note D3.

D3 Fair value measurements

There are three levels of fair value:

- level 1: represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2: represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; or
- level 3: represents fair value measurements that are substantially derived from unobservable inputs.

The fair value levels of WorkCover's financial assets and liabilities are as follows:

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2021					
Financial assets					
QTC Capital Guaranteed Cash Fund	D2(a)	-	950	-	950
Investment assets:					
Cash and cash equivalents	D2(d)	43,342	-	-	43,342
Cash collateral and margin accounts	D2(d)	11,362	-	-	11,362
Receivables	D2(d)	5,916	119,150	4,748	129,814
Managed unit trusts	D2(d)	-	3,907,316	1,618,291	5,525,607
Debt securities	D2(d)	-	-	-	-
Derivatives	D2(d)	15,825	8,578	-	24,403
		76,445	4,035,994	1,623,039	5,735,478
Financial liabilities					
Investment related liabilities:					
Cash and cash equivalents	D2(d)	2,149	-	-	2,149
Cash collateral and margin accounts	D2(d)	1,248	-	-	1,248
Payables	D2(d)	1	-	-	1
Repurchase agreements	D2(d)	-	-	-	-
Derivatives	D2(d)	7,032	17,640	-	24,672
	D2(d)	10,430	17,640	-	28,070
2020					
Financial assets					
QTC Capital Guaranteed Cash Fund	D2(a)	-	38,356	-	38,356
Investment assets:					
Cash and cash equivalents	D2(d)	51,033	-	-	51,033
Cash collateral and margin accounts	D2(d)	23,433	-	-	23,433
Receivables	D2(d)	5	27,635	26,652	54,292
Managed unit trusts	D2(d)	-	3,575,271	1,411,052	4,986,323
Debt securities	D2(d)	-	334,115	-	334,115
Derivatives	D2(d)	7,328	99,767	-	107,095
		81,799	4,075,144	1,437,704	5,594,647
Financial liabilities					
Investment related liabilities:					
Cash and cash equivalents	D2(d)	3,464	-	-	3,464
Cash collateral and margin accounts	D2(d)	80,555	-	-	80,555
Payables	D2(d)	17	284	-	301
Repurchase agreements	D2(d)	-	331,093	-	331,093
Derivatives	D2(d)	2,994	25,535	-	28,529
	D2(d)	87,030	356,912	-	443,942

There have been no significant transfers in either direction between level 1, level 2 and level 3 during this financial year (2020: no significant transfers in either direction between level 1, level 2 and level 3).

QTC Capital Guaranteed Cash Fund

The QTC Capital Guaranteed Cash Fund is assessed as level 2 as it is valued at the current redemption value of the fund.

Investment assets

Cash and cash equivalents

Investment related cash and cash equivalents held by WorkCover's custodian consist primarily of deposits with banks and highly liquid financial assets with maturity dates less than three months, however, exclude units held in cash fund unit trusts. Cash equivalents are assets that are subject to an insignificant risk in the change in fair value and are used to manage short term commitments. Amounts classified as cash and cash equivalents are recorded at face value and are categorised as Level 1.

Cash collateral and margin accounts

Cash collateral and margin accounts are held by the custodian on WorkCover's behalf, and under the direction of QIC.

Cash collateral refers to amounts held as security against future counterparty performance and in the event of a default or termination of derivative contracts. A collateral amount is usually made up of the net economic exposure of the parties to each other by calculating the market-to-market value of all derivatives transactions. More collateral may be required to be transferred as the value of the obligations and/or the value of the collateral fluctuates. Collateral may also be returned to the provider or released from the collateral arrangement in instances where the provider performs its obligations, excess collateral has been transferred, the value of the collateralised obligations changes or the collateral provider substitutes alternative eligible collateral. These instruments are recorded at face value and categorised as Level 1.

Margin accounts represent cash held with a broker or central counterparties against open derivative contracts.

Receivables/payables

Investment related receivables/payables include distributions receivable from unit trusts, interest income/expense, GST obligations, investment expenses, etc. Due to the separation of investments receivable/payable from the underlying financial instruments, there has been an immaterial change in the prior year asset and liability amounts. Due to the short-term nature of receivables, their carrying value is taken to be their fair value. Where unable to be confirmed as level 1, the fair value level is categorised based on the underlying financial instrument.

Managed unit trusts

Managed unit trusts are unlisted managed unit trusts held with QIC. Fair value for managed unit trusts is based on the unit price of the relevant trust at the reporting date. While the units in the trusts have quoted prices and are able to be traded, the market would not be considered active for level 1 and therefore they are considered to be level 2. Some of the unlisted managed unit trusts are considered to be level 3 where the underlying assets held by the unit trusts are measured at fair value using significant unobservable inputs and the units held by WorkCover are not actively traded.

Derivatives

QIC utilises derivative financial instruments as part of WorkCover's approved investment strategy. Derivative instrument types used include equity futures, bond futures, forward currency contracts and swaps. The purpose of these derivatives is to ensure liquidity, as well as offset (hedge) movements in the managed unit trusts in identified risk areas (such as foreign exchange risks) and to help achieve particular exposures by taking advantage of, and protecting against, market conditions. Such derivatives are entered into with the intention to settle in the near future. WorkCover has hedging relationships between most derivatives and other financial instruments, but none that are subject to hedge accounting.

WorkCover's derivative financial instruments held for trading are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured to fair value. Fair value for these instruments is based on settlement price. Gains and losses on fair value are recognised in the consolidated statement of comprehensive income. For derivative instruments that fall into level 2, the valuation technique used is a market comparison technique primarily based on exchange data for similar derivative instruments.

Repurchase agreements

QIC utilises repurchase agreements as a way to achieve particular exposures in debt securities. A repurchase agreement is a short-term loan where both parties agree to the sale and future repurchase of assets within a specified contract period and at a price that includes an interest payment. WorkCover categorises these investments as Level 2.

Debt securities

The fair value of debt securities is established by using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in a particular instrument's terms or credit worthiness. To the extent that the significant inputs are observable, WorkCover categorises these investments as Level 2.

Reconciliation of level 3 fair value measurement

A reconciliation of the movement in the fair value of financial instruments categorised in level 3 between the beginning and end of this financial year is as follows:

	2021 \$'000	2020 \$'000
Balance at 1 July	1,437,704	1,455,983
Acquisitions	107,364	183,728
Disposals	-	(93,854)
Gains/(losses) recognised in operating result ¹	77,971	(108,153)
Balance at 30 June	1,623,039	1,437,704

¹Includes unrealised gains/(losses) recognised in operating result attributable to balances held at the end of the reporting period

99,876	(122,744)
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Significant inputs and assumptions and estimation uncertainty

The valuation of WorkCover's investments, including derivatives, is in accordance with QIC's Investment Valuations Policy. The significant unobservable valuation inputs and their potential impact on the valuation outcome for assets other than property, plant and equipment measured at fair value and classified as level 3 under the fair value hierarchy are as follows:

Description	Fair value at 30 June 2021 \$'000	Valuation approach	Key unobservable inputs	Impact of alternative amounts for significant level 3 inputs
Managed unit trusts	1,623,039	Independent valuation by investment manager	Valuation of underlying investments of the unit trusts	An increase in the value of the underlying investments of the unit trusts would result in higher fair values. Reductions would result in lower fair values.

The valuations of these unlisted managed unit trusts are inherently subject to estimation uncertainty as the units are not traded in an active market and their fair value at reporting date is based on the price advised by external fund managers or valuations determined by appropriately skilled independent third parties. The underlying inputs and assumptions are reviewed on an on-going basis to ensure the valuations reflect the best estimates of the economic conditions at financial year end.

D4 Offsetting financial assets and financial liabilities

WorkCover's agreements with derivative counterparties are consistent with the International Swaps and Derivatives Association (ISDA) Master Agreements. As such, financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As well as this, under the terms of ISDA Master Agreements, when certain credit events occur the net position owing or receivable to a single counterparty in the same currency will be taken as outstanding and all the relevant arrangements terminated. As WorkCover does not presently have a legally enforceable right of set-off of these amounts, they have not been offset in the consolidated statement of financial position.

The gross and net positions of financial assets and financial liabilities that have been offset in the consolidated statement of financial position and the amounts subject to master netting arrangements are as follows:

	Note	Effects of offsetting on the consolidated statement of financial position			Related amounts not offset		
		Gross amounts	Gross amounts set-off	Net amounts of financial instruments	Amounts subject to master netting agreements	Financial Instrument collateral	Net amounts
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2021							
Derivative assets	D2(d)	2,600,162	(2,575,759)	24,403	(5,685)	(1,248)	17,470
Derivative liabilities	D2(d)	(2,600,431)	2,575,759	(24,672)	5,685	9,691	(9,296)
		(269)	-	(269)	-	8,443	8,174
2020							
Derivative assets	D2(d)	3,522,619	(3,415,524)	107,095	(10,840)	(80,555)	15,700
Derivative liabilities	D2(d)	(3,444,053)	3,415,524	(28,529)	10,840	12,073	(5,616)
		78,566	-	78,566	-	(68,482)	10,084

D5 Financial risk management

(a) Credit risk

Credit risk represents the extent of credit related losses that WorkCover may be subject to on amounts to be exchanged under financial instrument contracts or on amounts receivable from trade and other debtors.

