

FINANCIAL REPORTING MANUAL



2008/2009

WorkCover. **Watching out for you.**

FINANCIAL REPORTING MANUAL 2008-09

**FOR THE COMPLETION AND LODGEMENT OF FINANCIAL REPORTING RETURNS
BY SCHEME AGENTS COMMENCING 1 July 2008**

2008/2009 FINANCIAL YEAR

This manual contains instructions and explanatory notes for the completion and lodgement of financial reporting returns by Scheme Agents.

No departure from these instructions should be undertaken without the express approval of the Nominal Insurer. For all inquiries, please contact the Workers Compensation Insurance Fund Branch.

The Glossary and the Definitions do not apply to the Operational Document Set.

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A. INTRODUCTION

Financial returns lodged by Scheme Agents are consolidated by the Authority to prepare the NSW WorkCover Scheme Financial Statements and on a monthly basis evaluate the financial performance and position of the Scheme.

This manual has been developed for the purpose of obtaining accurate, consistent and timely financial data from Scheme Agents.

The manual highlights the relationships between individual returns as well as the relationships between the returns, the financial accounts and the monthly claims and policy data lodged with the Authority. Where necessary, definitions of line items have been included to ensure consistency and accuracy for consolidation and benchmarking purposes.

If you experience difficulty in complying with the manual, please contact the Workers Compensation Insurance Fund Branch.

The manual will be updated at least annually. If minor revisions are required during a year they are normally issued as advices to Scheme Agents.

Overview of Returns covered by this manual

Scheme Agent Revenue Return – reports for the current period year to date balances for;

- a) premium revenue,
- b) recoveries, and
- c) other income.

Scheme Agent Expense Return – reports for the current period and year to date balances for;

- a) claim related expenses,
- b) other expenses - cash, and
- c) other expenses – non cash.

Scheme Agent Cash Flow Returns - report on a current period and year to date basis;

- a) revenues per Scheme Agent Revenue return reconciled to cash receipts deposited to Westpac WCIF Receipts Account(s), and
- b) expenditures per Scheme Agent Expense return reconciled to cash paid from Westpac WCIF Payments Accounts.

Balance Sheet - reports on a current period, prior period and prior year;

- a) Scheme assets managed on behalf of the Nominal Insurer,
- b) Scheme liabilities managed on behalf of the Nominal Insurer, and
- c) equity.

Scheme Agent BAS Reconciliation – reports on a current period and year to date basis;

- a) GST levied,
- b) GST Receivable,
- c) GST Amounts Received from/paid to ATO and
- d) GST Amounts payable/receivable from ATO and their timing.

Scheme Agent Debtors Statement – reports the following information;

- a) premiums receivable - aged debtors,
- b) unallocated cash and underwriting credits,
- c) bad debts written off,
- d) recoveries receivable,
- e) provision for doubtful debts, and

Bad Debts Written Off - reports for the current month:

- a) detailed information on all debts greater than \$5,000 written off.
- b) aggregate of debts under \$5,000 written off
- c) total debts written off as per the expense return.
- d) details of the debt written off

Scheme Agent Large Debtors Outstanding Statement – reports the following information;

- a) name of debtor
- b) due date of debt
- c) collection status

Scheme Agent non Westpac WCIF Bank Accounts Return – Analysis of transactions in WCIF bank accounts that are not with Westpac. **NOTE:** This return is only to be completed if a Scheme Agent at any time in the financial year has a non Westpac WCIF bank account.

Corporate Data Repository Reconciliation - reports for the year to date:

- a) written premium in the Revenue Return and written premium in the files submitted by the Scheme Agent to the Corporate Data Repository (CDR). Detailed explanations are required for items comprising 80% of the difference.
- b) cost of claims (or total claim related expenses) on the financial return and the amount of claims costs in the file submitted by the Scheme Agent to the CDR. Detailed explanations are required for items comprising 80% of the difference.

(Note: a fixed format is not provided for these reconciliations.)

B. COMMENCEMENT DATE

The accounting forms dealt with in this manual are to be used for reporting periods commencing on or after 1 July 2008 or the date that the manual is issued if this is after that date.

C. LODGEMENT AND FREQUENCY DEADLINES

| Return | Lodgement | Due Date |
|---|-------------|---|
| Revenue | Monthly | 14 th of each Month |
| Expense | Monthly | 14 th of each Month |
| Cash Receipts | Monthly | 14 th of each Month |
| Cash Payments | Monthly | 14 th of each Month |
| Balance Sheet | Monthly | 14 th of each Month |
| BAS Reconciliation | Monthly | 14 th of each Month |
| Debtors Statement | Monthly | 14 th of each Month |
| Bad Debts Written Off | Monthly | 14 th of each Month |
| Large Debtors | Monthly | 14 th of each Month |
| Non Westpac WCIF Bank Accounts Return | Monthly | 14 th of each Month |
| Corporate Data Repository Reconciliations | Monthly | 14 th of each Month |
| Directors Declaration | Half Yearly | 14 th February and 14 th August for end December and end June periods |
| Auditors Report | Yearly | 14 th August for the year ended June 30 |

The June forms, which constitute the "yearly statutory accounts" **are required to be audited**, and must be lodged by **14 August**. The **unaudited** forms for 30 June are to be lodged by 14 July.

The December returns are used to facilitate the preparation of half yearly financial statements while the June returns are used by WorkCover to prepare and publish the consolidated accounts of the WorkCover Scheme. An additional copy of the yearly statutory accounts, including audit certificate, is to be lodged by the Scheme Agent auditors with the Scheme's auditors, The Audit Office of NSW. Contact details are provided in appendix 3.

All Scheme Agents must strictly observe the due dates for lodgement of the above returns. If the due date for the lodgement of a return falls on a non working day then the due date becomes midday on the next working day. For example if the due date falls on a Sunday the returns are due by 12 midday on Monday.

D. UNIFORM CLOSE-OFF DATES FOR RETURNS & CORPORATE DATA REPOSITORY

Close-off dates for premium and claims information submitted to the Corporate Data Repository (CDR) must be consistent with close-off dates for accounting information submitted on the accounting returns. This enables information from various sources to be reconciled.

Whilst a common cut-off date for all Scheme Agents is considered impractical, each Scheme Agent is expected to adopt an internally consistent cutoff date.

E. COMPLETION OF RETURNS

All returns must be completed in accordance with the instructions in this manual. Returns that do not comply will be returned to the Scheme Agent and will not be regarded as lodged until corrected and resubmitted.

F. CERTIFICATION OF RETURNS

Each individual return should be signed by either the Chief Financial Officer, Scheme Agent Principal, Company Director or Company Secretary as authorised signatory.

The returns for 31 December and 30 June periods are also to be certified via a declaration signed by two Directors in the format provided in Appendix three. The declaration is to be lodged by the dates outlined in Section C.

The yearly statutory accounts shall be audited by the independent external auditor of the Scheme Agent who shall provide to the Nominal Insurer a report relating to the statutory accounts in the format set out in Appendix three.

Where amended returns are required to be lodged, such returns are required to be accompanied by a signed declaration by the relevant signatory using the guidelines outlined above.

G. LINE ITEMS COMMON TO MORE THAN ONE RETURN

All returns are linked and where the same financial information is used in more than one return it is automatically carried through from the return on which it was originally entered. The line item descriptions for these items are also hyperlinked to the return on which they originally appear.

The principal returns for data entry of financial information are the:

- a) Revenue Return (R),
- b) Expense Return (E),
- c) Balance Sheet (BS),
- d) Bad Debts Written Off
- e) Large Debtors and;
- f) Non Westpac WCIF Bank Accounts Return

Information from the first 3 of the above returns flow automatically into the:

- a) Cash Receipts Return (CR), and
- b) Cash Payments Return (CP).

The following returns are partially automated, requiring data entry by Scheme Agents;

- a) BAS Reconciliation (BR) and
- b) Debtors Statement (DS),

All returns are colour coded in order to denote data entry areas, coding is as follows:

| |
|---|
| Heading\Title Area – Minimal Data Entry Required |
| Data Flow Area – No Scheme Agent Data Entry Required |
| Data Entry Area – Scheme Agent Data Entry Required |

H. RECONCILIATION OF RETURNS & SUBMISSIONS TO THE CORPORATE DATA REPOSITORY

Written Premium and Cost of Claims (or Total Claim Related Expenses) on monthly returns are to be agreed to information submitted to the Corporate Data Repository (CDR) by the Scheme Agent.

Scheme Agents are required to provide an explanation for any variances on the data reconciliation return. Variances are expected to be minimal and to reduce over time. The only exception is on the written premium reconciliation where there will be an ongoing difference as the CDR shows premium written when there has been a non financial transaction (for example change of employer address) and shows the total premium written for a policy renewal year when some of the transactions may have occurred in a previous financial year.

The reconciliation is to be prepared based on the data submitted to WorkCover's CDR. It is to be submitted by the due date irrespective if WorkCover has accepted the submission file.

I. LODGEMENT OF RETURNS

For 2008/2009, Returns are to be completed on Excel 2000 version spreadsheets.

All returns are to be lodged in hard copy format with an electronic version emailed to financialreporting@workcover.nsw.gov.au. The hard copy version is to be mailed to:

Fund Financial Controller
Workers Compensation Insurance Fund,
Locked Bag 2906
Lisarow NSW 2252.

J. DEFINITIONS

Terminology

Wherever possible, terminology generally accepted in the insurance industry is used in this manual. Where these definitions differ to the Deed or Schedule 14, the definition provided in this manual should be applied.

Where the description of a line item is capable of more than one interpretation, its meaning should be taken from the following sources in order of precedence:

1. This manual
2. The Insurance Act 1973 and publications by the Australian Prudential Regulation Authority (APRA)
3. AASB 1023 - General Insurance Contracts
4. Other Australian accounting standards.

1987 Act

The *Workers Compensation Act 1987*.

Accounting Standard

Has the same meaning as it has in section 9 of the Corporations Act 2001.

Auditor

The registered company auditor appointed by the Scheme Agent under the deed with the Nominal Insurer to oversee and audit the books, records and systems of the Scheme Agent.

Current month

The month that the current financial reporting returns relate to.

Deposit Premiums

The amount to be paid by a policy holder who is entitled to pay their premium by instalments to enable them to have the ability to pay premiums by instalments. The amount varies depending upon the instalment method chosen by the employer and is normally set out in deposit instalment notice or Invitation to Renew. Deposit premiums can in the case of those employers selecting to pay their premiums monthly, cover several physical payments. Deposit premium forms part of premium income and is separately disclosed on the income statement.

Direct Debit

An employer may provide to a Scheme Agent permission to directly debit their bank account for the payment of premium instalments. Refer Banking Services Operational Instruction for details of the Nominal Insurer's requirements for these arrangements.

Direct debits are only to be included in financial reports once funds are received from the bank to the Scheme Agent's WCIF bank account NOT when request is made to bank to process a Direct Debit request.

Net Earned Premium

Premium earned relating to workers compensation risks covered during the financial year. Due to the automatic renewal of policies risks are covered even if a policy is yet to be written. (Refer also Unearned Premium Provision.)

