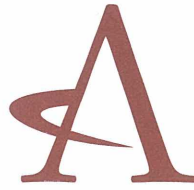


**INQUIRY INTO FOLLOW UP OF AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS OCTOBER 2009 TO
SEPTEMBER 2010**

Organisation: NSW Audit Office
Name: Mr Peter Achterstraat
Position: Auditor-General
Telephone: 9275 7100
Date Received: 23/09/2011

Theme:

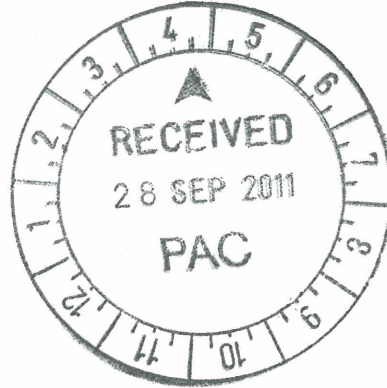
Summary



THE AUDIT OFFICE
OF NEW SOUTH WALES

CONTACT NAME
TELEPHONE
OUR REFERENCE
YOUR REFERENCE

Mr Jonathan O'Dea MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000



23 September 2011

Dear Mr O'Dea

**Examination of Auditor-General's Performance Audit Report
*Injury Management in the NSW Public Sector***

We have reviewed the submissions provided by WorkCover NSW and the Department of Premier and Cabinet concerning the recommendations in the above performance audit report.

The submissions indicate that WorkCover NSW, the Department of Premier and Cabinet, and NSW Treasury are making progress in implementing the recommendations.

Please find attached our comments on the progress reported in relation to each recommendation in our original report. We have not substantiated the submissions.

In regards to the Department of Premier and Cabinet and NSW Treasury, more information would be helpful to better understand what has been done to address our recommendations.

I am happy to provide any further assistance the Committee may need in completing its examination.

Yours sincerely

Peter Achterstraat
Auditor-General

Attachments

Performance Audit - Injury Management in the NSW Public Sector – WorkCover NSW

	Recommendation	Accepted/ Rejected	Reported actions to be taken	Due date	Reported status	Our comments
1	The Department of Premier and Cabinet, NSW Treasury and WorkCover NSW release the proposed new Working Together Strategy 2009-2012 by April 2010	Accepted	Working Together 2010-2012 was released on 30 March 2010.	April 2010	Completed	Completed
2	<p>Individual agencies set specific targets to reduce the:</p> <ul style="list-style-type: none"> • average cost of claims and incidence rate of claims in line with relevant industry benchmarks • number of psychological injuries where appropriate • cost of premiums. 	Accepted	<p>Working Together 2010-2012 sets targets around the incidence (target 2) and average cost of claims (target 4). Reports show agency results as well as industry performance. Target 8 of the Working Together 2010 -2012 strategy tasks agencies to pick at least two priority issues in consultation with employees and unions. This may be psychological injury if their risk management processes show this. Feedback during the development process for the strategy indicated that while psychological injury was an issue sector wide, it was not always a priority issue within the smaller agencies. This target encourages agencies to adopt a consultative risk management approach in order to examine and focus on their greatest risks. The Working Together 2010 -2012 strategy does not specifically require a target related to premiums as not all of the public sector pays premiums, some agencies are self insured. In addition, the premium process itself is incentive based with built in 'targets'. Finally, the main factors affecting premium cost are incidence, costs and duration of claims and these are the subject of three current targets under the strategy (targets 2, 4 and 5). However, under target 8, agencies may choose to set a target relating to the cost of premiums if analysis reveals this to be one of their priority issues.</p>		On track	Progress is satisfactory
3	The Department of Premier and Cabinet require <i>Working Together</i> targets be included in chief executive performance agreements.	Accepted	Under <i>Working Together</i> action 1.3, agencies are tasked to ensure workplace health and safety and injury management responsibilities and performance measures are included in all senior executive service performance contracts, not just that of the chief executive.		On track	Response is satisfactory
4	<p>Commencing in 2009-10, NSW Treasury require public sector agencies to:</p> <ul style="list-style-type: none"> • refer all alleged frauds to WorkCover NSW • report performance against the Working Together targets in their Annual Reports . 	Accepted	WorkCover is continuing to accept and address referrals of alleged fraud in the NSW workers compensation system.		Underway	No comment.

Performance Audit – Injury Management in the NSW Public Sector – Department of Premier and Cabinet

	Recommendation	Accepted or rejected	Reported actions	Due date	Reported status and comment	Our comments
1.	The Department of Premier and Cabinet, NSW Treasury and WorkCover NSW release the proposed new <i>Working Together Strategy 2009-2012</i> by April 2010.	Accepted	Cabinet approval sought. Following Cabinet approval, <i>Working Together Strategy 2010-2012</i> to be issued.	April 2010	Completed <i>Working Together: Public Sector Workplace Health and Safety and Injury Management Strategy 2010-2012</i> was issued on 30 March 2010. Premiers' Memorandum 2010-07 <i>Working Together: Public Sector Workplace Health and Safety and Injury Management Strategy 2010-2012</i> was issued on 1 June 2010.	Completed
2.	Individual agencies set specific targets to reduce the: <ul style="list-style-type: none"> - Average cost of claims and incidence rate of claims in line with relevant industry benchmarks - Number of psychological injuries where appropriate - Cost of premiums. 	Accepted	As per recommendation and the continued active implementation of the <i>Working Together Strategy 2010-2012</i>		Completed <i>Working Together Strategy 2010-2012</i> sets targets around the incidence and average cost of claims. <i>Working Together Strategy 2010-2012</i> also requires agencies to adopt two priority issues.	Response is satisfactory
3.	The Department of Premier and Cabinet require <i>Working Together</i> targets be included in chief executive performance agreements	Accepted	As per recommendation and the continued active implementation of the <i>Working Together Strategy 2010-2012</i>		Completed	Response is satisfactory
4.	Commencing in 2009-10, NSW Treasury require public sector agencies to: <ul style="list-style-type: none"> - refer all alleged frauds to WorkCover NSW - report performance against the <i>Working Together</i> targets in their Annual Reports 	Accepted in principle Rejected		2009-10	Department of Premier and Cabinet has consulted with NSW Treasury	It would be helpful to understand whether the consultation has resulted in any action or progress on the recommendation in regard to alleged workers' compensation frauds being referred to WorkCover NSW for investigation. The recommendation was rejected by NSW Treasury although may be worthy of a follow-up.