



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL  
TERRITORY**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

(Reference: [Inquiry into Auditor-General Report: 6/2020 – Transfer of workers' compensation arrangements from Comcare](#))

**Members:**

**MRS E KIKKERT (Chair)  
MR M PETERSSON (Deputy Chair)  
MR A BRADDOCK**

**TRANSCRIPT OF EVIDENCE**

**CANBERRA**

**WEDNESDAY, 16 JUNE 2021**

**Secretary to the committee:  
Ms A Jongsma (Ph: 620 51253)**

**By authority of the Legislative Assembly for the Australian Capital Territory**

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

## **WITNESSES**

<b>GENTLEMAN, MR MICK</b> , Manager of Government Business, Minister for Corrections, Minister for Industrial Relations and Workplace Safety, Minister for Planning and Land Management and Minister for Police and Emergency Services .....	<b>13</b>
<b>HARRIS, MR MICHAEL</b> , ACT Auditor-General .....	<b>1</b>
<b>MINERS, MR STEPHEN</b> , Under Treasurer, Treasury, CMTEDD .....	<b>13</b>
<b>STANTON, MR BRETT</b> , Assistant Auditor-General, Performance Audit .....	<b>1</b>
<b>THOMAS, MS LAURA</b> , Senior Director, Performance Audit .....	<b>1</b>
<b>YOUNG, MR MICHAEL</b> , Executive Group Manager, Workplace Safety and Industrial Relations, Workplace Capability and Governance, CMTEDD .....	<b>13</b>

## **Privilege statement**

The Assembly has authorised the recording, broadcasting and re-broadcasting of these proceedings.

All witnesses making submissions or giving evidence to committees of the Legislative Assembly for the ACT are protected by parliamentary privilege.

“Parliamentary privilege” means the special rights and immunities which belong to the Assembly, its committees and its members. These rights and immunities enable committees to operate effectively, and enable those involved in committee processes to do so without obstruction, or fear of prosecution.

Witnesses must tell the truth: giving false or misleading evidence will be treated as a serious matter, and may be considered a contempt of the Assembly.

While the Committee prefers to hear all evidence in public, it may take evidence in-camera if requested. Confidential evidence will be recorded and kept securely. It is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly; but any decision to publish or present in-camera evidence will not be taken without consulting with the person who gave the evidence.

*Amended 20 May 2013*

**The committee met at 11.31 am.**

**HARRIS, MR MICHAEL**, ACT Auditor-General

**STANTON, MR BRETT**, Assistant Auditor-General, Performance Audit

**THOMAS, MS LAURA**, Senior Director, Performance Audit

**THE CHAIR:** Welcome to the public hearings of the Standing Committee on Public Accounts on its inquiry into Auditor-General report 6 of 2020, *Transfer of workers' compensation arrangements from Comcare*. Today we will hear evidence from the ACT Auditor-General and officials, and from the Minister for Industrial Relations and Workplace Safety and officials.

The proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and web streamed live. When taking a question on notice, it would be useful if witnesses used the words "I will take that as a question on notice". This will help the committee and witnesses to confirm questions taken on notice from the transcript.

We will first hear from the ACT Auditor-General and his officials. Could I confirm that you have read the privilege statement on the pink card in front of you and that you understand the privilege implications of the statement.

**Mr Harris:** I have read the privilege statement and I do understand it and the obligations.

**Mr Stanton:** I have read the statement and I understand the statement.

**Ms Thomas:** I have read the privilege statement and understand it.

**THE CHAIR:** Thank you. Do you have an opening statement for us?

**Mr Harris:** I might make a couple of comments in three broad areas. One is about the liabilities and the assets associated with workers compensation arrangements. The second is transfer arrangements between Comcare and the territory. The third is the governance and administrative arrangements.

I will start with the third of those, which is the good part. It is fair to say that in terms of the governance and administrative arrangements, the Chief Minister, Treasury and Economic Development Directorate have done a good job in the arrangements they have put in place for the management and oversight of the workers compensation fund and the territory's compliance with its obligations. Also, we believe they have done a reasonable job in relation to the government's arrangements for the contractor, Employers Mutual Limited, which they have brought on board to manage the scheme in the initial phases of its operation.

Where we have some criticisms—recommendations, I should say, in relation to deficiencies—they go to assets and liabilities and in particular to the fact that the assets associated with the workers compensation scheme are yet to be transferred to the territory from Comcare. This deficiency has now been there for something

approaching 18 months or two years since the transfer arrangements were agreed. The liability has transferred to the territory but the asset base that supports the liability has not; it is still a matter of negotiation between the territory and Comcare.

This presents two particular risks to the treasury. One is a financial risk in that the territory does not have access to the income-earning capacity of that asset base. As such, it is currently funding its workers compensation liability from a down payment that was made by Comcare and from annual premiums that agencies, directorates and authorities pay in relation to their workers compensation insurance liabilities.