Example. *If a policy provided coverage from 15 June 2009 and the employer has not advised that they wish to cancel the policy by 15 June 2009 the Scheme Agent is required to assume that the policy will be renewed. As it is unlikely that the employer will provide a wages estimate before the Scheme Agent's 30 June accounts are finalised, the Scheme Agent is to ensure that an appropriate amount (15/365 of last years premium) is included in earned premium for the 2008/09 financial year.*

Financial Year

A period of twelve months from 1 July to the next 30 June. A financial year will include transactions that relate to a number of Policy Renewal Years (PRY's).

"Hindsight or Final Premium" Adjustments

The hindsight or final premium is the extra or return premium calculated at the end of the insured period after the submission of the actual wages, and where applicable, claims experience. It is the difference between the initial premium calculation at the commencement of the insured period and the premium calculation at the end of the insured period based on the actual wages and claims experience (if applicable).

The Hindsight or Final premium forms part of premium income and must be included in the premium information submitted to the Corporate Data Repository for the same month in which it is processed.

Instalment Premium Notices

Advice issued to those employers entitled to pay premium by instalments of the amount payable and the due dates. These advices should indicate that they will become a tax invoice when paid. (Refer Taxation Operational Instruction.)

Instalment notices are **NOT** part of premium revenue, as they have already been accounted for in written premium or deposit premium and already appear in premium revenue on the Scheme Agent Revenue Return.

Other Domestic

The total of the premiums for domestic workers compensation insurance which have been included in separate domestic householders package type insurances and which are transferred to the Fund as a type of inwards reinsurance from Specialised Domestic Workers Compensation Insurers.

This category must not include domestic workers compensation policies that are issued separately and directly by the Scheme Agent. Instead these policies are shown with commercial policies for example New Business and Renewals.

Policy Renewal Year (PRY)

A premium year is a period of twelve months commencing on or after 4pm on 30 June and ending just before 4pm on the next 30 June. Any policies of insurance that have been issued or renewed so as to commence during this period are classified as belonging to that premium year. For example a policy renewed on 30 September 2008 will form part of the 2008 premium year. A new policy commencing on 31 March 2009 will also form part of the 2008 premium year.

A financial year will have transactions covering a number of premium years. For example in the 2008/09 financial year an employer may pay the deposit premium and instalments for the 2008 Premium year, hindsight premium for the 2007 premium year and an adjusted premium for the 2005 and 2006 premium years as a result of a wage audit of the employer showing additional wages to be included.

Premiums Receivable

Premium income that remains unpaid at the end of the period.

Premiums Receivable are to be aged, as set out in the instructions for the Debtors Statement.

Premium Income

The total of written premium, deposit premium invoices, deposit premium received where an invoice is not issued, Bad Premium Debts recovered and Late Payment Fees.

Premium income does **NOT** include unclosed business.

Prior month

The month that occurs directly before the current month.

Prior year

Prior year is the year immediately before the current reporting year.

Recoveries

The amount that the Scheme Agent is able to receive in respect of claims costs from employers, injured workers and third parties. In accordance with Accounting Standards these amounts are to be recorded on an accrual basis once the right to recover monies occurs. Further details on how to recognise recoveries and make related provisions is provided in Appendix Four.

Reporting period

Period covered by the return.

Scheme

A short reference to the "NSW WorkCover Scheme" that is the trading name of the NSW Workers Compensation Nominal Insurer.

Scheme Agent

An entity appointed under section 154G of the 1987 Act as a Scheme Agent to manage claims/policies on behalf of the Nominal Insurer.

Unearned Premium Provision

Premium yet to be earned over the remainder of the policy term as it relates to future periods of risk covered by the policy. This provision is to be calculated using the 365ths method from the date of inception, after GST charged has been excluded from gross premium income. All policies where the Scheme agent is "on risk" are to be included irrespective if the policy is yet to be written.

Movements in the level of unearned premium are to be charged against the movement in unearned premium provision in the Revenue Return.

Example 1. A policy provides coverage for the period 15 June 2009 to 15 June 2010. The policy was written on 1 September 2009 for \$12,000 and had a hindsight adjustment of \$200 increasing the written premium from \$11,200 to \$11,400. As at the time of preparing the 30 June 2009 accounts the best estimate that the Scheme Agent has of the premium it has earned from 15 June 2009 to 30 June 2009 is the written premium in the prior financial year- \$11,200. The amount of unearned premium for the policy is \$460. $((11,200/365)*15)$ where 15 represents the number of days from 15 June 2009 to 30 June 2009.

Example 2. A policy provides coverage for the period 21 November 2008 to 21 November 2009. The employer elects to pay instalments quarterly and pays the deposit instalment of \$4,000 on 19 December 2008, being one quarter of last year's premium. The employer submits their estimated wages for 2008/09 on 21 January 2009. At 31 December 2008 the amount of earned premium for the policy is \$1,753. $((16,000/365)*40)$ where \$16,000 is last year's premium for the policy and 40 represents the number of days from 21 November to 31 December.

"Written Premium"

The total of all notices issued including Dust Diseases Levy and Mine Safety Levy.

Written Premium is normally determined once the employer provides the wage estimate for the current year or if this not received by the due date, in accordance with the prior years wages plus the gazetted uplift factor. This enables an initial premium for the year to be determined.

At the end of the period of insurance the employer provides an actual wages paid declaration. This information together with claims experience (if applicable) is used to determine the actual premium payable for the year. The actual premium is compared to the initial premium and can result in a refund (return premium) or additional/extra premium being payable. This revised amount is normally referred to as a "Hindsight Adjustment".

Written Premium is included in the financial returns in the month that the forms provided by employer are received or the transaction (in the case where a wages declaration is not received) is processed. Written premium is NOT to be accrued.

Written Premium is required to be reconciled to information submitted monthly to the Corporate Data Repository.

"Year To Date (YTD)"

The period from the commencement of the current financial year (i.e. the preceding 1 July) up to the last day of the reporting period.

K. GENERAL GUIDELINES FOR COMPLETION OF RETURNS

Each form is to clearly show the:

- a) Scheme Agent's name; and
- b) Month and year date of the return. The month can be abbreviated to the first three letters e.g. Dec for December. Numbers are not permitted.

Line items in the returns are identified by reference to both the Return and line number for example R1 refers to line 1 of the Revenue Return.

The figures entered in these accounting returns are to be to the nearest "000" (unless otherwise specified) and are to agree to the corresponding figures in the Scheme Agents accounting records.

Numbers are to be entered as positive apart from the following items where the field is to be entered as a positive or negative as appropriate:

- § Unearned Premium Adjustment (Revenue Return line R17)
- § Deposit Premium (Revenue Return line R10)
- § Increase (decrease) in Provision for Doubtful Debts (Expense Return line E20)
- § Increase (decrease) in Provision for Doubtful Recoveries (Expense Return line E21)
- § Net GST Payable (receivable) (Balance Sheet line BS19)
- § GST Payable next month and future months (BAS return lines BR 26 and 27)

L. ACCOUNTING FOR THE GOODS AND SERVICES TAX (GST)

The Revenue (R) and Expense (E) returns are structured so that initial revenue and expense amounts are stated **inclusive** of GST. GST applicable to those transactions is then deducted to recognise revenues, expenses and assets **net** of GST except:

- Receivables and payables must be stated with the amount of GST included i.e. gross.
- The amount of GST incurred by Scheme Agents that is not recoverable from the Australian Taxation Office (ATO) must be recognised as part of the cost of acquisition of an asset or as part of an item of expense.

The inclusion of GST in the initial revenue and expense amounts allows these figures to flow directly to the Cash Receipts (CR) and Cash Payments (CP) returns to achieve the requirement that cash flows must be recorded on a gross basis.

Further instructions have been included in the section dealing with individual returns. In the absence of any specific instructions, then Scheme Agents should apply the above accounting principles.

M. REVENUE RETURN (R)

[Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.]

This return reports premium revenue, recoveries and other income received on behalf of the Nominal Insurer for:

- a) the current month, and
- b) the consolidated total for the year to date.

All numbered items below refer to line numbers on the Revenue Return (R).

1. Premium Revenue

Heading. Refer to definition section.

Premium revenue is dissected as indicated below and is to be initially recorded **inclusive** of GST. GST levied on the revenue is then deducted at lines 14 & 15.

2. Dust Disease Levy

The amount of dust disease levies included in an employer's written premium. The amount is to be included once premium is written and is adjusted once a hindsight adjustment is made.

3. Mine Safety Levy

The amount of Mine Safety levy included in a mining industry employer's written premium. The amount is to be included once premium is written and is adjusted once a hindsight adjustment is made.

4. Other Domestic

The amount of premium received from specialised domestic insurers. Refer definitions section of this manual.

5. Other New Business & Renewals

The amount of premium written at the commencement of each employer's insurance period inclusive of GST, Lump Sum Payment Discount and premium on apprentice wages but excluding the Dust Disease Levy, Mine Safety Levy and Other Domestic Premium

6. Other Hindsight Adjustment

The total adjustment to premium written at the expiry (i.e. hindsight premium adjustment) of each employer's insurance period inclusive of GST, Lump Sum Payment Discount and premium on apprentice wages but excluding the Dust Disease Levy, Mine Safety Levy and Other Domestic Premium.

7. Less: Lump Sum Payment Discount

The amount of discount provided to employers who pay their annual premium as a lump sum.

The amount is to be entered as a positive.

8. Less: Apprentice Incentive Scheme discount

The reduction in premium arising from the Apprentice Incentive Scheme whereby an employer's premium is reduced by the tariff premium that applies to wages paid to employees under an Apprenticeship Contract.

The amount is to be entered as a positive.

9. Written Premium

The sum of lines 2 through 9.

Written Premium is to be reconciled with the premium information submitted monthly to the Corporate Data Repository. The return includes a drop down menu to indicate whether this item agrees to the CDR. Enter "Yes" if the amounts agree or "No" if they do not. If the answer is "No" then complete statement at bottom of Revenue Return.

Written premium is only to include the amount of premium for which a notice has been issued to an employer. Written premium is not to be accrued.

10. Deposit Premium

The amount of deposit instalment received from a policyholder. An "offer to renew" a policy is not regarded as a tax invoice and is not to be included in Deposit Premium or in debtors.

As a policyholder often has a choice of instalment options (monthly or quarterly) or can pay by a lump, it is NOT possible to issue a tax invoice in advance of the employer selecting an instalment option. If the employer selects monthly instalments then is highly likely that several deposit instalments will be received prior to the premium being written.

Once a premium is written the deposit premium in the return is to be reduced to ensure that premium is not double counted. This is required irrespective if the deposit premium is recognised in the current financial year or the prior financial year. The Scheme agent is to confirm this has been done by inserting "Yes" in the comment section at the bottom of the Revenue Return.

A **DECREASE** in Deposit Premium is to be reported as a **negative**.

An **INCREASE** in Deposit Premium is to be reported as a **positive**

11. Bad Debts Recovered - Premiums

The total amount of bad debts recovered in respect of premiums. Treatment of recovered debts should be in accordance with Appendix 1.

12. Late Payment fees

The amount of late payment fees charged on unpaid premiums in accordance with Section 172 of the Act. Any late payment fees raised in respect of overdue premiums should be recorded against this item with the corresponding debtor forming part of Premiums Receivable.

Where a late payment fee has been waived as a result of an error by the Scheme Agent (for example the payment by the debtor went to the wrong debtors account or payment by the employer to the Scheme Agent although made on or before the due date was unable to be identified by the Scheme Agent) the waived amount is to be shown as an offset to Late Payment fees.