The maximum exposure to credit risk at reporting date for each financial asset is measured as the carrying amount less any allowance for impairment. Credit risk exposure, including the identification of any significant concentrations of risk, is monitored on a regular basis.

Investments

While the managed unit trusts are unrated funds, the exposure to credit risk is minimal and is mitigated by holding a diverse portfolio of investment funds of which the composition is monitored regularly by the Board.

The utilisation of derivative financial instruments creates counterparty credit risk for WorkCover due to the risk that fulfilment of the contract may not occur in the future. QIC closely monitors and manages counterparty risk by ensuring that:

- the credit ratings of all counterparties are monitored very closely;
- the transactions are undertaken with a large number of counterparties;
- the majority of transactions are undertaken on recognised derivative trading exchanges where practical; and
- collateral arrangements are implemented, where possible, to reduce WorkCover's exposure in derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents are held with bank and financial institution counterparties. Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The QTC Capital Guaranteed Cash Fund invests with a wide variety of high credit rated counterparties and all deposits made by WorkCover are capital guaranteed. WorkCover considers the credit risk in both the QTC Capital Guaranteed Cash Fund and cash at bank are low based on the credit ratings of the counterparties.

No impairment allowances were recognised for cash and cash equivalents as at 30 June 2021 (2020: no impairment allowance recognised).

Receivables

A large proportion of receivables at the end of the reporting period relates to compliance/enforcement activity which provides the most significant concentration of credit risk.

Receivables are closely monitored for collectability. WorkCover considers the probability of default upon initial recognition and on an ongoing basis throughout each reporting period. A debt is considered to be in default when the debtor fails to make contractual payments when they fall due. Policyholder accounts that fall overdue render an employer uninsured and liable for any claims costs should they incur a claim against their policy. Various actions including subsequent legal recovery may occur as debts begin to age.

WorkCover does not require collateral in respect of trade and other debtors. If collateral is held as part of a legal recovery, it is infrequent and the amounts immaterial. When appropriate, WorkCover renegotiates debt terms on outstanding debts. Receivables that have been renegotiated are accounted for based on the renegotiated terms and the credit risk is reassessed as required.

To assess whether there is a significant increase in credit risk, WorkCover compares the risk of a default occurring on the receivable as at the reporting date with the risk of default as at the date of initial recognition. A significant increase in credit risk occurs when a debtor is more than 30 days past due in making a contractual payment.

Receivables are considered for write-off throughout the reporting period based on their impairment. Receivables are considered impaired where there is objective evidence that WorkCover will not be able to collect all amounts due according to the original terms of the receivables. Evidence that a debt should be written-off includes the following observable data:

- significant financial difficulty of the debtor;
- it is probable that the debtor will enter bankruptcy, insolvency or other financial reorganisation;
- all other reasonable action, including legal action and renegotiated debt terms where appropriate, to collect the outstanding amount has been undertaken and it is deemed unlikely that the amount will be recovered.

Amounts written off during this financial year that were outstanding at the beginning of this financial year are written off against the allowance. However if the amount exceeds the loss allowance, the excess is recognised as an impairment loss in the consolidated statement of comprehensive income, along with amounts written off that were raised during the reporting period. For the total impairment loss, refer to bad debts expense in note E1.

Allowance for impairment

Impairment and provisioning for impairment of receivables is a continuous process that is regularly updated based on WorkCover's internal framework. WorkCover measures the expected credit losses using the lifetime expected loss model for all receivables except other debtors, which is determined as 12 months expected credit losses. Throughout and at the end of the reporting period, WorkCover assessed whether there was objective evidence that a receivable (individual) or group of receivables (collective basis depending on shared credit risk characteristics) was impaired or likely to be impaired. Factors considered during these reviews include historical loss experience, current economic conditions, performance trends within specific portfolio segments, and any other pertinent information.

WorkCover then uses provision matrices to evaluate and measure the expected credit losses on receivables. Loss rates are calculated separately for groupings of debt (debt types, stage of debt cycle and debt aging) and reflect historical observed default rates experienced during the last 6 years preceding 30 June 2021 for each group. The historical default rates are then adjusted by reasonable and supportable forward-looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables.

For WorkCover, a change in the economic growth, Queensland employment landscape and compliance/enforcement activity are determined to be the most relevant forward-looking indicators for receivables. No other significant changes to estimate assumptions or techniques were made during this financial year.

WorkCover's exposure to credit risk and expected credit losses of receivables are as follows:

	Note	2021			2020		
		Gross receivables ¹	Loss rate	Expected credit losses	Gross receivables ¹	Loss rate	Expected credit losses
Ageing		\$'000	%	\$'000	\$'000	%	\$'000
Current		29,090	3.32%	966	31,874	7.90%	2,518
1-30 days overdue		4,019	15.00%	603	3,466	15.74%	545
31-60 days overdue		1,084	29.38%	318	736	39.20%	288
61-90 days overdue		1,575	56.29%	887	809	63.50%	514
90+ days overdue		9,168	78.82%	7,226	14,338	73.48%	10,535
Total	<i>D2(b)</i>	44,936		10,000	51,223		14,400

¹Includes receivables of \$17.256 million (2020: \$16.889 million) with no loss allowance recorded (eg. claims recoveries, premiums and other receivables deemed to have immaterial credit risk).

The movement in the allowance for impairment in respect of receivables during the financial year is as follows:

	Note	2021 \$'000	2020 \$'000
Allowance for impairment of receivables during the year:			
Balance at 1 July		14,400	8,500
Net debts written off		(7,246)	(2,910)
Allowance made		2,846	8,810
Balance at 30 June	D2(b)	10,000	14,400
Individual impairment assessment		7,819	9,596
Collective impairment assessment		2,181	4,804
	D2(b)	10,000	14,400

Other debtors are subject to the impairment requirements and the identified impairment loss was immaterial.

(b) Liquidity risk

Liquidity risk is the risk that WorkCover will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. WorkCover manages liquidity risk through its diversified investment portfolio that provides for the sale of investments to meet both short-term and long-term cash flow requirements. WorkCover regularly reviews its investment strategy having regard to the expected future obligations.

WorkCover's liquidity risk is grouped by the contractual maturity of the financial liabilities. Liabilities with maturity dates exceeding 12 months are calculated based on discounted cash flows. Commitments that are payable on demand are included in the 0 to 3 months category. WorkCover's liquidity risk is as follows:

	Note	0 - 3 months \$'000	3 - 12 months \$'000	1 - 3 years \$'000	More than 3 years \$'000	Total \$'000
2021						
Financial liabilities						
Payables	D2(c)	18,063	-	-	-	18,063
Investment related liabilities:						
Cash and cash equivalents	D2(d)	2,149	-	-	-	2,149
Cash collateral and margin accounts	D2(d)	-	-	-	1,248	1,248
Payables	D2(d)	1	-	-	-	1
Repurchase agreements	D2(d)	-	-	-	-	-
Derivatives	D2(d)	19,180	-	2,273	3,219	24,672
		39,393	-	2,273	4,467	46,133
2020						
Financial liabilities						
Payables	D2(c)	21,329	-	-	-	21,329
Investment related liabilities:						
Cash and cash equivalents	D2(d)	3,464	-	-	-	3,464
Cash collateral and margin accounts	D2(d)	-	-	-	80,555	80,555
Payables	D2(d)	301	-	-	-	301
Repurchase agreements	D2(d)	331,093	-	-	-	331,093
Derivatives	D2(d)	28,335	-	194	-	28,529
		384,522	-	194	80,555	465,271

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk.

Due to the diverse nature of WorkCover's investments, the portfolio is subject to all of the risks and sensitivities outlined below. The investments are managed on a total portfolio basis.

Market risk is minimised by:

- regular review of investment strategy;
- set investment asset allocation ranges; and
- strict control over the use of derivatives and hedging instruments, which are only used to facilitate portfolio management or to reduce investment risk.