To the extent that those two sources of funding do not meet the territory's annual obligations under its workers compensation insurance scheme, the territory will be required to fund any gap, either through appropriation or through some other means. That is an exposure that the territory finances should not have. Until the transfer of that asset base is complete, that exposure will continue to be in place.

The second risk is a regulatory risk associated with the territory's compliance requirements to continue to hold its licence as a self-insurer. It needs to keep a funding ratio within its compensation fund of somewhere between 95 and 110 per cent of assets compared to liabilities. Clearly, without that asset base being transferred across, the territory is in breach of that condition of its licence as a self-insurer.

The territory currently has an exemption from the Safety, Rehabilitation and Compensation Commission, which is the regulator. Interestingly, that exemption is provided on the basis of advice provided to the commission by Comcare, because Comcare is the organisation that advises the commission on exemptions and other matters to do with licence compliance. So, on the one hand, the territory is negotiating with Comcare for the transfer of the asset base and, on the other hand, Comcare is advising the regulator on the territory's compliance with its licence, and it is not compliant with its licence, because it has not negotiated with Comcare the transfer of the assets. It is the failure to transfer the assets which causes the breach of the licence, and the exemption against that breach is provided by the commission, on advice from Comcare. It is a complicated arrangement, and it is not a place the territory should be.

The third area that I would like to draw to the committee's attention is the transfer of claims data. This is a good story and an area where some improvement might occur next time. There was a transfer of file data in relation to all workers compensation files that Comcare had under its control when the territory took over. I am not sure how many records there were, but there were quite a number of them. The transfer of those files was done well. We know that all files were transferred. It was done in accordance with the territory's data security requirements, and all those aspects were well handled. Where it was not quite so well handled is that there is not any assurance that the data in each individual file that was transferred was transferred accurately. We know that each file was transferred, but we cannot be certain that the data in each file was transferred accurately.

**THE CHAIR:** What makes you think that the data may not have been transferred accurately?

**Mr Harris:** We do not necessarily think that it was not transferred accurately, but we

cannot provide an assurance that it was. And as far as we understand it, neither the territory nor Comcare can provide an assurance that the data in each file was accurately transferred. In other words, there may have been a corruption through that transfer process, or a deletion—something of that sort. The issue is that nobody can provide an assurance that the transfer was accurately done. We know that each file was transferred, but we cannot provide an assurance that the data within each file, when it was received, was exactly as it was when it left. We are not saying that it is not, but we cannot provide an assurance that it was.

**MR BRADDOCK:** Is the only copy of that data in the territory's possession or does Comcare retain a copy so we can compare pre and post transfer?

**Mr Harris:** I will ask Laura to answer that. I do not know.

**Ms Thomas:** I believe Comcare still has a copy, but I would need to confirm.

**MR PETTERSSON:** How would you assure that that data was transferred correctly? Would you do random samples to check?

**Mr Stanton:** Yes, that is right. That is what they intended to do. As said in culminating paragraph 3.63 in the report—and we talk about this in the preceding narrative sections—they intended to do a random sample quality assurance and other quality assurance processes and mechanisms. That was in their work plan as something they intended to do, but they did not follow through with that; there is no evidence of that being done. That was their intention, but it was not done.

**MR PETTERSSON:** When you say they did not follow through, “they” is who?

**Mr Stanton:** That was the territory—to satisfy itself that the data was transferred accurately.

**MR PETTERSSON:** The ACT government itself or the ACT government acting through EML?

**Mr Stanton:** That would have been CMTEDD, the division that was responsible.

**Mr Harris:** EML look after claims activity from the commencement of the scheme within the territory to the point in time that transfers and all those arrangements were under the control of CMTEDD, on behalf of the territory.

**Mr Stanton:** Paragraph 3.58 of the report talks about “a quality assurance of claim files to be completed, with a random sample Quality Assurance undertaken to provide assurance to the Steering Committee regarding data quality”. It says:

The Workplace Safety and Industrial Relations Division advised that ‘the Quality Assurance processes did occur across a period of four months ... However, there is no evidence—

to us—

of what these quality assurance processes were, how they were designed or

undertaken. There is no documentation associated with the quality assurance processes and procedures that were purported to be implemented.

**MR PETTERSSON:** Excuse my simple question, but how complex is the data we are transferring? Are we talking about the transferring of Word documents or are we transferring entire databases?

**Mr Harris:** Most of the files would be Word documents. They would be doctors' reports, medical reports, assessments and things of that sort. And depending on the length of the claim, the time period, there could be a lot of medical assessments, reports, documents, medical certificates and a whole range of those sorts of things, and toing and froing.