13. Premium Income

The sum of written premium, deposit premium, Bad Debts recovered – Premiums and Late Payment Fees.

14. Less: GST included in Bad Debts Recovered- Premiums

The GST included in premiums recovered from bad debts.

The amount is to be entered as a positive.

The amount of this item should represent approximately one eleventh of Bad Debts Recovered – Premiums. The main reason for any difference should be adjustments to premiums applicable to periods prior to June 2000 when GST did not apply and Late Payment Fees recovered as they are not subject to GST.

Treatment of GST on Bad Debts Recovered should be in accordance with the guidelines in Appendix 1.

15. Less: GST included in remaining Premium Income

The GST levied on premium income apart from GST included in line 14.

The amount is to be entered as a positive.

The GST component of hindsight refund premiums adjustments is to be included as it represents a refund of GST previously paid on the initial premium.

The amount of this item should represent approximately one eleventh of the total of written premium plus deposit premium less bad debts recovered - premiums. The main reason for any difference should be adjustments to premiums applicable to periods prior to June 2000 when GST did not apply.

16. Premium Income Excluding GST

Premium income less GST included therein as shown at items 14 and 15.

17. Unearned Premium Adjustment

Refer to definition section. The increase or decrease in the unearned premium provision from the commencement of the current financial year to the end of the reporting period.

Unearned Premium is to be adjusted monthly as it is critical in determining the results for the Scheme.

A **DECREASE** in unearned premium is to be reported as a **positive**

An **INCREASE** in unearned premium is to be reported as a **negative**

18. Net Earned Premium excluding GST

Premium income excluding GST plus/less the unearned premium adjustment.

19. Recoveries

Heading. Refer definitions section

Recoveries are to be recorded on an accrual basis in accordance with accounting standards. (Refer Appendix Four.)

20. Claims Excess

The amount charged or debited to the employer for the claims excess to be paid in respect of a claim.

21. Contribution by other parties to Cost of Claims (S151Z)

Recoveries receivable from third party motor vehicle insurers or other parties to meet the cost of a claim.

22. Bad Debts Recovered – Recoveries

The total amount of bad debts recovered in respect of recoveries. (Refer Appendix Four.)

23. Other

The amounts "charged" or recoverable for all recoveries on claims that are **NOT** specifically reported in items 20 to 22.

24. Total Recoveries

Total recoveries income i.e. the sum of the above recoveries items including GST.

25. Less: GST Included in Bad Debts Recovered- Recoveries

The GST included in Bad Debts recoveries recorded at line 22.

This item is to be entered as a positive.

26. Less: GST Included in remaining Recoveries

The GST attributable to recoveries in items 20, 21 and 23. Increasing adjustments that are payable by the Scheme Agent as a result of recouping costs incurred from other parties are to be included.

This item is to be entered as a positive.

27. Total Recoveries excluding GST

Equals line 24 less lines 25 and 26.

28. Other Income

Heading.

Income apart from premiums and recoveries that the agent is entitled to receive on behalf of the Nominal Insurer

29. Fines/penalties

Fines/penalties charged in accordance with Section 175 of the Act relating to employers evading the payment of correct premiums.

30. Other

The total of any other amounts received or receivable not included in line 29 including

- § Amounts receivable from employers for debt recovery costs or legal fees. These amounts are not to be offset against the related expenditure.
- § Proceeds from stopped cheques where a replacement cheque is not issued. If subsequently a replacement cheque is issued it is to be included in this item (Refer ODS 3.3 Unpresented Cheques and Unidentified Deposits)
- § Unidentified deposits that despite the best efforts of Scheme Agents cannot be identified. If they subsequently can be identified refunds/reallocations are to be included in this item (Refer ODS 3.3 Unpresented Cheques and Unidentified Deposits)

A schedule should be attached to the Revenue Return detailing at least 80% by value of the items that comprise this sum.

31. Total Other Income

The sum of lines 29 and 30.

32. Less: GST Included in Other Income

The GST included in other income.

This item is entered as a positive.

33. Total Other Income excluding GST

Equals line 31 less line 32.

34. Total Revenue

The sum of Net Earned Premiums excluding GST (R18), Recoveries excluding GST (R27) and Total Other Income excluding GST (R33).

Statements on Return

Have Variations from CDR been documented in the Data Reconciliation?

The reconciliation is required of written premium YTD on the financial return and the amount of written premium in the file submitted by the Scheme Agent to the CDR for the financial year to date irrespective of the policy renewal year that the written premium relates to.

Where written premium YTD at line 9 agrees to the policy file submitted by the Scheme Agent to the WorkCover Corporate Data Repository (CDR), the word "YES" is to appear in the Agree to CDR column. If they do not then the word "NO" is to appear.

If the answer to the above is "NO", then the statement on the bottom of the return "have variations from CDR been documented in the data reconciliation" is to be completed.

The word YES is to appear if there are reconciling items. If the numbers have not been reconciled then the word "NO" is to be inserted. The Nominal Insurer will then understand that the Scheme Agent has not been able to reconcile the financial return to the file submitted to the CDR as required under the agreement.

Has Deposit Premium Been Reversed Once Premium Has Been Written?

Once a premium is written the deposit premium in the return is to be reduced to ensure that premium is not double counted. This is required irrespective if the deposit premium is recognised in the current financial year or the prior financial year. The Scheme Agent is to confirm this has been done by inserting "Yes" in the comment section at the bottom of the Revenue Return.

If No Detail Reason

This section is to be completed if the answer to either of the above two questions is "No", providing reasons why this has arisen, what corrective action is proposed and when this will be completed by.

N. EXPENSE RETURN (E)

[Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.]

1. Claim related expenses

Heading.

This section records claims payments and other claim related expenses. The amounts are to be initially recorded **inclusive** of GST and/or Decreasing Adjustment (GST/DAM), these are later deducted at line 7. All numbered items below refer to line numbers on the expense return (E).

2. Cost of claims

The total of all claim related expenses inclusive of GST.

This item is **NOT** to be netted down to take account of recoveries or expected recoveries that may be received in respect to the claim. Instead recoveries are to be separately reported on the appropriate line items in the Scheme Agent Revenue Return (R).

Initially this item on a year to date basis, is to be agreed/reconciled to the Corporate Data Repository. However once Scheme Agents are able to include Retraining payments (line item 3) and JobCover payments (line item 4) as part of claims paid then the reconciliation instead is to be made to line item 6.

3. Retraining (Sect 53 of '98 Act)

The payment of costs associated with Retraining payments under Section 53 of the Workplace Injury Management and Workers Compensation Act 1998.

Although these items are to form part of cost of claims, they are to continue being shown separately at this line.

4. Job Cover Placement Program

The amount of training/employment allowance paid to eligible employers under the JobCover Placement Programme.

Although these items are to form part of cost of claims, they are to continue be shown separately at this line.

5. Other

The total of any other claim related payments not recorded in lines 2 through 4.

6. Total Claim Related Expenses

The sum of lines 2 through 5.

This item is to be reconciled to the Corporate Data repository once Retraining payments (line item 3) and JobCover payments (line item 4) are included as part of cost of claims.

7. Less: GST/DAM on Claim related Expenses

The amount of GST/DAM attributable to claim related expenses.

The amount is entered as a positive.

8. Total Claim related expenses excluding GST

Equals line 6 less line 7.

9. Other Expenses – Cash

Sub heading

Non Claim Related expenses that have or will result in a cash transaction irrespective of when the payment will be made.

10. Debt Collection Fees

Costs of collecting the amounts due to the Nominal Insurer including premiums and recoveries such as legal costs incurred in recovering a debt.

These fees are to be shown in full and not reduced by the amount collected or collectable from employers to compensate the Scheme for the costs in collecting the debt. The amount collectable from employers is instead to be shown at line 30 "Other Income– Other" in the Revenue Return.

11. Wage Audit Fees

The cost of wage audits payable to wage auditors.

These fees are to be shown in full and not reduced by the amount collected or collectable from employers to compensate the Scheme for wage audit fees under Section 174A "Recovery of inspection costs of Authority or insurer when wages understated" of the Workers Compensation Act 1987. Instead these amounts are to be shown at line 30 "Other Income – Other" in the Revenue Return.

12. Auditor Remuneration

The amount paid to the registered company auditor of the Scheme Agent for audit and other services. Refer also end of year supplementary financial statement information

13. Other

Cash related other expenses not included in lines 10 through 12.

If the amount recorded against this line item represents more than 10% of the total for Other Expenses – Cash (line 14) attach a schedule to the Expense Return detailing at least 80% by value of the items that comprise the reported amount.

14. Total Other Expenses – Cash

The sum of lines 10 through 13.

15. GST on Other Expenses – Cash

The total of GST attributable to Other Expenses– Cash, for the amounts at lines 10 through 13.

The amount is to be entered as a positive.

16. Total Other Expenses – Cash (excluding GST)

Equals line 14 less line 15.

17. Other Expenses – Non Cash

Sub Heading.

Other expenses not involving cash transactions either now or in the future.

18. Bad Debts Written off - Premiums

Premium debts (excluding Late Payment Fees) written off direct to expenses.

Treatment of bad debts is to be in accordance with Appendix 1. This amount should be recorded gross (i.e. including GST, Dust Diseases Levy and Mine Safety Levy). GST is later deducted at line 25.

Where a debt previously written off as bad is subsequently determined to be recoverable the amount is NOT to be reversed against this item. Instead it is to be recorded in the Revenue Return under line item R11 Bad Debts Recovered – Premiums.

Late Payment fees written off are to be shown at line 22 in the Expense return.

19. Bad Debts Written off - Recoveries

Recovery debts written off direct to expenses.

Treatment of bad debts should be in accordance with Appendix 1. This amount should be recorded gross (i.e. including GST). GST is later deducted at line 26.

Where a debt previously written off as bad is subsequently determined to be recoverable the amount is not to be reversed against this item. Instead it is to be recorded in the Revenue Return under line item R22 Bad Debts Recovered– Recoveries.

20. Increase\Decrease) in Provision for Doubtful Debts – Premiums

The movement in the provision for the reporting period. The provision must include any late payment fee accrued, charged or debited on premium debts.

The provision for doubtful debts should be revised monthly and is to be determined in accordance with Appendix 1.

An **INCREASE** in the provision is to be reported as a **positive**.

A **DECREASE** in the provision is to be reported as a **negative**

21. Increase\Decrease) in Provision for Doubtful Debts – Recoveries

The movement in the provision for the reporting period.

The provision for doubtful debts should be revised monthly and is to be determined in accordance with Appendix 1.

An **INCREASE** in the provision is to be reported as a **positive**.

A **DECREASE** in the provision is to be reported as a **negative**

22. Late payment Fees Written Off

Late payment fees written off direct to expenses as bad, previously debited to the premium debtor's ledger. Bad debts are to be treated in accordance with Appendix 1.

Where a Scheme Agent waives a late payment fee as a result of an error on their part, late payment fee income is to be reduced and the amount not shown under this item. These errors can arise when previously unidentified deposits are allocated to the appropriate debtors account or when WorkCover approves extended payment arrangements not subject to late payment fees (for example due to extenuating natural disasters such as drought, flood or bushfire) apply but late payment fees have already been charged.