The methodology adopted for the purposes of sensitivity analysis involves forecasting a reasonably possible change in each of the risk variables and, where applicable, applying this change to the reporting date value of each investment to determine the impact caused by this change on the operating result after tax and equity for the financial year. This approach assumes that all variables remain constant and was performed on the same basis for 2020.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. WorkCover holds a portfolio of mainly forward exchange contracts within the foreign currency overlay to help achieve particular exposures, as well as hedge the foreign exchange risks of the investments in managed unit trusts and other non-hedge derivatives held by WorkCover. The currency hedging policy is updated as required. The current target risk exposure to foreign currency is 16.0 percent (2020: 12.5 percent). WorkCover's exposure to foreign currency risk at financial year end was 16.0 percent (2020: 15.4 percent) and a breakdown is as follows:

	US dollar	Euro	British pound	Japanese yen	Other	Total
2021	Currency (AUD \$'000)					
International equities	632,562	107,296	44,434	74,186	267,697	1,126,175
Infrastructure	66,673	-	12,466	-	14,601	93,740
Alternatives	314,280	11,993	3,452	-	101	329,826
Private equity	230,826	74,267	25,243	-	2,613	332,949
Fixed interest	17,076	16,645	-	-	-	33,721
Cash	606	(7,906)	3,478	811	2,878	(133)
Foreign currency derivatives	(715,238)	(130,926)	(54,928)	(21,336)	(83,064)	(1,005,492)
	546,785	71,369	34,145	53,661	204,826	910,786
2020	Currency (AUD \$'000)					
International equities	558,076	85,767	37,586	67,774	202,333	951,536
Infrastructure	66,805	-	11,172	-	13,483	91,460
Alternatives	368,418	3,212	5,028	-	511	377,169
Private equity	137,218	54,982	5,648	-	-	197,848
Fixed interest	11,409	12,031	-	-	-	23,440
Cash	8,352	9,410	7,522	1,927	3,295	30,506
Foreign currency derivatives	(694,034)	(94,796)	(35,427)	(15,132)	(59,904)	(899,293)
	456,244	70,606	31,529	54,569	159,718	772,666



Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to foreign exchange rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. All other variables remaining constant, a 10 percent strengthening or weakening of the Australian dollar against these currencies would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2021 \$'000	2020 \$'000
Foreign currency derivatives	+10%	+63,986	+57,228
	-10%	-70,384	-62,950
Investments (excluding foreign currency derivatives)	+10%	-121,945	-106,397
	-10%	+134,139	+117,037
Total	+10%	-57,959	-49,169
	-10%	+63,755	+54,087

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 interest rates.

WorkCover's exposure to interest rate risk and the effective weighted average interest rates on financial instruments are as follows:

	Note	Interest rate %	Floating interest rate \$'000	Fixed interest maturing in			Non-interest bearing \$'000	Total \$'000
				1 year or less \$'000	1 - 5 years \$'000	More than 5 years \$'000		
2021								
Financial assets								
Cash and cash equivalents	D2(a)	Note ¹	94,387	-	-	-	-	94,387
Receivables	D2(b)	11.25 ²	-	-	-	-	34,936	34,936
Investments:		Note ³						
Cash and cash equivalents			43,342	-	-	-	-	43,342
Cash collateral and margin accounts			1,671	-	-	9,691	-	11,362
Receivables			-	-	-	-	129,814	129,814
Managed unit trusts			-	-	-	-	5,525,607	5,525,607
Debt securities			-	-	-	-	-	-
Derivatives			-	2,435	-	-	21,968	24,403
Total investments	D2(d)	Note ³	45,013	2,435	-	9,691	5,677,389	5,734,528
	D2		139,400	2,435	-	9,691	5,712,325	5,863,851
Financial liabilities								
Payables	D2(c)		-	-	-	-	18,063	18,063
Investment related liabilities								
Cash and cash equivalents			2,149	-	-	-	-	2,149
Cash collateral and margin accounts			-	-	-	1,248	-	1,248
Payables			-	-	-	-	1	1
Repurchase agreements			-	-	-	-	-	-
Derivatives			-	905	-	-	23,767	24,672
Total investments	D2(d)	Note ³	2,149	905	-	1,248	23,768	28,070
	D2		2,149	905	-	1,248	41,831	46,133
2020								
Financial assets								
Cash and cash equivalents	D2(a)	Note ¹	135,521	-	-	-	-	135,521
Receivables	D2(b)	11.25 ²	-	-	-	-	36,823	36,823
Investments:								
Cash and cash equivalents			51,033	-	-	-	-	51,033
Cash collateral and margin accounts			23,433	-	-	-	-	23,433
Receivables			-	-	-	-	54,292	54,292
Managed unit trusts			-	-	-	-	4,986,323	4,986,323
Debt securities			-	-	-	334,115	-	334,115
Derivatives			-	3,393	-	-	103,702	107,095
Total investments	D2(d)	Note ³	74,466	3,393	-	334,115	5,144,317	5,556,291
	D2		209,987	3,393	-	334,115	5,181,140	5,728,635
Financial liabilities								
Payables	D2(c)		-	-	-	-	21,329	21,329
Investment related liabilities								
Cash and cash equivalents			3,464	-	-	-	-	3,464
Cash collateral and margin accounts			80,555	-	-	-	-	80,555
Payables			-	-	-	-	301	301
Repurchase agreements			-	-	-	-	331,093	331,093
Derivatives			-	1,074	-	-	27,455	28,529
Total investments	D2(d)	Note ³	84,019	1,074	-	-	358,849	443,942
	D2		84,019	1,074	-	-	380,178	465,271

¹ WorkCover has three transaction banking accounts and one capital guaranteed cash fund account. The weighted average interest rate of the transaction banking accounts and cash fund account are 0.65% (2020: 1.26%) and 0.76% (2020: 1.60%) respectively.

² WorkCover is entitled to charge interest on instalment plans at the rate published in the Queensland Government Gazette.

³ The majority of securities in the derivative instruments are futures and although they are subject to interest rate risk they do not earn interest, except for a number of Australian cash accounts that earn minimal interest. Due to the number of buy and sell transactions it is impractical to obtain a weighted average interest rate for these investments.



Sensitivity analysis

All other variables remaining constant, a change of 100 basis points in interest rates at the reporting date would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2021 \$'000	2020 \$'000
QTC Capital Guaranteed Cash Fund	+100	+7	+268
	-100	-7	-268
Investments	+100	+13,064	+12,059
	-100	-13,064	-12,059

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rates or currencies), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As a portfolio, WorkCover holds investments in managed unit trusts and derivative financial instruments. The managed unit trusts in turn hold investments in various instruments including equity, cash, property, infrastructure, private equity and alternative funds. The fair values of such financial instruments are affected by changes in the market price of the underlying instruments.

The market value exposure to other price risks for WorkCover is as follows:

Sector allocation	2021 \$'000	2020 \$'000
Australian equities	679,620	633,161
International equities	1,236,560	1,166,472
Private capital	374,250	278,960
Direct property	306,810	299,420
Direct infrastructure	424,360	341,561
Insurance	251,850	301,701
Alternatives	382,750	378,351
Global fixed interest	1,250,049	1,206,862
Cash	780,030	505,861
Private debt	20,180	-
	5,706,459	5,112,349



Sensitivity analysis

All other variables remaining constant, based on gross return received from the portfolio, a one percent strengthening or weakening of the equities prices would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2021 \$'000	2020 \$'000
Equities prices	+1%	+24,540	+24,212
	-1%	-22,098	-21,786

Supporting our business

Being the main provider of workers' compensation in Queensland requires the support of our people and infrastructure. This section provides information about the operating expenses and assets of WorkCover.

E1 Underwriting expenses

	Note	2021 \$'000	2020 \$'000
Employee expenses	E2(a)	96,828	95,428
Contractors		5,147	6,762
Consultancy fees		396	124
Other administration expenses		12,675	14,638
Depreciation and amortisation	F2	3,500	3,612
Net (gain)/loss on disposal of property, plant and equipment and intangible assets	F2	-	25
Transfer to allowance for impairment of receivables		2,846	8,810
Bad debts expense		4,846	5,408
Workers' Compensation Regulator expenses		40,534	38,646
Workplace Health and Safety Queensland grant		69,506	64,281
		236,278	237,734
Claims handling expenses allocated to gross claims expense	C1	(202,212)	(193,850)
		34,066	43,884

Total external audit fees quoted in relation to the 2021 financial statements are \$232,850 (2020: \$252,850). The Auditor-General of Queensland is the auditor for both WorkCover and WEO. No non-audit services were provided during this financial year (2020: no non-audit services).

The Workers' Compensation Regulator levy and the Workplace Health and Safety Queensland (WHSQ) grant are payments made in accordance with the Minister's instruction as approved by the Governor-in-Council by gazette notice for the prevention, recognition and alleviation of injury to workers, making employers and workers aware of their rights and obligations, and scheme-wide rehabilitation and return to work programs for workers.

Special payments are payments that WorkCover is not contractually or legally obligated to make to other parties. No special payments were made during this financial year (2020: \$19,783 was made to a university for the purpose of supporting experts in occupational lung diseases to present at the 'Cut the Dust' conference held in Queensland).

E2 Employee benefits

(a) Employee expenses

	Note	2021 \$'000	2020 \$'000
Salaries		80,202	80,478
Employer superannuation contributions		8,569	8,575
Other employee benefits		2,504	1,810
Payroll tax expense		4,398	4,320
Workers' compensation premium		831	628
Other employee related expenses		355	574
Grant income ¹		(31)	(957)
	E1	96,828	95,428

¹ The Queensland Government approved an additional one-off component to the Public Sector Wages Policy to be made to all eligible employees covered by the Award and the WorkCover Employing Office Certified Agreement 2018. As a result, in 2020 WorkCover received a cash transfer of \$0.866 million from the Office of Industrial Relations that was passed through to eligible employees. An amount of \$0.091 million was also recognised as a receivable in 2020 (received in 2021) for contribution towards a joint project.