A new claim might only be a couple of documents. An old claim that goes back some time—workers compensation claims can have a long life cycle—could have quite an amount of data attached to it. In the scheme of things, it is not a major issue, but, as a matter of self-assurance, it should be done. I think there is a question for the officials to answer as to whether it has been done or not done. If it has not been done, it is reasonable to ask why not.

**THE CHAIR:** It could have an impact on the claimants themselves.

**Mr Harris:** That is right, absolutely.

**THE CHAIR:** If there is a missing document that is crucial in their case, it needs to be complete.

**Mr Harris:** That is right. The impact on the claimant could be minor, in terms of just a missing document; on the other hand, it could be major if it led to an inappropriate assessment of the claim. There are real implications in the data not being right. And waiting until you come to the claim and discovering that it is not right is not an acceptable answer.

**Mr Stanton:** I agree with everything the Auditor-General said and support that. I note that there is a mitigation factor in terms of an MOU that was struck between the territory and Comcare which allows the territory to have ongoing access to documents relating to ACT public servants' claims data in Comcare. That MOU allows us to go back to Comcare and seek further information that is necessary down the track. That is a mitigating arrangement, but at the time of the transfer, a quality assurance process would have provided some comfort to the territory.

**Mr Harris:** It is important we make the point that this was a complicated exercise, and by and large the territory and its officers have done a very good job in the transfer. There are areas where we raise issues, but by and large, you would have to say that the territory and its officers have done a reasonable job. The issue of the transfer of assets is the key deficiency here that needs to be resolved.

**MR PETTERSSON:** When you say they have done a good job, what are the elements that they have done well? For the most part, we are seemingly focusing on things that have been done well, but on our end it does not necessarily look as though

things are crash hot. They do not have the assets; it does not look as though they have a good way to negotiate the assets; they have not managed the data transfer perfectly. What are the elements of this that have been done well?

**Mr Harris:** Workers compensation is a complicated business—always has been, always will be. There are lots of small things that can trip you up along the way, either in managing a workers compensation scheme or in moving it. To the extent that the territory was not tripped up by any of the myriad of potential small trips, it has done a pretty good job in managing the detail and getting the little things right. There is one large thing which has not yet been resolved, but even when you look at that, the area of disagreement is small in dollar terms compared to the quantum. The gap between the actuarial assessments of both parties is less than \$40 million, or of that order, out of a total sum of—

**Mr Stanton:** Between 344 and 360, based on some data. That was a few years previously; it has probably increased since then.

**Mr Harris:** Bearing in mind that the actuarial assessments are based on long-term interest rates and discount rates, which vary over time, and very small differences in a discount rate can cause tens of millions of dollars of difference in an actuarial assessment.

The fact that they have not been able to resolve that in terms of agreeing on an actuarial assessment for the size of the asset base to be transferred is not surprising. On the other hand, if it were a commercial transaction, you would expect the parties to come together and say, “The difference is \$40 million. The commercial outcome here is to strike an arrangement,” and to say, “We will settle on that number”—it might be halfway between the two—“and that is the end of the matter.”

To be fair, a transfer of this nature between government entities probably was based on a degree of understanding that government entities would get it right at the end of the day. Maybe there is too much time being spent on getting it absolutely right, as opposed to the practical commercial outcome.

**THE CHAIR:** The government’s response mentions that 780,000 documents were transferred to the territory. Would you say that that is such an overwhelming number of documents that they cannot perform data quality assessment? I am assuming that they would perform data quality assessment case by case; we are not asking them to perform data quality assurance on all 780,000 documents all at once. That would just be impossible and overwhelming for the staff there.

**Mr Harris:** No.

**THE CHAIR:** But when you go case by case, that is when you should be performing the data quality assessment? Is that what you are saying?

**Mr Harris:** What we are saying is that random sampling would have been an appropriate technique at the time the data was transferred. It is a technique we use in our auditing processes, especially on the financial auditing side. At the end of each financial year, we do not go in and examine every transaction in a directorate’s



accounts and make an assessment about whether it is right, wrong or indifferent; we do random sampling based on risk profiles and risk assessments of the organisation that we are auditing. If those random samples come back without any difficulty, that gives us a sense of assurance that what is happening within the entity is happening according to the standards and happening in the way it should be happening.

It is the same here. An appropriately designed risk-based assessment of random sampling would have given officials a view as to whether the integrity of the data was robust. That simply was not done, and it should have been.

**THE CHAIR:** Thank you. In your findings, what did you discover about the reason for the delay in the transfer of assets from Comcare to the territory?

**Mr Stanton:** That is covered off in chapter 2 of the report. I draw your attention to paragraph 2.40 onwards. That talks about the different approaches and assumptions that are built in, or intended to be built in, from both Comcare's perspective and the territory's perspective.