23. Other

Other non cash expenses not separately recorded at lines 18 through 22.

24. Total Other Expenses – Non Cash

Total other expenses not involving cash transactions. The sum of lines 18 through 23.

25. Less: GST on Premium Debts Written Off

The GST applicable to premium debts written off, recorded at line 18. This amount is to be claimed back from the ATO in the BAS return of the month the debt was written off in.

The amount should approximate one eleventh of premium debts written off.

Amounts are to be entered as a positive.

26. Less: GST on Recoveries Debts Written Off

The GST applicable to Recoveries debts written off, recorded at line 19. This amount is to be claimed back from the ATO in the BAS return of the month the debt was written off in.

Amounts are to be entered as a positive.

27. Total Other Expenses - Non Cash excl GST

Equals line 24 less lines 25 and 26.

28. Total Expenses

The total of Claim related expenses excluding GST (E8), Other Expenses– Cash excluding GST (E16) and Other expenses– Non cash excluding GST (E27).

Statements on Return

Have Variations from CDR been documented in the Data Reconciliation?

The reconciliation is required of Cost of Claims (or Total Claim Related Expenses - refer line item 6 above) on the financial return and the amount of Claims Costs in the file submitted by the Scheme Agent to the CDR for the financial year to date.

Where Cost of Claims at line 2 (or line 6 if applicable) agrees to the claims file submitted by the Scheme Agent to the WorkCover Corporate Data Repository (CDR), the word "YES" is to appear in the Agree to CDR column. If they do not then the word "NO" is to appear.

If the answer to the above is "NO", then the statement on the bottom of the return "have variations from CDR been documented in the data reconciliation" is to be completed.

The word YES is to appear if there are reconciling items. If the numbers have not been reconciled then the word "NO" is to be inserted. The Nominal Insurer will then understand that the Scheme Agent has not been able to reconcile the financial return to the file submitted to the CDR as required under the agreement.

O. CASH RECEIPTS RETURN (CR)

Note: Items with the word “total” or increase/decrease in their name are automatically generated by the spreadsheets and entry is not required.

Unless indicated to the contrary all items are to be entered as a positive.

Unless indicated to the contrary items in this return are automatically inserted from other returns or are automatically calculated totals. The link to the return is shown in the text below.

1. Total Premium Income per Revenue Return

Total premium income per line 13 of the Revenue return.

2. Blank line

3. (Increase)Decrease in premium receivable

Equal to line 4 less line 5.

4. Balance at Beginning of period

Balance of Premium Receivable (Gross) at the beginning of the respective period. Flows from the respective prior period figure at line 2 of the Balance Sheet (BS).

5. Balance at end of period

Balance of premium receivable (Gross) at the end of the period. Flows from the current period figure at line 2 of the Balance Sheet (BS).

6. Add Back Bad Debts Written Off – Premiums

Bad Debts Written Off – Premiums per line 18 of Scheme Agent Expense Return.

7. Add Back Late Payment Fees Written Off

The amount of late payment fees written off. Flows from line 22 of the Expense Return (E).

8. Blank line

9. Premium Income Cash Deposited

The sum of lines 1, 3, 6 and 7.

10. Blank line

11. Total Recoveries per Revenue Return

Total recoveries, flows from line 24 of the Revenue Return.

12. Blank Line

13. (Increase)Decrease in recoveries receivable

Equal to line 14 less line 15.

14. Balance at Beginning of period

Balance of recoveries receivable at the beginning of the period. Flows from the respective prior period figure at line 6 of the Balance Sheet (BS).

15. Balance at end of period

Balance of recoveries receivable at the end of the period. Flows from the current period figure at line 6 of the Balance Sheet (BS).

16. Blank Line

17. Add Back Bad Debts Written Off - Recoveries

The amount of bad debts written off in respect of recoveries receivable. Flows from line 19 of the Expense Return (E).

18. Blank Line

19. Recoveries Cash Deposited

The sum of lines 11, 13 and 17.

20. Blank Line

21. Total Other Income per Revenue Return

Total other income per line 31 of the Revenue Return.

22. Blank Line

23. (Increase)Decrease in other income receivable

Equal to line 24 less line 25.

24. Balance at beginning of period

Balance of other income receivable at the beginning of the period. Flows from the respective prior period figure for other current assets (receivables) at line 12 of the Balance Sheet (BS).

25. Balance at end of period

Balance of other income receivable at the end of the period. Flows from the current period figure for other current assets at line 12 of the Balance Sheet (BS).

26. Blank Line

27. Other Income cash deposited

The sum of lines 21 and 23.

28. Blank Line

29. Net GST Refund from ATO

The net amount of GST received from the Australian Taxation Office (ATO). Flows from line 18 of the Scheme Agent BAS Reconciliation return.

Normally it is expected that no amount will be shown against this item as the agent will be making a payment of GST to the ATO. This arises, as normally GST on premiums payable to the ATO will be greater than GST/DAM refundable from the ATO on eligible payments.

30. Blank Line

31. Premium refunds paid from Payments accounts

The amount of premium refund paid to employers from the Scheme Agents payments account. Where a premium refund is offset against other amounts owing or is held pending an instalment to be raised, these amounts are not to be included in this item.

Premium refunds paid from the payments account arise when payments (cheques/EFT) are made, not when the cheque is presented.

Data is required to be entered for this item. A positive value is to be entered.

This amount is automatically also entered into line 19 in the Scheme Agent Cash Payments Return.

32. Non WCIF revenues deposited to Receipts account.

The amount of funds deposited to the receipts accounts that do not belong to the WCIF. This may include items such as premiums for other lines of insurance offered by entities associated with the Scheme Agent. These monies are refunded from the agents WCIF payments account and when paid are disclosed under item 18 of the Cash Payments Return.

Data is required to be entered for this item. A positive value is to be entered.

33. Blank Line

34. Total Cash Deposited to Receipts Accounts

The sum of lines 9, 19, 27, 29, 31 and 32.

35. Blank Line

36. Total Cash Deposited to Receipts Account per Bank Reconciliation

The amount of funds swept from the Scheme Agents Westpac WCIF Receipts account(s) nightly by Westpac. Normally this amount agrees to the amount of funds deposited to the WCIF Receipts account(s) by the Scheme Agent or other parties such as employers or banks (via for example BPAY or Direct Debit)

Data is required to be entered for this item. A positive value is to be entered.

37. Variance

The difference between line 34 and line 36.

Where a difference arises in either the current month or year to date, the Scheme Agent is to provide with the Financial Return a full explanation of each of the items comprising this amount as the cash derivation is an essential element of the Schemes Corporate Governance model.

38. Blank Line

39. Mine Safety Levy Received in Cash

An estimate of the amount of cash received from invoices raised on mining industry employers for the Mine Safety Levy. This information is required to help ensure that the amount paid to the Department of Primary Industries for the levy approximates the amount collected from employers to ensure that the Nominal Insurer is not cross subsidising mining employers.

Data is required to be entered for this item. A positive value is to be entered.

As this amount cannot be derived from ledger accounts approximations based on sound assumptions are allowed. For 2008/09 it would be acceptable for the following assumptions to be used:

- Only employers with a Mine Safety Levy of more than \$1,000 in written premium to be selected
- For each payment received from these employers the Mine Safety Levy received can be estimated as Mine Safety Levy as a percentage of Written Premium multiplied by cash received from the employer.
- To reduce the work on Scheme Agents the estimate need only be supplied in the end of September, December, March and June financial returns but can be supplied monthly.
- Data is only required on to be supplied a year to date basis.

P. CASH PAYMENTS RETURN (CP)

Note: Items with the word “total” or increase/decrease in their name are automatically generated by the spreadsheets and entry is not required.

Unless indicated to the contrary all items are to be entered as a positive.

Unless indicated to the contrary items in this return are automatically inserted from other returns or are automatically calculated totals. The link to the return is shown in the text below

1. Total claim related expenses per expense return

The total of all claim related expenses per line 6 of the expense return.

2. Blank line

3. Increase\decrease) in claim related payables (incl. PAYG)

Equal to line 5 less line 4. Claim related payables include items such as weekly benefits, deductions from weekly benefits on behalf of third parties (such as PAYG and CSA), medical costs, legal fees, retraining support and any other scheme payables directly related to claims.

4. Balance at beginning of period

Balance of claim related payables at the beginning of the period, flows from the respective prior period figure at line 18 of the Balance Sheet (BS).

5. Balance at end of period

Balance of claim related payables at the end of the period, flows from the current period figure at line 18 of the Balance Sheet (BS).

6. Claim related expenses cash paid

The sum of lines 1 and 3.

7. Blank line

8. Total other cash expenses per expense return

The total of all other cash expenses, flows from line 14 of the expense return.

9. Blank line

10. Increase\decrease) in other cash expenses payable

Equal to line 12 less line 11.

11. Balance at beginning of period

Balance of Other Current Liabilities (payables) at the beginning of the period. Flows from the respective prior period figure at line 20 of the Balance Sheet.

12. Balance at end of period

Balance of Other Current Liabilities (payables) at the end of the period. Flows from the current period figure at line 20 of the Balance Sheet (BS).

13. Blank line

14. Other expenses cash paid

The sum of lines 8, and 10.

15. Blank line

16. Net GST Cash Paid

The net amount of GST paid to the Australian Taxation Office (ATO). Flows from line 16 of the Scheme Agent BAS Reconciliation return.

17. Blank Line

18. Refund of non WCIF revenue deposited to the receipts accounts

Refunds of monies deposited to the receipts accounts that do not belong to the WCIF. This may include items such as premiums for other lines of insurance offered by entities associated with the Scheme Agent.

Data is required to be entered for this item. A positive value is to be entered.

19. Premiums refunds paid from Payments accounts

The amount of premium refund paid to employers.

Flows from line 31 in the Scheme Agents Cash Receipts Return.

20. Blank Line

21. Total Cash Paid from Payments Accounts

The sum of lines 6,14, 16, 18 and 19.

22. Blank line

23. Total Cash Paid From Payments Account Per Bank Reconciliation

The amount of funds paid into the Scheme Agents Westpac WCIF Payments account(s) nightly by Westpac.

Data is required to be entered for this item. A positive value is to be entered.

24. Variance

The difference between line 21 and line 23.

Where a difference arises in either the current month or year to date the Scheme Agent is to provide with the financial return a full explanation of each of the items comprising this amount as the cash derivation is an essential part of the Scheme's Corporate Governance model.

Q. BALANCE SHEET (BS)

Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.

1. Assets

Sub Heading

2. Premiums Receivable (Gross)

Premiums receivable at the end of the respective period, including Dust Disease Levy, Mine Safety Levy and late payment fees.

3. Provision for Doubtful Premium Debts

The specific provision for debts or portions of debts that the Scheme Agent considers are unlikely to be collected. (Refer Definitions section.) The provision for doubtful premium debts is to be reviewed on a monthly basis and is to be determined in accordance with Appendix1.

4. Net Premium Receivable

Line 2 less line 3.

5. Blank Line

6. Recoveries Receivable (Gross)

Amounts receivable from other parties in respect of claims irrespective of when the funds will be received. Refer Appendix 4.

7. Less: Provision for doubtful recoveries

The provision for doubtful recoveries that may not be received in the future. Refer Appendix 1.

8. Net Recoveries Receivable

Line 6 less line 7.