Post-employment benefits

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined contribution plans

Contributions are made to eligible complying superannuation funds (including QSuper). Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined benefit plan

The liability for defined benefits is held on a whole-of-government basis and reported in the *Queensland General Government and Whole of Government Consolidated Financial Statements* in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The required contributions for defined benefit plan obligations are based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by WorkCover at the specified rate following completion of the employee's service each pay period. WorkCover's obligation is limited to its contribution to QSuper.

(b) Employee benefits liabilities

	2021 \$'000	2020 \$'000
Current		
Accrued salaries and other benefits	304	288
Provision for annual leave	7,206	6,848
Provision for long service leave	13,309	12,274
Provision for termination benefits	320	-
	21,139	19,410
Non-current		
Provision for long service leave	2,922	2,385
	24,061	21,795

Reconciliation of provision for employee benefits during the year:

Balance at 1 July	21,795	21,939
Amounts allocated to provision	9,604	8,021
Reductions in provision as a result of payments	(7,062)	(8,732)
Discount rate adjustments	(276)	567
Balance at 30 June	24,061	21,795

Short-term employee benefits

Accrued salaries and other benefits

Salaries due but unpaid at reporting date are recognised in the consolidated statement of financial position at current salary rates. As WorkCover expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Related on-costs of superannuation and payroll tax have been included in the liability.

Sick leave

Sick leave entitlements are non-vesting and are only paid upon valid claims for sick leave by employees. Sick leave expense is brought to account in the reporting period in which it occurs. No liability for unused sick leave has been recognised as experience indicates on average, sick leave taken each financial year is less than the entitlement accruing in that year. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees.

Other long-term employee benefits

Long service leave and annual leave

The liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary rates, experience of employee departures, and periods of service. Expected future payments are discounted using interest rates on Commonwealth Government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs of workers' compensation premiums, superannuation and payroll tax have been included in the liabilities.

Termination benefits

Termination benefits are recognised as an expense at the earlier of when WorkCover can no longer withdraw the offer of those benefits or when WorkCover recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. Benefits not expected to be settled wholly within 12 months after the end of the reporting period are discounted to present value.

(c) Expected settlement of employee benefits liabilities

Based on past experience, WorkCover does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Settlement expectations for annual leave and long service leave are as follows:

	2021 \$'000	2020 \$'000
No more than 12 months from reporting date:		
Annual leave	6,026	5,959
Long service leave	2,277	1,921
	8,303	7,880
More than 12 months from reporting date:		
Annual leave	1,180	889
Long service leave	13,954	12,738
	15,134	13,627

When WorkCover does not have an unconditional right to defer settlement of the obligation beyond 12 months, the entire amount is presented as current.



Key assumptions

The assumptions adopted to measure the present value of annual leave and long service leave are as follows:

	2021	2020
Discount rate	1.1%	0.8%
Settlement term for long service leave	6.3 years	6.6 years
Assumed annual leave days taken per year	20 days	20 days
Rate increase first year		
Assumed rate of increase for contract salaries - long service leave	5.0%	2.2%
Assumed rate of increase for non-contract salaries - long service leave	6.7%	2.7%
Assumed rate of increase for contract salaries - annual leave	5.0%	0.0%
Assumed rate of increase for non-contract salaries - annual leave	6.7%	1.8%
Rate increase thereafter		
Assumed rate of increase for contract salaries - long service leave	2.5%	2.2%
Assumed rate of increase for non-contract salaries - long service leave	2.7%	2.7%
Assumed rate of increase for contract salaries - annual leave	2.5%	0.0%
Assumed rate of increase for non-contract salaries - annual leave	2.7%	1.8%

The State Government passed legislative amendments to the *Industrial Relations Act 2016* in June 2020 to defer the wage increases in the 2021 financial year. As a result, the assumed rate of increase for salaries has changed significantly for both financial years.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is 836 (2020: 855).

E3 Related parties

(a) Details of key management personnel and remuneration

WorkCover's responsible Minister is identified as part of WorkCover's key management personnel, consistent with Australian implementation guidance included in AASB 124 *Related Party Disclosures*. WorkCover's Minister is the *Minister for Education, Minister for Industrial Relations and Minister for Racing*.

Ministerial remuneration entitlements are outlined in the *Legislative Assembly of Queensland's Members' Remuneration Handbook*. WorkCover does not bear any cost of remuneration of the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the *Queensland General Government and Whole of Government Consolidated Financial Statements*, which are published as part of Queensland Treasury's *Report on State Finances*.

Details of the remuneration of the non-Ministerial key management personnel, being the Directors, the Chief Executive Officer (CEO), and the Senior Executives of WorkCover are as follows:

Directors (Non-executive)		Short-term Post employment		Total
		Fees ¹ \$'000	Superannuation \$'000	\$'000
F Gobbo	2021	78	7	85
Chair	2020	78	7	85
M Clifford ²	2021	49	5	54
Deputy Chair				
J Bertram ²	2021	40	4	44
Director				
J Crittall	2021	43	4	47
Director	2020	43	4	47
K Dear	2021	40	4	44
Director	2020	40	4	44
I Leavers	2021	40	4	44
Director	2020	40	4	44
S Morris	2021	44	4	48
Director	2020	43	4	47
L Rowland	2021	40	4	44
Director	2020	40	4	44
S Schinnerl ³	2021	30	3	33
Director				
R McLennan ⁴	2020	2	-	2
Deputy Chair				
M Roche ⁵	2020	5	-	5
Director				
B Swan ⁶	2020	40	4	44
Director				
Total remuneration:	2021	404	39	443
Directors	2020	331	31	362

¹ Fees represent amounts paid in cash during the financial year.

² Commenced on 1 July 2020.

³ Commenced on 2 October 2020.

⁴ Ceased on 8 July 2019.

⁵ Ceased on 30 July 2019.

⁶ Ceased on 30 June 2020.

Responsibilities of Directors (Non-executive)

Chair

The Chair's principal responsibility is to lead and direct the activities of the Board and ensure the Board fulfils all its legal and statutory obligations in accordance with the Board charter.

Deputy Chair

The Deputy Chair, in addition to Director's responsibilities, assists the Chair in meeting their obligations as required. In the absence of the Chair at a meeting, the Deputy Chair will preside.

Director

The Directors are responsible for the strategic guidance, the monitoring of management, ensuring good governance and the successful operation of WorkCover Queensland.

CEO and Senior Executives

		Short-term		Post	Other long-term benefits		Total
		Salary ¹	Non-	employment	Annual leave	Long service	
		\$'000	monetary ²	Superannuation	accruals	leave accruals	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
B Watson	2021	395	20	25	35	10	485
CEO	2020	422	18	24	36	9	509
C Carras	2021	258	9	25	20	9	321
Chief Customer Officer	2020	280	7	24	29	12	352
E Hall-Walsh ³	2021	346	2	29	18	(2)	393
Chief Digital and Information Officer	2020	120	-	10	10	2	142
D Heley	2021	264	19	25	24	9	341
Chief People and Finance Officer	2020	261	16	24	25	16	342
J Reid	2021	197	5	25	16	5	248
Legal Counsel	2020	177	4	24	16	10	231
N Wenck	2021	248	2	22	18	7	297
Chief Strategic Development Officer	2020	232	6	21	22	7	288
T Barrenger ⁴	2020	132	-	12	4	2	150
Chief Information Officer							
Total remuneration:	2021	1,708	57	151	131	38	2,085
CEO and Senior Executives	2020	1,624	51	139	142	58	2,014

¹ Salary represents amounts paid in cash during the financial year and associated adjustments.

² Short-term non-monetary benefits relate to packaged amounts and fringe benefits provided to the CEO and Senior Executives.

³ Commenced on 6 January 2020 and ceased on 26 March 2021.

⁴ Ceased on 29 August 2019.

Responsibilities of the CEO and Senior Executives

CEO

The CEO is responsible to the Board for the overall performance and strategic management of WorkCover Queensland. The CEO is also the Executive Officer (EO) of WEO and is responsible for the management and direction of WEO. No remuneration is paid for the role of EO of WEO.

Chief Digital and Information Officer

The Chief Digital and Information Officer is responsible for the delivery of technology solutions to maximise the efficiency and effectiveness of the business operations to meet WorkCover's business needs.

Chief Customer Officer

The Chief Customer Officer is responsible for the strategic leadership of the Customer Group, ensuring that all statutory and common law claims are outcome managed balancing the interests of both injured workers and employers. They also ensure implementation of all key strategies to provide an exceptional customer experience and manage stakeholder relationships business wide.