Could I just take you back a step as well? We engaged KPMG to provide us with some advice in relation to the methodology for the assessment of the asset base. Table 2-1 of the report talks about the actuarial methods adopted by the territory and Comcare. They are very similar for both of them.

Then we get to table 2-3, which talks about how the amounts were quantified. The territory and Comcare conducted assessments for different purposes at different times, so the data is different. Each one had a different set of data and each one conducted it at a different point in time, but they did it on the basis of a 30 June 2018 date. The difference between the assessments is outlined in table 2-3 of the report. That is where you have a difference of \$14,500 million between the two. But they were conducted for different purposes, at different times, based on different data. You can see that some of the line items are over and under. There is a \$5.8 million difference between the two assessments for one line item and there is a \$0.7 or a \$0.1 million difference for another one.

KPMG advised that the actuarial methods that were adopted were similar across both of the actuaries that were engaged by Comcare and the territory. The difference is the assumptions that underpinned the actuarial assessments. We start talking about that from 2.40 onwards—how the territory and Comcare would like to adopt different assumptions.

One of the key assumptions is a risk margin, for example. In 2.41, we talk about how Comcare adopted a 13 per cent risk margin, which is basically a factor that gives them some comfort in the quantification of the asset that is to be transferred. That would be the 75 per cent probability of sufficiency. Then there is the territory as well. The territory is looking for an amount of about 17½ per cent. So you have a difference there. You have the same methodology adopted by the two parties but you have a different assumption; one wants a 13 per cent risk premium and one wants a 17½ per cent risk premium. That is one of the differences between the two parties.

There are other differences in relation to other amounts that one party would like to

have and one party would not. Paragraph 2.50 talks about the territory wanting additional consideration for processing delays, incomplete payments data, and recoveries held by Comcare. At the time of the audit, that detail had yet to be worked out.

**THE CHAIR:** Obviously, they cannot agree on those methodologies.

**Mr Harris:** The point is that they may never agree on those matters of difference, because they are assessments—they are judgements. They are all based on fact, but they are all assumptions—I want to be 17½ per cent certain and my counterpart wants to be 13 per cent certain. That is why I said earlier on that in a commercial settlement between two commercial insurance companies, people would have said, “I am not going to go to 17½ per cent; you are not going to come to 13 per cent. Where is the middle ground? Where is the commercial solution for this?” At the end of the day, despite the fact that this is between governments, these matters, in my opinion, demand a commercial solution. There should be a commercial agreement that says, “That is what we agree on. That is what it is going to be.” And all parties would live with that commercial agreement.

**THE CHAIR:** I have never been exposed to a commercial agreement before. How does that work? Do they need a mediator? What do they need?

**Mr Harris:** If you could not agree in a commercial arrangement, you would go to some form of arbitration, mediation or something, but normally the lawyers would get in the room and say, “That is the number. Sign here.” And as I said before, the difference in dollar terms is not very large compared to the size of the asset base that is being transferred. Over a period of time, you would hope that your investment profile would allow you to deal with any difference, and it is not large. But at the moment, there is no ability for the territory to do that.

The other complication is that we do not know—we did not ask, and we did not need to in terms of this particular exercise—the nature of the assets to be transferred. That probably needs to be determined as well. One would assume that there would be a transfer of cash rather than a physical asset, but one party is going to need to pass across an amount of money to another party and they may have to terminate or wind up investments in order to generate the cash to do that. I do not know. Nevertheless, that transfer has to happen at some point in time.

**THE CHAIR:** And very soon as well.

**Mr Harris:** Until it does, the territory has an exposure, which it should not have.

**MR PETTERSSON:** Is there any downside to Comcare in not transferring the asset?

**Mr Harris:** Probably not, because they have transferred the liability. The idea was that both things come out of one balance sheet and go into the other balance sheet, and you have a net zero on both sides. At the moment, the liabilities come here and the asset is still sitting there. Somebody presumably is going to ask a question about the earning capacity of the asset that should have come across and whether we are going to get some of that as well. That asset presumably has been earning income, which the

territory has not been getting the benefit of whilst it has been sitting over there.

**MR PETTERSSON:** So there is no real reason for Comcare to be in a hurry in trying to leave this arrangement?

**Mr Harris:** I would imagine their auditors would be looking at that and saying, “You have a contingent issue here. You can’t continue to hold that asset on your balance sheet, because you owe it to the territory and you’re going to have to include some disclosure in your accounts that this amount of asset has to transfer to the territory.”

**THE CHAIR:** That would be the right thing to do.

**Mr Harris:** Yes. Similarly, we will be looking at the territory statements to see how the territory is treating the fact that it has not yet received the asset, when we come to do the financial audit.