9. Blank Line

10. Cash At Bank - Westpac

The ledger balance of WCIF bank accounts held at Westpac.

Balances in the Westpac PPS account are not to be included, as Westpac owns this account not the WCIF.

This item should only have a balance shown where:

- Timing differences exist between when payments are made in the Scheme Agents claims/policy system and when funds impact the agents WCIF accounts. This can include items such as payments files created in the claims system but not processed by Westpac till the following day
- Unpresented corporate Westpac cheques exist at balance date.

11. Cash at Bank - Other

This line item should only be used where during any time in the financial year or the prior financial year the Scheme Agent managed on behalf of the WCIF non Westpac Bank accounts. .

12. Other Current Assets (Receivables)

Other scheme related receivables includes items such as fines and penalties and any other scheme related income receivable.

If the amount recorded against this line item represents more than 0.5% of Total Assets a schedule should be attached to the Balance Sheet detailing at least 80% by value of the items that comprise the reported amount.

13. Non Current Assets

This item represents items that are assets of the Workers Compensation Insurance Fund but are not anticipated to turn into cash or cash equivalents in the next 12 months. It would be highly unusual to have items in this category and full details of all items included in this item are to be provided.

14. Total Assets

The sum of lines 4, 8, 10, 11, 12 and 13.

15. Blank Line

16. Liabilities

Sub Heading

17. Unearned Premium Provision

The balance of the unearned premium provision at the end of the period. For more detail refer definitions in section J.

18. Claim Related Payables (including PAYG)

The balance of any claim related payables. Claim related payables include items such as weekly benefits, deductions from weekly benefits on behalf of their parties (such as PAYG), medical costs, legal fees, retraining support and any payables directly related to claims.

19. Net GST Payable (Receivable)

The net amount of GST payable to the ATO for the period.

In the unusual circumstance that a refund is receivable from the ATO this amount should be shown against this item as a negative.

20. Other current liabilities (payables)

Other scheme related payables, will include items such as, debt collection fees, wage auditor fees, etc.

If the amount recorded against this line item represents more than 0.5% of total Liabilities a schedule should be attached to the Balance Sheet detailing at least 80% of the items that comprise the reported amount.

Scheme Agents are not responsible for the payment of the Dust Disease Levy to the Dust Diseases Board or Mine Safety Levy to the Department of Primary Industry. Instead the Nominal Insurer will be responsible for this payment.

Scheme agents remain responsible for the collection of the Dust Disease Levy and Mine Safety Levy included in employer premiums.

21. Total Liabilities

The sum of lines 17 through 20.

22. Blank Line

23. Total Net Assets

Line 14 less line 21.

24. Equity

Sub Heading

25. Opening Balance

Equity as at 30 June 2008. This number is to be used for the current period and prior period. Entry is not required for prior year column.

26. Net surplus/(deficit)

Equals total revenue on the Scheme Agent Revenue Return (line 34) less total expenses on the Scheme Agent Expense Return (line 28).

The amount for the current period is automatically inserted while the amount for the prior period needs to be manually entered by the Scheme Agent. Entry is not required for prior year column.

27. Cash received from Nominal Insurer

Cash received from the Westpac WCIF sweep account to the Scheme Agents WCIF payments account(s). Manual entry is required. Entry is not required for prior year column. This amount is to agree to line item 23 on the Cash Payments Return.

28. Cash Paid to Nominal Insurer

Cash received into the Scheme Agents receipts accounts swept by Westpac to the WCIF sweep account. Manual entry is required. Entry is not required for prior year column. This amount is to agree to line item 36 on the Cash Receipts Return.

29. Total Equity

The sum of lines 25, 26, 27 and 28. The equity at 30 June 2007 is to be entered into the prior year column.

30. Blank Line

31. Do these Balances Agree to the General Ledger

The Scheme agent is required to indicate if the amounts in the current period agree to the Scheme Agents General Ledger. Where they do not a full explanation is to be provided.

R. BAS RECONCILIATION (BR)

Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.

Unless indicated to the contrary items in this return are automatically inserted from other returns or are automatically calculated totals. The link to the return is shown in the text below

1. GST (Payable to) receivable from ATO at start of Period

The net amount of GST (payable to) receivable from the ATO at the beginning of the period. This will be equal to the prior period amount at line 19 of the Balance Sheet. The net amount may be payable in the current period or in future periods .

2. Blank Line

3. GST Levied

The sum of lines 4 through 8.

This represents amounts that are payable to the ATO by the Scheme Agent on behalf of the Nominal Insurer.

4. GST included in Bad Debts Recovered - Premiums

Flows from line 14 of the Revenue Return (R).

5. GST included in remaining Premium Income

Flows from line 15 of the Revenue Return (R).

6. GST included in Bad Debts Recovered - Recoveries

Flows from line 25 of the Revenue Return (R).

7. GST included in remaining Recoveries

Flows from line 26 of the Revenue Return (R).

8. GST included in other income

Flows from line 32 of the Revenue Return (R).

9. Blank Line

10. Less GST Receivable

The sum of lines 11 through 14.

This represents amounts that the Scheme Agent on behalf of the Nominal Insurer is able to claim back from the ATO

11. GST \ DAM Claimed on Claim Related Expenses

Flows from line 7 of the Expense Return (E).

12. GST Claimed on Other Cash Expenses

Flows from Line 15 of the Expense Return.

13. GST on Premium Debts Written Off

Flows from line 25 of the Expense Return.

14. GST on Recoveries Debts Written Off

Flows from Line 26 of the Expense Return.

15. Blank Line

16. Less: GST Paid to ATO

Amount paid to the ATO for GST at any time in the financial year.

Data is required to be entered for this item. A positive value is to be entered.

Gross amount to be shown. Do not offset against line item BR 18.

17. Blank Line

18. Plus: GST Refund Received from ATO

Amount of GST refund received from ATO at any time in the financial year.

Data is required to be entered for this item. A positive value is to be entered.

Gross amount to be shown. Do not offset against line item BR 16.

19. Blank Line

20. Total (Payable To) Receivable From ATO At End Of Period

The sum of lines 1,3,10,16 and 18.

The net amount may be payable in the current period or in future periods - as they relate to future premium instalments on which GST is not payable to the ATO till the earlier of a Tax Invoice being issued or cash is received.

21. Blank Line

22. GST Payable (Receivable) Per Balance Sheet

Flows from line 19 of Balance Sheet

23. Blank Line

24. Difference

The difference between the derived amount of GST Payable (Receivable) at the end of the period per line 20 and the amount shown on the Balance Sheet per line 22 above.

The amount shown should be nil. If this is not the case an explanation is to be provided by the Scheme Agent.

25. Blank Line

26. Timing of GST (Payable) Receivable

Heading

Discloses the amount of GST (Payable) receivable in the next month or in future months.

27. Next month

GST (Payable) Receivable in the next month's BAS Return.

Data is required to be entered for this item.

An amount payable is to be shown as a negative, and a receivable is to be shown as a positive.

28. Future months

GST (Payable) Receivable later than the next month's BAS Return.

Data is required to be entered for this item.

An amount payable is to be shown as a negative, and a receivable is to be shown as a positive.

29. Total

Net amount of GST payable or receivable. The total of lines 27 and 28. This amount must be equal to line 20.

S. DEBTORS STATEMENT (DS)

Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.

Apart from totals, Scheme Agents are required to enter data against each item in this return.

1. Premiums Receivable

Heading

Details of how to age premium debts are shown in Appendix Two.

Note – Premiums subject to debt repayment agreements are to be included in the categories below based on the age of the original debt NOT the dates included in the agreed repayment agreements.

2. Overdue less than 31 Days

Premiums debts less than 31 days overdue.

3. Overdue 31 to 60 days

Premiums debts between that that are between 31 and 60 days overdue.

4. Overdue 61 to 90 days

Premiums debts between that that are between 61 and 90 days overdue.

5. Overdue 91 to 120 days

Premiums debts between that that are between 91 and 120 days overdue.

6. Overdue 121 to 180 days

Premiums debts between that that are between 121 and 180 days overdue.

7. Over more than 181 days

Premiums debts between that that are more then 180 days overdue.

8. Total Premiums Overdue

The sum of lines 2 through 7.

9. Premiums and Instalments Not Yet Due

Premiums and instalments at the end of the reporting period, that are not yet due for payment. Included in this category are Premium Instalments (Deposit Premiums) received prior to a premium being written.

10. Total Premium Receivable (as per balance sheet)

Equal to line 8 plus line 9. This amount is to agree to Premiums Receivable (Gross) (line 2) in the Balance Sheet.

11. Unallocated Cash and Underwriting Credits

Sub Heading

12. Unallocated Cash greater than 1 month.

Cash received that has been placed to a 'suspense' account because it is not known which policy/employer it belongs to and has not been refunded, is considered to be unallocated. Receipts where the policy/employer can be identified but there are no premium debts currently due are **NOT** to be regarded as unallocated.

Unallocated cash is to be aged from date processed into the Scheme Agents computer system. The following guidelines to ageing apply:

- a) Cash unallocated at month end during which the cash payment has been received (date processed into Scheme Agents system) is to be treated as **current**
- b) Should the cash payment still be unallocated at the next and subsequent month ends, then the total amount is to be shown in line 12 until the cash amount has been allocated or refunded to the employer or other party.

All cash should be allocated and/or refunded as soon as possible, but no later than one calendar month after the close of the month during which the cash was received by the Scheme Agent

Deposit premiums (initial Instalments) for an identified policy holder are not considered to be unallocated cash.

13. Unallocated Underwriting Credits - (being those credits which are created by an underwriting transaction)

Ageing of these entries is to be from date processed into the Scheme Agents computer system with the amount being aged current at the end of the month in which the transaction was processed. Only unallocated underwriting credits greater than 1 month are required to be reported in this statement.

Underwriting credits should be refunded to the employer within one month of the end of the month in which the credit appears. This in principle is good commercial business practice as there is no provision whatsoever for the Nominal Insurer to pay employers interest on these monies.

Underwriting credits that are not allocated to an existing related debt or refunded are **unallocated underwriting credits**. If only part of an underwriting credit is allocated to an existing debt or refunded, then that part which is not allocated is considered to be unallocated.

An underwriting credit includes return premiums that are owing to the employer (for example due to lower actual wages declared). Consequently, until such time as the underwriting credit either becomes 'allocated' to another existing debt or refunded, it will form part of 'unallocated' underwriting credits.

14. Total Unallocated Cash and Underwriting Credits

Equal to the sum of lines 12 and 13.

15. 15 Bad Debts and Late Payment fees Written Off

Heading.

Bad debts written off includes debts arising from premiums, recoveries and Late Payment Fees.

Bad debts recovered are not to be offset against bad debts written off

16. Aged under 6 months

The total of premiums, recoveries and Late Payment Fees written off to bad debts expense as uncollectible aged less than 6 months.

17. Aged over 6 months

The total of premiums, recoveries and Late Payment Fees written off to bad debts expense as uncollectible aged over 6 months.

18. Total (as per expenses return)

The sum of Lines 16 and 17. This amount is to agree to the sum of “Bad debts written off – premiums” (line 18), “Bad debts written off – recoveries” (line 19) and Late Payment fees written off (line 22) in the Scheme Agent Expense Return.