Chief People and Finance Officer

The Chief People and Finance Officer, acts as Company Secretary, and is responsible for strategically leading the People and Finance Group to ensure all necessary people, corporate, and financial management processes, systems and disciplines are in place to support the achievement of the organisation's commercially-focused financial and people objectives.

Legal Counsel

The Legal Counsel oversees common law claims management, provides legal advice and strategy, and ensures effective management of legal and contractual risks.

Chief Strategic Development Officer

The Chief Strategic Development Officer is responsible for facilitating a collaborative process on the design, development and implementation of strategic initiatives to continue to deliver an outstanding customer experience.

Remuneration and appointment authority of key management personnel

Remuneration policy

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors, Senior Executives and the CEO. Remuneration is reviewed annually. No remuneration packages for key management personnel provide for any performance or bonus payments.

Payments to the CEO and the Directors are made by WorkCover Queensland. All other key management personnel are remunerated by WEO.

Directors

Director contracts are entered into in accordance with the WCRA. The remuneration of Directors is determined by the Governor-in-Council as part of terms of their appointment and is paid by way of annual fee in accordance with the Queensland Government Remuneration procedures for part-time Chairs and members of Queensland Government bodies.

CEO and Senior Executives

The CEO's executive employment contract is entered into in accordance with the WCRA, with the conditions of the contract decided by the Board and signed by the Chair. The CEO is appointed by the Governor in Council on the Board's recommendation. The CEO remuneration arrangements are made in alignment with the Queensland Government CEO remuneration framework.

The remuneration arrangements for the Senior Executives are determined by the CEO in consultation with the Chair of the Board. The Senior Executive contracts are entered into in accordance with the WCRA.

Remuneration and other terms of employment for each Senior Executive are formalised in executive employment contracts.

The CEO and Senior Executives are given the opportunity to receive their fixed remuneration in a variety of forms, including cash and fringe benefits.

(b) Transactions with key management personnel

No transactions, other than remuneration payments or the reimbursement of approved expenses, were entered into by WorkCover with key management personnel or related parties of such key management personnel during this financial year (2020: no transactions with key management personnel).

(c) Transactions with other related parties

WorkCover is required to pay contributions to WHSQ and the Workers' Compensation Regulator. See note E1 for details.

In 2020, WorkCover received a cash transfer, and had an additional amount recognised as a receivable which was received in this financial year from the Office of Industrial Relations. Refer to note E2(a) for details.

Queensland Health public hospitals are utilised by WorkCover in the treatment of injured workers. The total payments in this financial year are \$44.234 million (2020: \$44.755 million).

As the provider of compulsory workers' compensation insurance in Queensland, WorkCover provides insurance to all Queensland State Government controlled entities other than those who self-insure. Policies are issued on the same terms and conditions as to other policyholders. The total premium income received from Queensland State Government controlled entities in this financial year is \$284.599 million (2020: \$269.432 million).

WorkCover utilises the services of QIC and QTC to invest excess cash not immediately required to cover expenses. The use of QIC and QTC is approved by Queensland Treasury. The total management fees paid or payable in this financial year to QIC and QTC are \$33.410 million and \$0.006 million respectively (2020: \$32.399 million and \$0.554 million respectively). Refer to note D1 for further details.

From 1 July 2016, the *Workers' Compensation and Rehabilitation Amendment Act 2016* implemented the NIIS for workplace accidents connected with Queensland. The scheme provides eligible seriously injured workers with a lifetime statutory entitlement to treatment, care and support payments such as rehabilitation, medical services and hospital expenses. In accordance with the scheme, payments are made by WorkCover to reimburse NIIS Queensland (the external case managers for the seriously injured workers) for costs in relation to these claims. The total NIIS Queensland amounts paid or payable for this financial year are \$3.140 million (2020: \$1.855 million).

E4 Property, plant and equipment

	Note	Land	Building	Plant and equipment	Work in progress	Total
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019		22,000	42,500	3,013	6	67,519
Acquisitions		-	553	212	10	775
Disposals		-	(14)	-	-	(14)
Depreciation		-	(1,837)	(1,224)	-	(3,061)
Revaluation increments	F4(b)	-	6,298	-	-	6,298
Balance at 30 June 2020		22,000	47,500	2,001	16	71,517
At 30 June 2020:						
Cost or fair value		22,000	54,581	7,559	16	84,156
Accumulated depreciation		-	(7,081)	(5,558)	-	(12,639)
Net carrying amount		22,000	47,500	2,001	16	71,517
Balance at 1 July 2020		22,000	47,500	2,001	16	71,517
Acquisitions		-	325	15	12	352
Disposals		-	-	-	(4)	(4)
Transfers between asset classes		-	12	-	(12)	-
Depreciation		-	(2,002)	(1,039)	-	(3,041)
Revaluation decrements	F4(b)	-	(4,335)	-	-	(4,335)
Balance at 30 June 2021		22,000	41,500	977	12	64,489
At 30 June 2021:						
Cost or fair value		22,000	49,222	7,538	12	78,772
Accumulated depreciation		-	(7,722)	(6,561)	-	(14,283)
Net carrying amount		22,000	41,500	977	12	64,489

(a) Recognition and measurement

All items of property, plant and equipment are recognised at their cost of acquisition, being the fair value of the consideration provided and any incidental costs directly attributable to the acquisition.

With respect to plant and equipment, an asset recognition threshold of \$5,000 exists. With respect to property, an asset recognition threshold of \$10,000 exists for buildings and \$1 for land. Property, plant and equipment with a lesser cost are expensed.

Costs incurred subsequent to initial acquisition are added to an asset's carrying amount if they increase the service potential or useful life of that asset. Subsequent costs that do not meet these criteria are expensed as incurred.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment with an original cost of \$3.434 million (2020: \$0.655 million) and a written down value of zero is still being used in the provision of services. There is currently no asset (2020: no asset) written down to an above zero residual value which is still being used in the provision of services.

(b) Valuation

Land and buildings are shown at fair value, based on annual valuations by State Valuation Service. On revaluation, accumulated depreciation of revalued assets in the class is eliminated against the gross carrying amount of those assets and the net amount restated to the revalued amount of the asset.

Any revaluation increase is credited, net of tax equivalents, to the asset revaluation surplus of the appropriate class, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised as an expense, in which case the increase is recognised as income. A decrease in the carrying amount on the revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

The land and building is valued having regard to the highest and best use of the asset. An independent valuation of land and building was performed as at 30 June 2021 and fair value was determined by reference to market based evidence, being active market prices adjusted for any differences in the nature, location or condition of the specific property. State Valuation Service used the discounted cash flow, capitalisation and direct comparison approaches to determine the fair value. The land and building has been categorised as level 3 based on sensitivity of fair value to change in the unobservable inputs.

(c) Depreciation

Land is not depreciated.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the cost or revalued amount of each asset, less its estimated residual value, over the estimated useful life of the assets as follows:

ITEM	USEFUL LIFE
Building	1 to 56 years
Plant and equipment	
Computer equipment	3 to 13 years
Office equipment and furniture	5 to 23 years
Fixtures and fittings	12 to 25 years
Motor vehicles	5 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate on an annual basis.

(d) Impairment

All non-current assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, WorkCover determines the asset's recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as an expense, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The asset's recoverable amount is determined as the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Derecognition

Property, plant and equipment assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Derecognition of property, plant and equipment assets includes writing back accumulated depreciation and any accumulated impairment losses against the cost of acquisition. Any resulting gain or loss is represented by the difference between the proceeds, if any, and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

E5 Commitments

WorkCover has contractual commitments for expenditure as follows:

	Acquisition of property, plant and equipment	Support and maintenance expenditure	Other expenditure	Total
	\$'000	\$'000	\$'000	\$'000
2021				
Not later than 1 year	23	4,495	1,612	6,130
1 - 5 years	-	1,297	587	1,884
	23	5,792	2,199	8,014
2020				
Not later than 1 year	-	2,819	784	3,603
1 - 5 years	-	1,186	59	1,245
	-	4,005	843	4,848

This section includes other relevant information that must be disclosed to comply with AASBs and other requirements.

F1 Taxation

WorkCover Queensland and its controlled entity are State/Territory bodies as defined under the *Income Tax Assessment Act 1936* and are exempt from Commonwealth Government taxation with the exception of fringe benefits tax (FBT) and GST. As such, FBT and GST receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued.

WorkCover Queensland is the only entity in the consolidated group subject to the National Tax Equivalents Regime (NTER). Under the NTER, payments are made to the State Treasurer equivalent to the amount of Commonwealth Government income tax. The Taxation of Financial Arrangements (TOFA) legislation is applicable to WorkCover Queensland and the default realisation and accrual methods are used. In addition, QIC adopt the attribution managed investment trust (AMIT) regime in respect of eligible QIC managed investment trusts in which WorkCover invests in.

WorkCover Queensland and its controlled entity are also required to comply with pay as you go (PAYG) withholding requirements and Queensland State Government taxes including payroll tax, stamp duty and land tax.