**Mr Stanton:** I would just add to that. Paragraph 2.51 says, in relation to processing delays, that it would appear that the territory is requesting that any investment returns Comcare has achieved during the transition also be transferred. The territory wishes to have a compensation for the investment return that Comcare is earning, but at the time of the audit, agreement on that had not been reached between the parties.

**Mr Harris:** Which in itself will lead to another set of assumptions about how much investment earnings Comcare got and on what portion of the asset base. You will have a whole new set of assumptions that need to be determined in the commercial agreement to transfer an amount of money.

**MR BRADDOCK:** I want to ask about the regulatory risk of the self-insurance licence. We have already extended that twice, but I need to understand that risk a bit more. What is the likelihood of that continuing to be extended? If, for whatever reason, it is not extended, what would the impact of that be?

**Mr Harris:** If it were not to be extended, the territory would not be able to operate a workers compensation scheme as a self-insurer and presumably that responsibility would have to revert to Comcare. That is the reality of the licence agreement. I am being careful here not to cast any aspersion against Comcare as the provider of advice to the regulator in relation to an organisation that may be in breach of its licence. Comcare’s responsibility to the regulator is to provide advice as to whether a self-insurer is compliant with its licence.

To the extent that a self-insurer is not compliant with its licence, Comcare’s responsibility is to tell the regulator. The regulator would then take action. Presumably, if the regulator got advice to say that a self-insurer was not compliant with its licence, it would require the self-insurer to provide advice as to what action it was taking to become compliant and/or provide an exemption to that self-insurer. Presumably the provision of an exemption would be on the proviso that the advice given to it about action to be taken to become compliant was reasonable.

In this case, there are two risks. First, the commission may become intolerant of the territory not having an asset base that complies with the requirements of the licence.

The second risk—I cannot quantify this risk, which is why I made my initial comment about not casting any aspersion on Comcare as the provider of advice—is that the fact that Comcare is the entity which, in inverted commas, “is preventing the territory from being compliant with the asset base requirement of its licence and is the entity providing advice to the regulator who could suspend the licence” in itself presents at least a conflict of interest, if not a direct risk.

**MR BRADDOCK:** And you are unable to assess the likelihood of the regulator not wishing to continue the extensions?

**Mr Harris:** The fact that the territory is a legislative body in its own right reduces that risk significantly, because the requirement for maintaining such a high percentage of asset base compared to liability is to ensure that people going through the workers compensation scheme are not going to be left without access to funds. The territory, as a legislative entity, has the capacity to provide that money from other sources, if necessary, through appropriation, borrowing, general taxation or however you want to describe it. In that sense, there is always a fallback—there will always be money to support these workers compensation claims—so the risk of withdrawing a licence in that sense is very small. If it was another self-insurer who had no access to money other than the revenue from the asset base, the risk would be a lot higher.

**THE CHAIR:** On the conflict of interest that Comcare might have, where do you go to make sure that that is not a conflict of interest—that Comcare does not provide the exemption for the territory to continue where they are at? How do you fix that?

**Mr Harris:** Come to a commercial agreement with Comcare about the transfer of the asset base and get it done.

**Ms Thomas:** In this situation, there is no arbitrator that can negotiate for the territory and Comcare. There is no arbitrary body that can do that. In a commercial sense, as the Auditor-General has said, you would ordinarily have an arbitrator.

**MR PETTERSSON:** Should they have set up a disputes process before they ventured down this path? It is a bold assumption to assume that you are going to agree when it comes to the dollars.

**Mr Harris:** That is a difficult question to answer. I said earlier on that this is a negotiation between essentially two government entities, and officials would presume—I would presume—that they would be working on the basis that agreement would be achieved between government entities on a fair and reasonable basis. I suspect the fact that it has not been is something of a surprise. If I go back to my experience as an official, I would not have thought of that; I would not have thought that was necessary when entering into a negotiation like this between two government organisations—essentially to transfer a discrete thing from one place to another. I find it somewhat surprising that we are in the circumstance we are.

**THE CHAIR:** It sounds to me that one of them needs to eat humble pie and move on.

**Mr Harris:** Maybe both—if you want a fair commercial outcome.

**MR PETTERSSON:** Could you walk us through the decision-making process to get EML in as the claims management service?

**Mr Harris:** I might get Laura to answer that.

**Ms Thomas:** There was a tender process that the territory went through, and there is an extensive contract in place for those services to be provided by EML on behalf of the territory.

**MR PETTERSSON:** How did they make the decision to go with a private provider as opposed to trying to do it in house?

**Ms Thomas:** There is a road map in place. The territory did an assessment of the capability within the territory itself to provide those specialist services. The decision was made that, at that time, those services and the capability within the territory itself were not available so they needed to enter into a contract with a specialist provider for those services. The intention with the road map is to build the capability of the territory to eventually provide those services for workers compensation.