19. Recoveries Receivable

Sub Heading

All forms of recoveries including claims excess and contribution by other parties to the cost of claims (S.151Z) are included.

20. Overdue less than 3 months

The amount of Recoveries Receivable aged less than 3 months.

21. Overdue between 3 to 6 months

The amount of Recoveries Receivable aged greater than 3 months but less than 6 months.

22. Overdue greater than 6 months

The amount of Recoveries Receivable aged greater than 6 months.

23. Total Recoveries Overdue

The sum of lines 20, 21 and 22.

24. Recoveries Not Yet Due

Recoveries due at the end of the reporting period are not yet due for payment as for example there is an amount recognised as recoverable in accordance with the recoveries recognition criteria outlined in Appendix Four but an invoice or letter of demand is yet to be sent to the other party.

25. Total Recoveries (as per balance sheet)

Equal to line 23 plus line 24. This amount is to agree to Recoveries Receivable (Gross) (line 6) in the Balance Sheet.

26. Provision for Doubtful Debts

The Provision for Doubtful Debts covers all amounts owing including premiums, recoveries and other debtors.

An individual provision for doubtful debts is to be created based on actual debts due. A general provision is not to be created. (Refer Appendix one).

27. Less than 3 Months

The amount included in the provision for doubtful debts relating to debts less than three months overdue

28. Between 3 to 6 Months

The amount included in the provision for doubtful debts relating to debts aged between three and six months overdue.

29. Greater than 6 months

The amount included in the provision for doubtful debts relating to debts aged six months or more overdue.

30. Total Provision for Doubtful Debts (as per Balance Sheet)

The sum of lines 27 to 29. This amount is to agree to the total of "Less: Provision for doubtful premium debts" (line 3) and "Less: Provision for doubtful recoveries" (line 7) in the Balance Sheet.

T. BAD DEBTS WRITTEN OFF

This return details bad debts written off by Scheme Agents in the **current month**. Bad debts include premium debts, recoveries, late payment fees and other debtors. Scheme Agents are required to hold supporting documentary evidence to support every debt write-off.

Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.

For debts less than \$5,000 only the total amount written off in the current month is required to be provided.

For each debt written off in the current month greater than \$5,000 the following information is to be provided:

1. Debts over \$5,000 written off

Heading

2 to 17 Details of debts greater than \$5,000 written off

Details of each debt written off over \$5,000 as per column headings:

- Date Debt written off
- Policy Number
- Employer name
- Amount of debt written off – rounded to \$'000
- Age of debt
 - From - Earliest date of invoice written off
 - To - Latest date of invoice written off
- Debt collection costs - rounded to \$'000
- W/off Code – Classification of reason for the write off:
 - L – Advice received from liquidator that no further distributions to unsecured creditors will be made.
 - B – Trustee in bankruptcy has advised that that no further distributions to unsecured creditors will be made.
 - O – Other, for example advice received from debt collection agency that debts are unrecoverable or company has been deregistered. (Please provide further details in additional information section)
- If the debt write off has been approved by Workcover (Yes or No). Applies to each individual debt greater than \$5,000
- Additional Information supporting why the decision was made to write the debt off

If more debts are written off then the bad debt continuation sheet is to be used.

18. Balance per last continuation page no XX

Total of Bad Debts greater than \$5,000 per last bad debt written off continuation page

Number of last bad debt continuation page is to be inserted by Scheme Agent.

19. Total

Total of bad debts greater than \$5,000 written off.

Equals the sum in the amount column of line items 2 to 18.

20. Blank Line

21. Total Amount of Debts UNDER \$5,000 written off

The total amount of debts under \$5,000 written off in the **current month**

22. Blank Line

23. Total Amount written off

The sum of lines 19 and 21.

24. Blank Line

25. Total per Expenditure Statement

The sum of Bad debts written off per the expenditure statement in the **current month** for:

- Bad Debts written off – Premiums (line 18 in Expenditure Statement)
- Bad Debts written off – Recoveries (line 19 in Expenditure Statement)
- Late Payment fees written off (line 22 in Expenditure Statement)

Note: Lines 23 and 25 must agree

U. BAD DEBTS WRITTEN OFF – CONTINUATION PAGE

This page is to be used where there are more bad debts greater than \$5,000 written off than can be fitted on the main page.

The details required on this form are as per the main Bad Debt return apart from:

1. Balance B/F

The amount of bad debts written of from the previous continuation sheet. Manual entry required.

2. to 29 Details of debts greater than \$5,000 written off

Debts continue to be listed till line 29. If more debts are written off then additional bad debt continuation sheets are to be used.

30. Balance C/F

Sum of lines 1 to 29.

The amount of Bad debts written off greater than \$5,000 carried forward to either the next continuation page or to line 18 of the main Bad Debts written off sheet.

The sequential number of the continuation page and the total number of the continuation pages submitted are to be inserted as indicated in the column titled additional information.

V. LARGE DEBTORS OUTSTANDING

This return details overdue large premium debts owed to Scheme Agents. This information is used to assist with the monitoring of premium cash collections.

If a policy holder is paying the premium in accordance with the normal instalment methods (monthly/quarterly) and is up to date with those instalments they are not to be shown on the form.

However where a large debtor has been placed on an extended payment plan (debt repayment agreements) to reduce overdue debt they are regarded as overdue and are to be included in this form.

Note: Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.

1. Debtors Outstanding OVER \$50,000

Heading

2 to 20 Details of debtors owing more than greater than \$50,000

Details of each debtor with an outstanding balance of greater than \$50,000 as per column headings:

- Employer name
- Policy Number
- Amount of debt outstanding - \$'000
- Due Date of the earliest part of the debt
- Collection Status. The following codes are to be used
 - Paid - the outstanding amount has subsequently been paid in full. The date paid is to be included in additional information field
 - WCA – appeal lodged with WorkCover for a review of the amount payable. Details of the issue raised to be included in additional information field
 - Liq – in liquidation, under administration or bankrupt
 - Leg – legal action to collect the debt has commenced.
 - Col Ag – with external debt collection agency
 - Int – with internal debt collection team
 - Prem – with premium team for collection

Where a debt could be included in multiple categories include in the collection status column the category that appears first in the above list and include in the additional information field the other categories.

- Additional Information. In this field include any additional information to show the issue with collection of these amounts

21. Balance per Continuation Page

Total of debts greater than \$50,000 per continuation page. The number of the last continuation page is to be shown.

22. Total

Total of Debts greater than \$50,000.

Equals the sum in the amount column of line items 2 to 21.

W. LARGE DEBTORS OUTSTANDING CONTINUATION PAGE

This page is to be used where there are more debtors greater than \$50,000 outstanding than can be fitted on the main page.

The details required on this form are as per the main Large Debtors return apart from:

1. Balance B/F

The amount of large debtors outstanding of from the previous continuation sheet.
Manual entry required.

2 to 27 Details of debtors greater than \$50,000

Debts as per initial Large Debtors Outstanding page. If more debtors are greater than \$50,000 then additional large debtors sheets are to be used.

28. Balance C/F

Sum of lines 1 to 27.

The amount of Large Debtors greater than \$50,000 carried forward to either the next continuation page or to line 21 of the main Large Debtors sheet.

The sequential number of the continuation page and the total number of the continuation pages submitted are to be inserted as indicated in the column titled additional information.

X NON WESTPAC WCIF BANK ACCOUNT RETURN (BA)

This return is ONLY TO BE PROVIDED by those Scheme Agents who at any time during 2008-09 had Non-Westpac WCIF bank accounts.

Each agent that uses the Westpac PPS system has separate Westpac owned bank account for each PPS arrangement that is used to record the presentation of bank cheques drawn via the PPS system. The Nominal Insurer does not own these accounts; rather they are owned by Westpac and are not to be included on this return.

Agent financial reports detail financial information for the agents operations irrespective of the bank account used, while the Scheme Agent Cash Flow Returns are designed to reconcile with cash receipts deposited to Westpac WCIF Revenue Accounts and the cash paid from Westpac WCIF Payments Account. Where other active bank accounts are used this reconciliation will not be possible and the Scheme Agent WCIF Bank Account Return will be required to be completed to ensure corporate governance requirements are met.

***Note:** Items with the word “total” in their name are automatically generated by the spreadsheets. Unless indicated to the contrary all items are to be entered as a positive.*

1. Opening Balance of non Westpac WCIF accounts

Heading.

2. (Bank and Account Name)

Insert name of Bank and account name. Current month figure is to equal closing balance at end of previous month. Year to Date number is to agree to closing balance at end of previous financial year.

Note - If the account is overdrawn show as a negative

3. (Bank and Account Name)

As above for second non Westpac WCIF bank account

4. (Bank and Account Name)

As above for third non Westpac WCIF bank account

5. (Bank and Account Name)

As above for fourth non Westpac WCIF bank account

6. (Bank and Account Name)

As above for fifth non Westpac WCIF bank account

7. Total Per Balance sheet

The sum of lines 2 to 6. This amount should also agree to the Line 11 in the Balance Sheet.

8. Blank line

9. Plus: Receipts

Heading

The following lines detail receipts to the non Westpac WCIF bank accounts according to Scheme Agent ledgers

10. Interest

Interest earned on the non Westpac WCIF bank accounts.

11. Premiums Deposited

Premiums deposited to the non Westpac WCIF bank accounts.

12. Proceeds of cancelled bank cheques, Electronic Funds Transfers, etc

Funds deposited to the non Westpac WCIF Bank account when bank cheques are stopped, EFTs are reversed etc.

13. Transfers from WCIF Payments Accounts

Funds transferred by the Scheme Agent from the Westpac WCIF Payments Accounts to the Non Westpac WCIF bank account to for example provide funds to meet payments made from these accounts by the Scheme Agent.

14. Blank line

15. Blank Line

16. Blank Line

17. Other

Payments made from the non Westpac WCIF bank accounts that do not fall within the categories listed in lines 10 to 13.

An attachment to the form is to be provided listing these items.

18. Total

Sum of lines 10 to 17.

19. Less: Payments

Heading

The following lines detail payments from the non Westpac WCIF bank accounts according to Scheme Agent ledgers

20. 20. Bank Charges

Bank fees on non Westpac WCIF accounts

21. Claim Payments

Claim payments made from non Westpac WCIF accounts

22. Premium Refunds

Premium refunds made from non Westpac WCIF accounts

23. Transfers to WCIF Receipts Account

Heading.

No amounts are not to be shown against this item. Instead all such transfers are to be shown against line items 24 to 26 as appropriate.

24. Receipts Transferred to Westpac Account in Same Period as Received

Premiums, recoveries, etc deposited by employers and others into the non Westpac WCIF accounts but transferred to the Westpac WCIF receipts account in the same period (month/year) as they were received. These receipts will not form a reconciling item on the Cash Receipts Return.

25. Receipts deposited in Prior Periods but Transferred this Period

Premiums, recoveries, etc deposited by employers and others into the non Westpac WCIF accounts in prior periods (month/year) but transferred to the Westpac WCIF receipts account in the current period (month/year). These receipts will form a reconciling item on the Cash Receipts Return.

26. Other

Transfers of amounts from the non Westpac WCIF bank accounts to the Westpac WCIF receipts account that do not represent receipts. These amounts may include amounts remaining in the non Westpac WCIF bank accounts when these accounts are closed or surplus funds arising from stopped cheques.