Tax Risk Management

The Tax Risk Management Policy sets out WorkCover's approach to satisfying its obligations under the Risk Management Policy with respect to tax. WorkCover's tax strategy is focused on integrity in compliance and reporting. The strategy is implemented through WorkCover's Tax Risk Management Framework. This Framework is supported by governance processes which ensure it is implemented with continued effectiveness. WorkCover has effective policies and processes in place to manage tax risk.

(a) Income tax equivalent

Income tax equivalent expense/(benefit)

	2021 \$'000	2020 \$'000
Deferred tax expense/(benefit)	42,735	(200,367)
Reconciliation of income tax equivalent expense/(benefit):		
Operating result for the year before income tax equivalent	153,563	(650,681)
Income tax equivalent expense/(benefit) at the standard tax rate of 30% (2020: 30%)	46,069	(195,204)
Tax effect of adjustments to income tax equivalent expense/(benefit):		
Gross up of foreign income tax offset received	940	1,091
Gross up of franking tax offset received	1,799	2,648
Non-deductible expenses	1	2
Conversion of franking credit to tax loss	(5,996)	(8,826)
Other deductible expenses	(78)	(78)
Income tax equivalent expense/(benefit) attributable to operating result	42,735	(200,367)

Income tax equivalent expense comprises current and deferred tax. Current and deferred tax is recognised as an expense in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities are measured at the amount expected to be receivable or payable on the taxable income or loss for the current year. The amount is calculated using tax rates and tax laws that are enacted or substantively enacted at the reporting date.

Income tax equivalent expense recognised in other comprehensive income

	2021 \$'000	2020 \$'000
Revaluation of land and building	(1,301)	1,889

Recognised deferred tax assets and liabilities

WorkCover is able to offset its deferred tax assets and liabilities and has disclosed the net balance in the consolidated statement of financial position. Deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Income tax equivalent loss	181,191	142,777	-	-	181,191	142,777
Investment tax adjustments including unrealised (gain)/loss	-	-	(220,906)	(131,954)	(220,906)	(131,954)
Indirect claims handling expense	84,038	74,910	-	-	84,038	74,910
Employee expenses	21	20	-	-	21	20
Other provisions	3,000	4,320	-	-	3,000	4,320
Other items	1,267	1,736	(106)	(318)	1,161	1,418
Property, plant and equipment	-	-	(5,893)	(7,661)	(5,893)	(7,661)
Intangibles	65	281	-	-	65	281
Tax assets/(liabilities)	269,582	224,044	(226,905)	(139,933)	42,677	84,111

Movement in deferred tax balances during the year	Balance 1 July 2019 \$'000	Recognised in operating result \$'000	Recognised in other comprehensive income \$'000	Balance 30 June 2020 \$'000	Recognised in operating result \$'000	Recognised in other comprehensive income \$'000	Balance 30 June 2021 \$'000
Income tax equivalent loss	12,903	129,874	-	142,777	38,414	-	181,191
Investment tax adjustments including unrealised (gain)/loss	(189,032)	57,078	-	(131,954)	(88,952)	-	(220,906)
Indirect claims handling expense	64,746	10,164	-	74,910	9,128	-	84,038
Employee expenses	9	11	-	20	1	-	21
Other provisions	2,550	1,770	-	4,320	(1,320)	-	3,000
Other items	237	1,181	-	1,418	(257)	-	1,161
Property, plant and equipment	(6,144)	372	(1,889)	(7,661)	467	1,301	(5,893)
Intangibles	364	(83)	-	281	(216)	-	65
	(114,367)	200,367	(1,889)	84,111	(42,735)	1,301	42,677

Deferred tax is accounted for using the comprehensive balance sheet liability method and is provided on all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items at the reporting date.

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, deferred tax liabilities and assets are not recognised if the temporary differences arise from the initial recognition of assets or liabilities which affects neither the accounting profit nor taxable profit or loss. Unused tax credits and unused tax losses are carried forward to the extent it is probable that future taxable profit will be available against which they can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be utilised and such reductions are reversed when it becomes probable that sufficient taxable profit will be available.

(b) Goods and services tax

Income, expenses, assets, and liabilities are recognised net of the amount of associated GST, unless the GST is not recoverable from or remittable to the ATO. In this case, the GST is recognised as part of the cost of acquisition of the asset or in the amount of the expense. Receivables and payables are stated with the amount of GST included, where applicable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables, respectively, in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows net of the amount of GST. The GST component of cash flows arising from investing activities which is recoverable from or payable to the ATO is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST, unless the GST incurred is not recoverable from the ATO.

F2 Reconciliation of operating result to net cash provided by operating activities

	Note	2021 \$'000	2020 \$'000
Operating result for the year		110,828	(450,314)
Non-cash items included in operating result			
Net (gain)/loss on change in fair value of financial instruments		(542,630)	281,219
Net loss on disposal of property, plant and equipment and intangible assets	E1	-	25
Reclassification of work in progress		4	-
Depreciation and amortisation expense	E1	3,500	3,612
Income tax effect on revaluation of land and building	F4(b)	1,301	(1,889)
Assets received below fair value		-	(304)
Change in operating assets and liabilities			
Increase in receivables		(32,113)	(3,582)
Decrease in current tax		16,285	78,701
Decrease in other assets		1,005	951
Decrease/(increase) in net deferred tax		41,434	(198,478)
Decrease in other liabilities		(3)	(105)
(Decrease)/increase in payables and unearned premium liability		(2,262)	5,174
Increase in outstanding claims liability and employee benefits liabilities		413,354	463,491
Net cash provided by operating activities		10,703	178,501

F3 Leases

Leases as lessor

WorkCover has 7 lease agreements (2020: 7) with respect of the 280 Adelaide Street building. The building is leased to tenants under operating leases with rentals payable on a monthly basis. These non-cancellable leases have remaining terms of between 1 and 3 years and include clauses to enable upward revision of the rental charge on an annual basis according to a fixed percentage where applicable. There are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, WorkCover may obtain bank guarantees for the term of the lease. As a result of COVID-19, WorkCover has offered rent relief in the form of reduced rent for tenants impacted. The expected impact of these reductions are reflected in the amounts disclosed under this note. Minimum lease payments receivable on operating leases are as follows:

	2021 \$'000	2020 \$'000
Within 1 year	927	845
Between 1 and 2 years	283	660
Between 2 and 3 years	180	263
Between 3 and 4 years	-	133
	1,390	1,901

The total lease income included in other income presented in the consolidated statement of comprehensive income is as follows:

	2021 \$'000	2020 \$'000
Lease income	1,005	1,419

F4 Equity and reserves

(a) Contributed equity

In 2017, arising from the funding arrangement for the Workers' Compensation Regulator, WorkCover recognised a non-reciprocal cash transfer of \$2.500 million from the Workers' Compensation Regulator as contributed equity.

(b) Asset revaluation surplus by asset class

	Note	Land \$'000	Building \$'000	Total \$'000
Balance at 1 July 2019		12,320	17,462	29,782
Revaluation increments	<i>E4</i>	-	6,298	6,298
Income tax effect on revaluation		-	(1,889)	(1,889)
Balance at 30 June 2020		12,320	21,871	34,191
Balance at 1 July 2020		12,320	21,871	34,191
Revaluation decrements	<i>E4</i>	-	(4,335)	(4,335)
Income tax effect on revaluation		-	1,301	1,301
Balance at 30 June 2021		12,320	18,837	31,157

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

(c) Investment fluctuation reserve

The investment fluctuation reserve is held to mitigate the effects of financial volatility in the investment markets, allowing WorkCover to maintain a stable premium rate and minimise the impact on businesses during a downturn. It represents the excess capital held by WorkCover over the minimum funding ratio of 120% as set within WorkCover's Statement of Corporate Intent.

F5 Contingent liabilities

In the normal course of business, WorkCover is exposed to legal issues, including litigation arising out of insurance policies. There are no known potential material litigation exposures at reporting date that may give rise to a contingent liability.

F6 Differences between WorkCover consolidated financial statements and WorkCover Queensland financial statements**(a) Reconciliation of differences between consolidated and parent entity statements of comprehensive income**

	Note	2021 \$'000			2020 \$'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Underwriting expenses	i	(34,066)	(33,870)	(95,816)	(43,884)	(43,829)	(94,948)
Investment income/(loss)	ii	737,932	737,737	195	(60,255)	(60,309)	54
Other income	i	1,089	1,088	95,621	1,508	1,507	94,894

- i. The difference in underwriting expenses represents expenses incurred by WEO excluding GST. The difference in other income represents the service fees raised by WEO for services provided to WorkCover Queensland. The service fee income in WEO and the service fee expense in WorkCover Queensland are eliminated on consolidation.
- ii. The difference represents the bank interest income of WEO.