**Mr Harris:** It is one of the smart things that was done, and it is embedded in the contract—that EML have a requirement to build up the skill set within the territory to be able to do the claims management activity themselves. Effectively, if EML do a good job, they get paid well for it but they do themselves out of a long-term contract.

**MR PETTERSSON:** Would you say there is potentially a conflict of interest there?

**Mr Harris:** No, I do not think so. We have not looked in detail at the EML contract. I suspect we will once it has had a little time in operation. On the surface, from what we have seen so far, the tender process was well conducted. There is no issue as far as that is concerned. And the contract is written in such a way that there are incentives in the contract for EML as far as performance is concerned, and, as I understand it, incentives as far as building capacity within the territory to manage their own affairs is concerned. It is a fair contract.

**Mr Stanton:** I will just add to that. Absolutely. It is understood by the contractors, by EML and by the territory that that is the intention of the territory. It is incumbent on the territory to manage the contract so that it gets out of EML what it needs from EML to build capacity in the territory. At the time of the audit—it was comparatively early in the contract—we did not audit what was in place with the territory to achieve that. It may be of interest down the track.

**MR PETTERSSON:** Going to performance fees and incentive fees, are they related to the upskilling of the ACT government or are they related to claims and payout processes?

**Mr Stanton:** Primarily they are related to what you would describe as the claim payout processes. Table 4-9 talks about operational key performance indicators that are in place. It is page 77. There are operational key performance indicators there. Table 4-10 on the next page talks about performance service standards that are in place. That is the framework, if you like, for performance management of the contract

and how that is achieved. It is incumbent on the territory then to manage the contract, to monitor it on a monthly and quarterly basis in terms of how those performance indicators and standards are being met.

**MR PETTERSSON:** Most of them are about claims and reducing the average lost time. There are only a couple about the actual transfer of the skill set. Thank you; that is very helpful.

**Mr Harris:** Good contractors in this field achieve most of their success by reducing claims incidents and claim costs. That is where the maximum benefit is. It comes back to injury prevention in the first place rather than managing a claim after the injury has occurred.

**MR PETTERSSON:** That would not be the role of EML, though?

**Mr Harris:** Yes, funnily enough; it is in their interests.

**MR PETTERSSON:** How do they prevent claims?

**Mr Harris:** Education. They provide education programs to teach people to understand injury risk in the first place. For example, the cords over there are an injury risk because you could trip over them, hit your head on the corner of that bench, and sustain a serious injury. They should be taped to the floor so that it is impossible to trip over them. That is a simple example of how a good contract manager in workers compensation can reduce the cost of your workers compensation insurance premium, by reducing the number of claims you have, in the first place, and reducing the severity of those claims, in the second place.

**MR PETTERSSON:** As a claims management service that has been contracted by the ACT government, they are providing advice across government?

**Mr Stanton:** They should do.

**MR PETTERSSON:** Are they?

**Mr Stanton:** I think there is also a role for the territory and CMTEDD, the workplace and safety division there, in providing information and support for agencies. EML has a role to play in terms of its sufficiency and effectiveness in managing the claims process to support what the territory is trying to achieve in minimising risk.

**Mr Harris:** Within the Audit Office, for example, we have already had two of our people attend seminars and training sessions organised by CMTEDD, presumably as a consequence of this, to highlight the importance of risk assessment and safety matters within workplaces. They have come back to the Audit Office with a number of recommendations on how we understand injury risk and how we deal with that in order to mitigate injury within the workplace.

**MR PETTERSSON:** Before the transfer happened and insurance was provided by Comcare, could you enlighten us as to what the circumstances would have been?

**Mr Harris:** No, we cannot. I have no experience of what that was like.

**MR PETTERSSON:** Would CMTEDD have been providing essentially OHS advice to reduce claims? Would that have been supported by Comcare?

**Mr Stanton:** Yes. The CMTEDD workplace division has always had a role in that space. We have been interested in doing a performance audit in that space over the years, and one is likely down the track. The CMTEDD workplace division has always had a role in that particular space. How it worked with the previous provider, Comcare and how it is currently working with EML to achieve that, and achieve the territory's ambitions and objectives in that space, is a good question, one that we might be interested in doing an audit on in the future.

**THE CHAIR:** Thank you. If witnesses have taken any questions on notice today, could they please give those answers to the committee's support office or committee secretary within five working days of the receipt of the uncorrected proof.

**Hearing suspended from 12.18 to 12.29 pm.**

**GENTLEMAN, MR MICK** Manager of Government Business, Minister for Corrections, Minister for Industrial Relations and Workplace Safety, Minister for Planning and Land Management and Minister for Police and Emergency Services  
**MINERS, MR STEPHEN**, Under Treasurer, Treasury, CMTEDD  
**YOUNG, MR MICHAEL**, Executive Group Manager, Workplace Safety and Industrial Relations, Workplace Capability and Governance, CMTEDD

**THE CHAIR:** We will now hear from the Minister for Industrial Relations and Workplace Safety, and from officials. Could I confirm that you have read the privilege statement on the pink card in front of you and that you understand the privilege implications of the statement.