27. Blank Line

28. Other

Payments made from the non Westpac WCIF bank accounts that do not fall within the categories listed in lines 20 to 27.

An attachment to the form is to be provided listing these items.

29. Total

Sum of lines 20 to 28.

30. Closing Balance of Non Westpac WCIF Accounts

The amount of funds in the bank account above at the end of the period per the Scheme Agents records. The balance per the bank statement is not to be used.

Data is not to be entered against this item. Instead use lines 31 to 35 as appropriate.

31. (Bank and Account Name)

Insert name of Bank and account name. Amount is to be as per Scheme Agent ledgers, not bank statement.

Note - If the account is overdrawn show as a negative

32. (Bank and Account Name)

As above for second non Westpac WCIF bank account

33. (Bank and Account Name)

As above for third non Westpac WCIF bank account

34. (Bank and Account Name)

As above for fourth non Westpac WCIF bank account

35. (Bank and Account Name)

As above for fifth non Westpac WCIF bank account

36. Total

Sum of lines 31 to 35. (Current month and year to date should be the same number.)

37. Blank Line

38. Derived Total Closing Balance

Equals Line 7, plus line 18 less line 29. (Current month and year to date should be the same number.)

39. Blank Line

40. Cash at Bank – Other per Balance Sheet

Equals Line 11 in the Balance Sheet for the current period. (Current month and year to date will be the same number.)

***Note** Lines 36,38 and 40 should all agree, except where to timing differences funds remain in the non Westpac WCIF bank accounts. If there numbers do not agree a reconciliation is to be provided.*

Statements on Return

Do Lines 36,38 and 40 all agree– YES/NO

Scheme Agents are to answer "Yes" or "No" to this question. If all these numbers do not agree then detailed explanations of the differences are to be included as an attachment to the financial return

APPENDIX ONE – TREATMENT OF BAD AND DOUBTFUL DEBTS

1. General Policy

Bad debts are to be written off directly to Bad Debts Expense. Writing off a debt through the provision for doubtful debts is not to occur.

The Provision for Doubtful Debts is to be reviewed monthly so that it reflects the anticipated collectability of debts at the end of the period.

In accordance with accounting standards only an individual provision for Doubtful Debts is to be created. A general provision is not to be made.

The accounting entry to write off a bad debt should be raised against the original receivable category. For example if the original entry raised a premium receivable or late payment fee, the write-off should be raised against premium receivable where as if the write off relates to recoveries it is to be written off against recoveries receivable.

GST on bad debts written off should be included in the Scheme Agents BAS return in the same month that any part of the debt is written off. The amount of GST written off (and reclaimed from the ATO) is to be determined on a pro rata basis relative to the components of the debt outstanding.

For example if the debt outstanding is \$1,000 with \$770 being premium and the remaining \$230 late payment fees (that are not subject to GST) then the amount of GST able to be reclaimed from the ATO in the BAS return if the full debt is written off is \$70 (770/11). If 75% of the debt is being written off as the liquidator advises that a return of 25 cents in the dollar is likely then the amount of GST that can be recovered from the ATO is 75% of \$70 or \$52.50.

2. Recovery of Bad Debts

Bad Debt Recovered can relate to a former Premium debt or other amounts formerly receivable, for example Claims Excess or late payment fees.

Where a bad debt is recovered any GST relating to that former debt is to be determined on a prorate basis and be included in the BAS return in the month in which the cash was received

When a debt previously written off as bad is recovered a full assessment should be undertaken of the ability of other amounts formerly owing by that employer to be repaid. Amounts viewed as recoverable should be raised as a debtor with the related revenue recognised as income. The GST impacts of re-establishing the debt including forwarding GST to the ATO also need to be considered.

APPENDIX TWO – AGEING PREMIUM DEBTS

Example

- Employer entitled to pay by instalments.
- Employer selects 4 instalment payment option.

Policy Details

- | | |
|--|---------------------------------------|
| • Policy period | 30/6/08 - 30/6/09 |
| • Date Premium Written | 15/8/08 |
| • Previous year premium | \$9,000 |
| • Deposit premium (1 st instalment) | \$2,250* paid 28/7/08 |
| • Written Premium | \$12,000 |
| • 2nd instalment | \$3,750** payment due date 31/10/2008 |
| • 3rd instalment | \$3,000*** payment due date 31/1/09 |
| • 4th instalment | \$3,000*** payment due date 30/4/09 |

* One quarter of last years premium

** Two quarters of Written Premium less deposit premium

*** One quarter of Written Premium

As at 31 August

- As the premium deposit was paid on time (within one month after commencement of policy period) the employer is able to continue to pay by instalments. No debts are currently due. The 2nd 3rd and 4th statutory instalment totalling \$9,750 would be classified "Future Premium Instalments Not Yet Due".

As at 31 October

- If the second instalment had been paid on time, the third and fourth statutory instalments would be classified as not yet due.
- If instead the second instalment of \$3,750 had NOT been paid it would still be classified as "Future Premium Instalments Not Yet Due" as the 7 day grace period had not expired. Similarly the third and fourth statutory instalments of \$6,000 in total would also be classified "Future Premium Instalments Not Yet Due".

As at 30 November

- If the second instalment was paid within the 7 day grace period then the third and fourth instalments would be classified as premium instalments not yet due.
- If the second instalment was still not paid the employer has lost the right to instalments by not paying the second instalment on time (after allowing for the 7 day grace period). The difference between the written premium and the deposit premium (which was paid on time) would now be classified as "Overdue less than 31 Days".

As at 31 December

- If the employer had paid \$5,000 as part payment during December then \$4,750 (Written Premium less deposit instalment paid less the part payment) plus late payment fees would be shown as Overdue 31 to 60 days.

APPENDIX THREE – DIRECTOR’S DECLARATION, ENGAGEMENT OF AUDITORS, AUDITOR’S REPORT, ADDITIONAL YEAR END REPORTING REQUIREMENTS AND AUDIT MANAGEMENT LETTER

The following information is correct at the time of printing this manual but is subject to change. Prior to completing these declarations/report or engaging auditors please liaise direct with the Fund Financial Controller.

The due dates for submission of these documents are provided in Section C of this manual.

1. DIRECTORS DECLARATION

In accordance with the Deed between the Nominal Insurer and the Scheme Agent, the directors of (insert name of Scheme Agent and it’s A.C.N.) declare that:

- 1 all financial information has been provided in accordance with the Deed and applicable Laws;
- 2 the accounting records of the Scheme Agent relating to the activities of Claims and Policies managed on behalf of the Nominal Insurer have been properly kept, record and explain correctly the financial position as at (31 December 2008 or 30 June 2009 as applicable) and the transactions for the financial period ended on that date;
- 3 the financial returns reporting on the transactions and balances of the Nominal Insurer managed by the Scheme Agent agree with the accounting records and have been prepared in accordance with the Financial Reporting Manual 2008/09 and the measurement requirements of Australian Accounting Standards, as they are applicable to the Scheme Agents balances where they are not in conflict with the Financial Reporting Manual 2008/09 and presents fairly the assets and liabilities of the Nominal Insurer managed by the Scheme Agent as at (31 December 2008 or 30 June 2009 as applicable) and transactions of the Nominal Insurer undertaken by the Scheme Agent on behalf of the Nominal Insurer for the financial period ended on that date;
- 4 the directors have taken reasonable steps to implement adequate systems and procedures to ensure an effective system of internal control operated over Nominal Insurer's transactions during the period to ensure that the Scheme Agent has complied with the requirements of section 3.4 of Schedule 2 to the Deed. These controls also include the Scheme Agent's role as a GST/PAYG branch of the Nominal Insurer complying with the requirements of all applicable legislation;
- 5 the Scheme Agent has complied with the approved uses of the Workers Compensation Insurance Fund in accordance with the legislative and contractual requirements and has ensured that all monies that belong to the Workers Compensation Insurance Fund have been properly accounted for in accordance with the provisions of Item 3.4 of Schedule 2 to the Deed and Operational Document Set 3.7 “Payments authorised by the Nominal Insurer”;

- 6 amounts contained in the policy and claims reporting submission, to WorkCover's Corporate Data Repository agrees and/or reconciles to premiums written and cost of claims in the financial returns;

Signed in accordance with a resolution of the directors.

Signature:
Name:
Director
Date

Signature:
Name:
Director
Date.....

2. ENGAGEMENT OF AUDITORS

Under the Deed the Scheme Agent shall be responsible for the appointment of an independent qualified auditor approved by the Nominal Insurer.

The Nominal Insurer's approval for the engagement letter between the Scheme Agent and the approved auditor is required prior to execution by the Scheme Agent. This includes the level of fees to be paid for the Audit. The engagement letter must include an acknowledgement by the Scheme Agent's independent auditor that the audit opinion given is used by and relied upon by the Nominal Insurer and the New South Wales Auditor General, and include the basis for the calculation of materiality for the Audit.

The fees for audit services for a registered company auditor engaged pursuant to clause 29.10 of the Deed shall be paid from the Scheme Agent's WCIF Payments Account.

3. AUDITORS REPORT

The following unqualified Audit report format has been agreed between the Nominal Insurer, Scheme Agent independent Audit firms and the Audit Office of New South Wales. (The Nominal Insurer's Auditor is the New South Wales Auditor General.)

Audit opinion

In our opinion:

- (a) The Financial Returns of (*Scheme Agent name*) for the year ended 30 June 2009 present fairly the results of operations for the year then ended and assets and liabilities as at 30 June 2009, in accordance with:
- i. the Financial Reporting Manual 2008/09;
 - ii. to the extent that they are not inconsistent with the Financial Reporting Manual 2008/09, Accounting Standards in Australia;

- (b) The accounting records of (*Scheme Agent name*) from which the Returns have been compiled, have been properly kept and explain the assets and liabilities of (*Scheme Agent name*) as at 30 June 2009, and transactions for the year ended on that date, in accordance with the Financial Reporting Manual 2008/09 and the provisions of Item 3.4 of Schedule 2 to the Scheme Agent Deed identified in Attachment A to this opinion;
- (c) We have obtained all information and explanations necessary for our audit;
- (d) (*Scheme Agent name*) has complied with approved uses of the WCIF in accordance with the provisions of Items 3.4 of Schedule 2 to the Scheme Agent Deed identified in Attachment A to this opinion and in accordance with Operational Instruction 3.7 "Payments Authorised by the Nominal Insurer"; and,
- (e) (*Scheme Agent name*) has prepared a reconciliation between premiums written and the cost of claims submissions to WorkCover's Corporate Data Repository with the premiums written and cost of claims in the financial returns and identified reconciling items.

(*Firm name*)
(*Partner name*)

Sydney
(XX) August 2009

The audit report should include sections on Auditor Independence and the conduct of the audit in accordance with Australian Auditing Standards.

Provisions of items 3.4 of Schedule 2 as referred to in the Audit Report

It has been agreed with the Auditors that the following provisions of Schedule 2 to the deed are subject to Audit. Comments have been added to indicate where the Audit requirements differ from those in the Deed

3.4.1 Banking arrangements

The Scheme Agent must use the bank and banking accounts established by the Nominal Insurer

3.4.2 Manage receipts

The Scheme Agent must, at a minimum:

- (a) (Timely deposits) Ensure that all funds received on behalf of the Nominal Insurer are directly deposited in the Revenue Account(s) **(1)** on a timely basis.