(b) Reconciliation of differences between consolidated and parent entity statements of financial position

	Note	2021 \$'000			2020 \$'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Current assets							
Cash and cash equivalents		94,387	70,584	23,803	135,521	114,367	21,154
Receivables	i	32,536	32,490	46	34,391	34,311	80
Other assets	ii	2,366	1,692	674	3,338	2,277	1,061
Current liabilities							
Payables	iii	18,063	17,531	532	21,329	20,760	569
Employee benefits	iv	21,139	33	21,106	19,410	43	19,367
Non-current liabilities							
Employee benefits	iv	2,922	37	2,885	2,385	26	2,359

- i. The difference represents the WEO other debtors balance.
- ii. The difference represents the WEO prepayments balance.
- iii. The difference represents the WEO salary related payables of \$0.529 million (2020: \$0.567 million) and other WEO payables of \$0.003 million (2020: \$0.002 million).
- iv. The liabilities for employee benefits in WorkCover Queensland is the CEO's employee benefits. All other employee benefit liabilities are part of WEO.

(c) Reconciliation of differences between consolidated and parent entity statements of changes in equity

There are no differences between the figures disclosed on the face of the WorkCover consolidated statement of changes in equity and WorkCover Queensland's statement of changes in equity.

(d) Reconciliation of differences between consolidated and parent entity statements of cash flows

	Note	2021 \$'000			2020 \$'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Cash flows from operating activities							
Interest received		5,902	5,707	195	11,241	11,186	55
GST collected on sales		163,085	163,050	35	161,896	161,863	33
GST paid on purchases		(28,335)	(28,170)	(165)	(27,677)	(27,677)	(162)
Employee benefits expense paid	i	-	-	(93,019)	-	-	(96,022)
Employment services revenue received	i	-	-	95,642	-	-	94,943
Other operating income received	ii	1,184	1,184	1	1,398	1,398	1
Other operating expenses paid	iii	(32,842)	(35,426)	(40)	(41,854)	(40,726)	(50)

- i. The employee benefits expense paid by WEO and the employment services revenue received by WEO are categorised within other operating expenses paid for WorkCover. The employment services revenue is the amount paid by WorkCover Queensland to WEO for employment services provided.
- ii. Other operating income received by WEO is amounts received from salary packaging providers. These are categorised within other operating expenses paid for WorkCover.
- iii. The difference between the consolidated financial statements and WorkCover Queensland represents the net of WEO's employee benefits expenses paid, employment services revenue received, other operating income received and other operating expenses paid. The other operating expenses paid in WEO are sundry administration payment.

F7 Controlled entity

Summary of WEO financial statements

	2021 \$'000	2020 \$'000
Statement of comprehensive income		
Revenue	95,816	94,948
Expenses	95,816	94,948
Operating result for the year	-	-
Statement of financial position		
Total assets	24,523	22,295
Total liabilities	24,523	22,295
Net assets	-	-

F8 Summary of additional significant accounting policies

(a) Changes in accounting policies and disclosures

The standards and amendments to standards relevant to WorkCover have been applied for the first time in the presentation of these consolidated financial statements from 1 July 2020 are as follows:

Definition of material

AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* has been applied for the first time in the presentation of these consolidated financial statements from 1 July 2020. AASB 2018-7 principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to refine the definition of material in AASB 101.

This revision states that information is material if omitting, misstating, or obscuring it could be reasonably expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Impact of adoption

The adoption of AASB 2018-7 from 1 July 2020 has not resulted in any significant impact on the preparation of the consolidated financial statements of WorkCover.

An accounting policy change was made to the presentation of these consolidated financial statements from 1 July 2020 as follows:

Investments disclosures

There were no significant changes to the overall investment strategy and processes during the current financial year, however WorkCover has made disclosure changes in relation to the financial instruments, in particular, those held for investment purposes.

The intention of these changes is to provide greater clarity on the financial instruments WorkCover holds, whilst keeping WorkCover's reporting comparable to other similar entities and easy to understand for general users of the financial statements. As a result of these changes, WorkCover has restated the statements and investment related note disclosures to provide a breakdown of the instruments held by WorkCover's custodian. In particular, due to the separation of investments receivable/payable from the underlying financial instruments, there has been an immaterial change in the prior year asset and liability amounts.

(b) New and revised Australian Accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020 and have not been early adopted in preparing these consolidated financial statements. None of the upcoming standards relevant to WorkCover are expected to have a material impact on the consolidated financial statements and WorkCover does not plan to adopt any standard early.

The nature and effects of the standard applicable to WorkCover that is not yet effective is as follows:

Insurance Contracts

AASB 17 *Insurance Contracts* applies from reporting periods beginning on or after 1 January 2023.

This standard is intended to combine all existing insurance standards (i.e. AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*) into one standard.

The standard will apply to for-profit-entities and not-for-profit private sector entities. Not-for-profit public sector entities, such as WorkCover, are specifically excluded from applying the standard, with further outreach being undertaken by the AASB to determine the applicability of the standard to these entities.

In November 2017, the AASB released a discussion paper named “Australian-specific Insurance Issues – Regulator Disclosures and Public Sector Entities”. This discussion paper included draft changes to be made to AASB 17 to incorporate issues specific to the public sector. From that discussion, it appears that the AASB intends for the public sector to apply AASB 17. Much like AASB 1023, the definition of an insurance contract and insurance risk remains the same in AASB 17.

WorkCover will continue to monitor the progress of the standard.

F9 Events after reporting date

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transactions or event of a material nature likely to affect significantly the operations of WorkCover, the results on those operations, or the state of affairs of WorkCover in future financial years.

Management certificate

These general purpose consolidated financial statements have been prepared pursuant to the provisions of the *Workers' Compensation and Rehabilitation Act 2003*, section 62(1) of the *Financial Accountability Act 2009*, section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the *Financial Accountability Act 2009* we certify that in our opinion:

- the prescribed requirements for establishing and keeping of accounts have been complied with in all material respects; and
- the financial statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of WorkCover for the financial year ended 30 June 2021 and of the financial position at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

24 August 2021



F Gobbo
BA/LLB, GAICD
CHAIR



B Watson
MOL, Dip Financial Services, FAICD, FASFA
CHIEF EXECUTIVE OFFICER

INDEPENDENT AUDITOR'S REPORT

To the Board of WorkCover Queensland

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of WorkCover Queensland (the parent) and its controlled entity (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2021, and their financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of net outstanding claims liability (\$3,898 m)

Refer to Note C2 to the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>The estimation of outstanding claims liabilities is a key audit matter due to the high degree of uncertainty that is inherent in estimating the expected future payments for claims incurred. It may take many years to finalise the cost of a claim and the ultimate cost may be influenced by factors unknown at 30 June 2021 or outside the control of WorkCover (refer Note C2 (d) for key assumptions and judgements).</p>	<p>With the assistance of an in-house specialist, my procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • reviewing the actuarial models for changes made to the prior year's models • considering of the appropriateness of the assumptions adopted and methodologies applied for the individual benefit types • considering the reasonableness of movements in key claim experience and their impact on the calculation of the outstanding claims liability • benchmarking key economic assumptions to observable market data • reviewing management's experts' qualifications, competence, capabilities, objectivity and the nature, scope and objectives of the work completed for appropriateness • reviewing management's experts' findings and conclusions for relevance, reasonableness and consistency with the evidence obtained from my testing.

Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2021 but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information,

I am required to report this fact. I have nothing to report in this regard.

Responsibilities of the Board for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 the 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, 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 my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

- a) I received all the information and explanations I required.
- b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Sri Narasimhan
as delegate of the Auditor-General

26 August 2021

Queensland Audit Office
Brisbane

ACTUARIAL CERTIFICATE FOR OUTSTANDING CLAIMS LIABILITIES
AS AT 30 JUNE 2021

PricewaterhouseCoopers Consulting (Australia) Pty Ltd was requested by WorkCover Queensland to advise on its provisions for outstanding claims liabilities at 30 June 2021.

VALUATION REPORT

Full details of data, methodology and assumptions are set out in our report dated 9 August 2021. This report was prepared, to the best of our knowledge, in compliance with the requirements of Professional Standard 302 of the Institute of Actuaries of Australia.

BASIS OF ESTIMATES

The adopted provision as at 30 June 2021 is **\$3,702.7 million**, comprising our central estimate of the liability for outstanding claims, an allowance of claims handling expenses and a risk margin. The adopted provision is net of recoveries. In principle, all of the valuation assumptions have been selected so as to yield a central estimate which is not knowingly above or below the ultimate cost of claims.

The central estimate:

- is discounted - i.e. allows for the time value of money;
- allows for future claims inflation;
- includes a loading for claims handling expenses; and
- complies with the requirements of Australian Accounting Standard AASB1023.

A risk margin has been included to allow for the risk and uncertainties inherent in the estimation of outstanding claims liabilities. The margin is expressed as a percentage of the central estimate. In recognition of the overall uncertainty in the claims experience, the WorkCover Board have adopted a risk margin at 30 June 2021 of 9.0%. The adopted margin is intended to increase the probability of sufficiency of the provision to 75%.