**Mr Gentleman:** Yes.

**Mr Miners:** I do.

**THE CHAIR:** Minister, I understand you have a brief statement.

**Mr Gentleman:** Yes. Thanks for the opportunity to talk on the audit report. As the report indicates, the ACT was determined to become a self-insurer for workers compensation purposes because it wanted to take responsibility for the care and support of its workers who may be injured or become ill because of their work.

Before March 2019, the ACT relied heavily on the commonwealth, particularly Comcare, to provide workers compensation support services. Becoming a self-insurer allows us to exert more control over—and to invest in—improving services, efficiency and the worker experience.

In its first two years of operation, the ACT succeeded in its ambitions. Injured workers are receiving medical and allied health support much more quickly than before; their workers compensation claims are being determined faster; satisfaction levels are now being measured and have improved by more than 20 per cent; and injured workers are spending less time away from work. Because less time is being lost to injury, the productivity of the service improves and injured workers achieve better health, economic and social outcomes than would otherwise be the case.

In June 2020, the Auditor-General reported on the transfer of the compensation arrangements from Comcare and found that the government implemented effective governance arrangements for the transition to self-insurance and the ongoing management for its workers compensation arrangements. Significantly, no recommendations were made. The report did, however, make a number of helpful observations, and these are being considered in the ongoing management of the function.

The oversight of the Public Sector Workers Compensation Fund and the territory's compliance with self-insurance licence requirements were satisfied.

On asset transfer, the audit report describes the situation as it is and describes the territory's position in some detail. In considering the issue, the committee may wish to note that it was always intended that there would be a delay between the date of



historical claim liabilities transferred and the associated assets transfer. It was in anticipation of this delay that the commonwealth made an interim payment to the ACT and that the licensing authority included a transitional provision in the financial conditions of the licence. The amount of time that has lapsed has been greater than anticipated, and the audit report discusses the underlying issues in some detail. The review process has given added confidence in the actuarial process used to value the liabilities, which will be an important part of the process as it continues. There is no risk to the continuity or quality of service provided for injured or ill employees arising from the delay, because the scheme has sufficient fund earnings to cash manage through that.

The commonwealth licensing authority, which is the Safety, Rehabilitation and Compensation Commission, regularly considers financial risks to self-insurers and the ability of self-insurers to meet claim costs. The commission continues to indicate that the territory's risk in this regard is low, and the territory continues to work closely with Comcare and the commonwealth agencies to progress the matter.

In this regard, the ACT has sought an extension of the transitional provision within its self-insurance licence. This is based on advice from the commonwealth that the matter is progressing and that necessary actions to finalise the matter from the commonwealth's perspective should be settled in that time. The Public Sector Workers Compensation Fund accounts will record current receivables in accordance with the relevant accounting standards.

**THE CHAIR:** We spoke briefly about the delay in the transfer of assets from Comcare to the territory. We heard briefly about the report from the Auditor-General. From your perspective, why is there a delay in the transfer of assets from Comcare to the territory?

**Mr Gentleman:** Both parties want to ensure that the transfer is made as soon as possible. There are some issues with the commonwealth's asset ownership, if you like, and structuring it in a way that can provide those assets to us. I will ask Mr Miners to give you some more detail on that.

**Mr Miners:** The delay was always intended while we worked out exactly what the transfer would be. That process has taken longer than we would have liked. We are engaging with the commonwealth to work out exactly what the transfer amount should be.

There is broad agreement that there should be a transfer to cover the liabilities. It is the bit over and above that that the ACT has paid to Comcare over the years and how much of that is returned that is the main issue of the discussion. It is really a matter of those discussions.

The Comcare agreements and arrangements had no clear guidelines as to how you remove yourself from Comcare and what those payments would look like. It has been a matter of this being the first time that any government agency has had to do that and a matter of working through it very clearly. That is why it has taken time to work through those issues.

As the minister said, we are hopeful that that work will be resolved in this calendar year. Then we will have that resolved. Mr Young, do you want to add any more details?

**Mr Young:** I am appointed as commissioner under the Public Sector Workers Compensation Fund Act.

The audit report does a very good job of describing those quite technical issues. I support the comments of the minister and Mr Miners. One additional point that I would make perhaps does not come out strongly in the report because it is essentially a commonwealth function: there are three key conditions that must be met for a payment to be finalised. One is that there needs to be an agreement on the amount to be transferred; that is described at length and has been referred to two other mechanisms.