1) Deleted for audit purposes:
"advised by the Nominal Insurer on the same Business Day that the funds are received. If the monies are received after 3:00 pm or the day on which they are received is not a Business Day, the Scheme Agent must directly deposit the monies on the next Business Day in the Revenue Account"

- b) (Deposit facilities) Ensure that monies can be deposited direct to the Revenue Account advised by the Nominal Insurer through either BPAY, direct debit, or other facilities as determined by the Nominal Insurer's banking policy.
- (c) (Dishonoured deposits) Ensure that dishonoured cheques and other disputed deposits are managed effectively, in a timely manner, and the Scheme Agent's systems are amended to record that the funds have not been effectively received, and appropriate fees are charged to the Employer.
- (d) (Internal controls) Implement and regularly review (by internal and external audit) the effectiveness of agreed internal controls **(2)** to address the risk of fraud. This includes ensuring:
 - (i) funds received on behalf of the Nominal Insurer are completely and accurately recorded upon receipt in the Scheme Agent's financial system;
 - (ii) **(3)** segregations of duties are in place to ensure staff involved in processing funds received are not involved in managing receivables or debtors management); and
 - (iii) details from the bank of monies deposited to the Revenue Account(s) are reconciled to transactions in the Scheme Agent's financial system on at least a weekly basis and all reconciling items are identified and managed appropriately.

Audits are not designed to and will not necessarily disclose all irregularities, errors or fraud related to the Scheme Agent's compliance with WorkCover legislation, should any exist.

Deleted for audit purposes:

(2) *"to ensure that errors and potential Fraud are eliminated"*

(3) *"effective and appropriate"*

3.4.3 Manage payments

The Scheme Agent must, at a minimum:

- (a) (Payment Account) Ensure that all payments on behalf of the Nominal Insurer are made from a Payment Account(s) advised by the Nominal Insurer.
- (b) (Authorised payments) Ensure payments can be made only **(4)** for the following purposes:
 - (i) Benefits to Workers;
 - (ii) Third Party Service Provider fees;
 - (iii) the Dust Diseases Board for the Levy collected on Premiums;
 - (iv) refund of Premiums;
 - (v) Approved bank fees or charges on the accounts operated by the Scheme Agent on behalf of the Nominal Insurer; and
 - (vi) any other purpose authorised in writing by the Nominal Insurer.

Deleted for audit purposes:

(4) *"in accordance with the Law and"*

- c) (Internal controls) Implement and regularly review the effectiveness of the internal controls **(5)** to address the risk of error and fraud. This includes ensuring:
 - (i) approval of payments is made by an appropriate staff member of the Scheme Agent after reviewing relevant Documentation and taking into account the size of the payment and its rationale;

- (ii) effective and appropriate segregations of duties are in place e.g. Electronic payments are made by an appropriate member (not involved in processing payments) who approves all changes to Worker, Employer, Third Party Service Providers or payees bank account details;
- (iii) bank reconciliations are performed on at least a weekly basis and all reconciling items are identified and managed appropriately and;

- (iv) there is an individual review of each payment to a Worker, Employer or Third Party Service Provider that exceeds \$10,000 to verify that the payment is correctly calculated and is payable in accordance with the requirements of this Deed.

Audits are not designed to and will not necessarily disclose all irregularities, errors or fraud related to the Scheme Agent's compliance with WorkCover legislation, should any exist.

Deleted for audit purposes:

(5) "ensure that errors and the potential for Fraud are eliminated"

3.4.4 Administer Banking Arrangements

The Scheme Agent must, at a minimum:

- (a) (System interaction) Ensure that systems are able to electronically interact with the Nominal Insurer's banker, in respect of the Revenue and Payments Accounts advised by the Nominal Insurer, to:
 - (i) make electronic funds transfers and draw bank cheques, including details for remittance advices accompanying these payments;
 - (ii) upload details of monies received direct to the bank account in respect of or Claims or Policies managed by the Scheme Agent; and
 - (iii) upload bank statement details to enable a reconciliation of the accounts to be undertaken by the Scheme Agent.
- (b) (Reconcile accounts and Reports) Ensure that the amount of receipts and payments in the Revenue and Payment Accounts by type agree with the amounts included on the regular financial reports required to be supplied to the Nominal Insurer as described in Schedule 4, Attachment C (Reports).

3.4.5 Manage cash forecasting

The Scheme Agent must, at a minimum:

- (a) (Payment forecasting) By 3:00 pm on the last Business Day of every week, provide to the Nominal Insurer in the required format:
 - (i) projections of total payments each week for the following 13 weeks; and
 - (ii) the rationale for any variation (above or below) \$1,000,000 from the previous projection.

(6) Delete for audit purposes:

(b) (Timely amendments) In respect of the current week and the following week, as soon as the Scheme Agent becomes aware that the level of total cash payments will exceed by more than \$1,000,000 the last forecast provided to the Nominal Insurer, immediately advise the Nominal Insurer of the new total payment amount in the required format.

(c) (Variations to reporting limits) Acknowledge and agree that the Nominal Insurer reserves the right to vary any of the above reporting limits at no cost by giving the Scheme Agent twenty Business Days notice.

(d) (Assist the Nominal Insurer) Assist, as required, the Nominal Insurer in determining the cash inflows for the Scheme.

3.4.6 Undertake financial management and reporting

The Scheme Agent must, at a minimum ensure that:

- (a) (Financial management system) A financial management system is used that completely, accurately and in a timely manner records transactions, assets and liabilities managed on behalf of the Nominal Insurer, and where required agrees with the Scheme Agent's Claims and Policy system.
- (b) (Details of funds) Appropriate details of funds received including date received, receipt type, Policyholder, amount and date deposited are completely, accurately and in a timely manner recorded in the Scheme Agent's financial system.
- (c) (Details of payments) Appropriate details of each payment including its date, type and payment reference number (e.g. cheque number) are completely, accurately and in a timely manner recorded in the Scheme Agent's financial system.
- (d) (Reports) Financial management reports as specified in Schedule 4, Attachment C (Reports) are able to be provided from the financial management system in a consistent, accurate and timely manner.

3.4.7 Manage taxation requirements

The Scheme Agent must, at a minimum:

- (a) (Taxation requirements) Ensure that, in respect of the activities it undertakes for the Nominal Insurer, it performs those functions normally required of an entity registered under the Australian taxation Laws (apart from activities related to income taxation of the Nominal Insurer or WCIF). This includes:
 - (i) managing GST obligations and requirements of an entity registered under the GST Act, including issuing of complying tax invoices, claiming of Input Tax Credits and timely completion of business activity statements, and timely payment of GST obligations arising there from;
 - (ii) meeting the needs of an entity registered as a withholder under Taxation Administration Act 1953 Cth, such as deducting PAYG from direct payments to Workers, providing payment summaries to such Workers, and notifying the Australian Commissioner of Taxation of amounts and paying such amounts in a timely manner.

(7) Deleted for audit purposes:

(iii) meeting the requirements of the Law that may apply to other entities that make payments of Wages such as deducting required child support and garnishes and forwarding these sums to the relevant Agency.

4. YEAR END REPORTING

Scheme Agents are required to implement the following for June financial returns.

Requirements of the Audit Office of NSW:

The audited end of year financial returns lodged by Scheme Agents are used to prepare the accounts of the NSW Workcover Scheme. The Audit Office of NSW audits the NSW Workcover Scheme financial statements with an audit opinion given by the Auditor General. In auditing the Workcover Scheme financial statements, reliance is placed by the Audit Office on the audit procedures and audit report of Scheme Agents' auditors.

Therefore, Scheme Agents are requested to advise their respective auditors that a separate auditor's report, directors declaration, set of audited end of year financial returns and Audit Management Letter are to be sent directly to the Audit Office by the dates outlined in Section C of this Manual

Returns should be sent to:

Mr Chris Giumelli
Director, Financial Audit Services
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

5. ADDITIONAL DATA TO BE REPORTED WITH THE 30 JUNE RETURN

The following additional information is required to be provided by all Scheme Agents:

- Break-up of all "other" items in return, including:
 - Other Recoveries
 - Other Income
 - Other Claim related expenses
 - Other Expenses
 - Other Assets
 - Other Liabilities
 - Break-up of all amounts paid to Auditors as follows:
 - Audit of financial accounts
 - Taxation services
 - Other non-audit services
- § For any non Westpac WCIF bank accounts that were open at any time during the financial year if the account is overdrawn the effective interest rate payable on the balance or if there is any cash at bank, the interest rate receivable on these funds

6. AUDIT MANAGEMENT LETTER

At the conclusion of the audit Scheme Agents are to provide a copy of the Audit Management Letter to the Nominal Insurer marked to the attention of the Fund Financial Controller. It is expected that the management letter will:

- Identify significant or unresolved matters identified during the audit or previous audits.
- Include appropriate responses from the Scheme Agent on such matters including on how the identified issues will be addressed and by when.

APPENDIX FOUR – RECOVERIES

1. Recognition of recoveries

Recoveries are to be recognised in accordance with accounting standards on an accrual basis when the right to recover funds arises as opposed to a cash basis when the funds are received.

When determining if a right to recover exists reference should be made to the WorkCover NSW Claims Estimation Manual Chapter D that requires a recovery to be recognised when a staff member of the Scheme Agent with the appropriate expertise and experience in relation to recoveries considers that the right to recover is:

- Clearly apparent
- Sustainable at Law
- Soundly anticipated.

For a recovery to be recognised in the financial statements it is not necessary for the party who the funds are to be recovered from to admit liability.

2. Estimation of recoveries

The amount that is to be estimated as recoverable is a matter of judgement for the Scheme Agent based on the facts of each individual matter.

For recoveries relating to contribution by other parties to the cost of claims under Section 151Z of the 1987 Act, recovery estimates in most circumstances are expected to be based on –

- The amount of recoverable payments made and/or the “notional value” of the recovery as per S151Z of the 1987 Act
- The percentage expected to be recovered based on issues such as liability, causation etc.

Scheme agents are required to review recovery estimates on a regular basis and adjust their estimate of the amount recoverable where appropriate. Movements in the estimate are to be made against the applicable recoveries income item.

3. Provision for Doubtful Debts

A provision for doubtful debts is to be established on a recovery-by-recovery basis as opposed to a general provision.

A specific recovery can only be considered doubtful when the entity that owes the monies to the Scheme Agent is unable to pay the recovery debt. This will generally only be a consideration when recovering from parties that are not insurance companies.

Disputes between the Scheme Agent and the target entity for the recovery as to liability or quantum of the recovery are not to be included in determining the level of the provision for doubtful debts, rather they are to be taken into account in adjusting the estimated amount of the recovery to a level that is regarded as collectable.

4. Ageing of recovery debts

Recovery debts are only to be aged once a letter of demand or invoice has been issued to the responsible party. Prior to this they are to be shown as amounts not yet due on the debtors statement.

5. Bad Debts

A Bad Debt can only arise where the entity that the funds are to be recovered from is unable to pay its debts.

For recoveries under Section 151Z this is not expected to be a significant issue as most target entities are other insurance companies.

6. GST on Recoveries

WorkCover in conjunction with its advisors is assessing what GST applies to recoveries including the increasing adjustment that may arise to the Scheme Agent. Further advice will be provided on this matter.