QUALIFICATIONS

It is not possible to estimate the outstanding claims liabilities with certainty. Deviations from our estimates are normal and are to be expected. The outcome is dependent on events which are yet to occur and which are impossible to predict, including legislative, social and economic forces. The provisions we have recommended are based on assumptions which we consider to be reasonable in current circumstances.



Lisa Simpson
FIAA

9 August 2021



Gavin Moore
FIAA

Compliance checklist

SUMMARY OF REQUIREMENT		BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Letter of compliance	– A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	Annual Report Requirements (ARRs) – section 7	Letter of compliance
Accessibility	– Table of contents	ARRs – section 9.1	Contents
	– Glossary		Glossary
	– Public availability	ARRs – section 9.2	About this report
	– Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	About this report
	– Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4	About this report
	– Information Licensing	<i>Queensland Government Enterprise Architecture – Information Licensing</i> ARRs – section 9.5	About this report
General information	– Introductory Information	ARRs – section 10	About WorkCover Queensland Chair and CEO report
Non-financial performance	– Government’s objectives for the community and whole-of-government plans/specific initiatives	ARRs – section 11.1	Chair and CEO report
	– Agency objectives and performance indicators	ARRs – section 11.2	Corporate plan 2020–2024 Statement of Corporate Intent 2020–2021
	– Agency service areas and service standards	ARRs – section 11.3	Highlights
Financial performance	– Summary of financial performance	ARRs – section 12.1	Financial performance
Governance – management and structure	– Organisational structure	ARRs – section 13.1	Organisational structure
	– Executive management	ARRs – section 13.2	Executive Leadership Team
	– Government bodies (statutory bodies and other entities)	ARRs – section 13.3	Board of Directors
	– Public Sector Ethics	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Ethics Code of conduct
	– Human Rights	<i>Human Rights Act 2019</i> ARRs – section 13.5	Human rights

SUMMARY OF REQUIREMENT		BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
	– Queensland public service values	ARRs – section 13.6	Customer service commitment
Governance – risk management and accountability	– Risk management	ARRs – section 14.1	Risk management
	– Audit committee	ARRs – section 14.2	Risk and Audit Committee
	– Internal audit	ARRs – section 14.3	Internal audit
	– External scrutiny	ARRs – section 14.4	External scrutiny
	– Information systems and recordkeeping	ARRs – section 14.5	Information systems and record keeping
	– Information Security attestation	ARRs – section 14.6	N/A*
Governance – human resources	– Strategic workforce planning and performance	ARRs – section 15.1	Engaged people
	– Early retirement, redundancy and retrenchment	Directive No.04/18 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	Engaged people
Open Data	– Statement advising publication of information	ARRs – section 16	Open data
	– Consultancies	ARRs – section 33.1	https://data.qld.gov.au
	– Overseas travel	ARRs – section 33.2	https://data.qld.gov.au
	– Queensland Language Services Policy	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	– Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Actuarial certificate on net outstanding claim liabilities Management certificate
	– Independent Auditor’s Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Independent auditor’s report

* WorkCover is not a department and not required to provide an information security attestation.

Glossary

TERM	DEFINITION
A	
Accepted claim	When the first decision about the application for compensation is to accept the claim. This excludes claim decisions where the first decision is rejected, cancelled, withdrawn, report only or common law only.
Accident insurance policy	An accident insurance policy is a workers' compensation insurance policy, compulsory for employers engaging workers. The policy covers the employer's liability for workers' compensation and damages arising out of a work-related injury sustained by their worker, no matter who or what caused it.
Asbestos-related diseases	Asbestos-related diseases are caused by the inhalation of asbestos fibres over a period of time. Asbestos-related diseases typically have long latency periods, that is, 10 to 40 years from exposure to onset of the disease.
AS/ISO	Australian Standard/International Organisation for Standardisation
AS/NZS	Australian/New Zealand Standard
Average premium rate	The average premium rate is a rate per \$100 of wages, expressed as a percentage, calculated by averaging net premium assessed for the year as a proportion of total wages declared by all employers for that year.
C	
CEO	Chief Executive Officer
Claims experience	An employer's claims experience is used when calculating premium and is comprised of the statutory claims amounts paid under an employer's accident insurance policy for the preceding three years and the damages claims amounts paid under the policy for the two years preceding that.
Common law claim	A common law claim is the claim made by an injured worker who commences common law action through the courts against their employer for negligence (they are 'suing' their employer). The courts award common law damages payments for economic loss, pain and suffering, legal costs, and medical and hospital costs. WorkCover may pay all damages awarded to the injured worker, including legal and investigative costs as part of the employer's accident insurance policy.
Customer experience measure / metric	Measures customers' overall perception of WorkCover and performance against the five customer strategy principles.
Customer strategy principles	These principles are the benchmark for the experience WorkCover wants customers to have across all interactions. There are five principles: easy, fair and transparent, empowered, consistent and valued, and they are based on customer research that identified what customers expect from WorkCover.
CX	Customer experience

D	
Damages	<p>Damages are payments made under a common law claim that are classified as ‘heads of damage’. These are different types of damage that may be suffered by an injured worker.</p> <p>Examples are:</p> <ul style="list-style-type: none"> – general damages (compensation for pain and suffering) – economic loss (compensation for loss of past earnings or future earning capacity).
H	
Health provider	Health provider refers to any medical or allied health provider (for example a doctor, medical specialist, physiotherapist, chiropractor or occupational therapist) who is registered with the relevant professional board (eg. Physiotherapist Board of Queensland).
I	
Injury	<p>An injury, as defined by the <i>Workers’ Compensation and Rehabilitation Act 2003</i> is, ‘A personal injury arising out of, or in the course of, employment if the employment is a significant contributing factor to the injury’.</p> <p>Some examples of injuries include:</p> <ul style="list-style-type: none"> – a cut or fracture – a disease (example asbestos or Q fever) – industrial deafness – psychiatric or psychological disorders such as stress or depression – aggravation of a pre-existing condition – death from an injury, disease or aggravation of a disease.
Injury Prevention and Management program	WorkCover’s program in partnership with Workplace Health and Safety Queensland which helps employers who have a high frequency of claims bring about a workplace culture change and achieve a better standard of workplace health and safety and injury management.
M	
MHFA	Mental Health First Aid
O	
OIC	Office of the Information Commissioner
OIR	Office of Industrial Relations
P	
PCBU	A person conducting a business or undertaking

PIEF	Personal Injury Education Foundation
Policyholder	Is an individual or entity that holds an insurance policy with WorkCover.
Premium rate	The rate per \$100 of wages for an individual employer.
Q	
QAO	Queensland Audit Office
QIC	Queensland Investment Corporation
R	
Rehabilitation	Under workers' compensation legislation, the purpose of rehabilitation is to ensure the injured worker's safest and earliest possible return to work or to maximise the worker's independent functioning. Rehabilitation for return to work (sometimes called occupational, vocational or workplace rehabilitation) can include treatment from a range of health providers, assessments of work capacity and suitable duties programs. Under legislation, workers and employers must take every reasonable step to participate in rehabilitation and return to work programs.
Return to work	The worker's timely, safe and medically structured return to pre-injury duties, or other employment, following a workplace injury.
S	
Self-insurer	An employer who meets certain criteria to manage their own workers' compensation issues. Contact the Workers' Compensation Regulatory Services for more information.
Stamp duty	Stamp duty is payable to the Queensland Government on many property and business transactions, including workers' compensation insurance premiums. Stamp duty has been included in premiums since 1916. WorkCover clearly lists the stamp duty payable as a separate item on premium notices.
Statutory (no-fault) claims	A statutory or no-fault claim is when a worker is compensated for a work-related injury with payments and benefits prescribed in the <i>Workers' Compensation and Rehabilitation Act 2003</i> . These payments and benefits are referred to as statutory compensation and may include weekly payments as income replacement, lump sums to compensate for permanent impairment, and hospital and medical expenses. Statutory claims are administered on a 'no fault' basis. That is, it doesn't matter if it is the worker's or the employer's fault that the injury occurred, compensation is still paid.
W	
Wages	Wages are the total amount an employer pays to a worker as defined by Schedule 6 of the <i>Workers' Compensation and Rehabilitation Act 2003</i> .
WCAG 2.1	Web Content Accessibility Guidelines (WCAG) 2.1 defines how to make Web content more accessible to people with disabilities. Accessibility involves a wide range of disabilities, including visual, auditory, physical, speech, cognitive, language, learning, and neurological disabilities
WCRS	Workers' Compensation Regulatory Services

WHSQ	Workplace Health and Safety Queensland
Work-related injury	An injury where employment was a significant contributing factor.
Worker	A ‘worker’ for the purposes of the <u>Workers’ Compensation and Rehabilitation Act 2003</u> is an individual employed under a Contract of Service (sect 11) or specifically included under Schedule 2 Part 1, unless specifically excluded under Schedule 2 Part 2.

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