A review of Comcare's annual reporting and its legislation will show that Comcare scheme funds are held in two places. There are funds under management by Comcare and there is a component that is held in commonwealth consolidated revenue. The process of transferring those assets to the ACT requires not just agreement with Comcare on the amount but agreement with other arms of the commonwealth government to essentially liquidate and transfer funds from consolidated revenue back to Comcare and then using whatever mechanisms are necessary to hand them over to us. Those mechanisms have been impacted by COVID; however, we are in regular contact with senior officials from the relevant commonwealth departments and are making sure that progress is now proceeding. We expect that at the end of this calendar year, those mechanisms should be in place to allow a discussion of amounts to be transferred.

**THE CHAIR:** In terms of the revenue entity that agrees with the transfer over of the funds, are they in a position to dictate how much of the assets are transferred to the territory or is it just about how to transfer the assets?

**Mr Young:** It would probably be inappropriate for me to comment on the commonwealth's internal decision-making arrangements, except to note what is in the public domain. In order for Comcare to transfer funds to the ACT and to assure its ongoing cashflows, it will need to access funds that are currently held in commonwealth consolidated revenue. There is a mechanism in the Comcare act for it to do that. Essentially, there is a range of internal commonwealth processes that need to be gone through.

**THE CHAIR:** Was there a third reason?

**Mr Young:** The mechanism of transfer, the agreement of the amount and any action that might need to be taken to convert invested assets into cash. Essentially, two of the most common, the mechanism and the liquidation, are internal commonwealth issues. With the discussion and agreement of the amount of assets to be transferred, to this point the negotiation has been between Comcare and the ACT, but ultimately it is a commonwealth process.

**THE CHAIR:** In the circumstances where there is no agreement happening by the

end of the year—that is what you mentioned; hopefully, by the end of the year there should be an agreement—what will happen then? Will you consider going to a commercial agreement? What will happen? Do you have a plan B?

**Mr Miners:** The scheme will continue to run.

**THE CHAIR:** Of course; I have no doubt about that. It is just the agreement—

**Mr Miners:** We will continue to negotiate with the commonwealth to get the right payment to happen. I am confident that it will happen by the end of the year. If it does not, we will need to look at transitional arrangements and continuing those transitional arrangements. This is not an argument or a discussion with the commonwealth around zero to a payment; this is around a relatively small amount compared to the base, and getting those things sorted out.

In that case we need to ensure that we do it in a timely manner, as quickly as we can. We also need to make sure that the money that has been paid in to Comcare by ACT employees is returned to the territory. We need to make sure that we balance both of those factors. I am confident that we will need to negotiate an outcome with the commonwealth, and we will continue to do that until we reach that settlement.

**THE CHAIR:** What is the complication regarding reaching a middle ground? We know that we are not talking about a big amount.

**Mr Gentleman:** Chair, it would be an asset that actually belongs to the territory, in this sense. Therefore there is an expectation for us as a government to ensure that we get the best outcomes for Territorians who have paid in to that account, to make sure we get their money back.

**MR PETTERSSON:** Would the assets that are held by Comcare be generating income?

**Mr Young:** Indeed; we have an agreement with Comcare that interest will be paid on the amount to be transferred from the date when the liabilities transfer through to when the ultimate transfer occurs.

**MR PETTERSSON:** Could I get an update on the transition plan from EML to a fully in-house claims management service?

**Mr Young:** Again, that is a matter that is quite well described towards the tail end of the audit report. As it indicates, a statutory ministerial advisory council has been established, and it meets quarterly. It has representation of some unions representing workers who are the beneficiaries of the scheme and it has ACT government officials. They have, as a standing agenda item, the conduct of the review. That is essentially a review that the Chief Minister, I believe, undertook to complete within the first four-year term of the claims management contract.

We have internal planning in place for an independent review to be conducted to ask whether it is feasible to take the services which are currently being delivered by a contract and bring them inside the ACT government. The scope of that review would

look at what infrastructure, policies, procedures and other resources would be necessary in order for that to occur, and some of the costs and risks associated with doing that. That report ultimately will be considered by government and a determination will be made around whether to in-house the services.

That review is currently on track to be completed by the end of year 3 of the contract, which will allow all of year 4 of the current contract for any transitional planning et cetera to be put in place, in the event that government determines to bring the service in. It is not actually a service that was ever delivered by ACT public servants. The work that is currently being done under contract is essentially the functions that Comcare previously performed on behalf of the ACT government in respect of claims administration.

**MR PETTERSSON:** It sounds like a decision to in-house it has not been made. It seems that, at the moment, we are still investigating whether or not to in-house the service.

**Mr Young:** That is right. A complicating factor is that it is not only a decision for the ACT government to bring it in-house. Because we are operating in a commonwealth legislative environment, and the licensing authority is a commonwealth licensing authority, any arrangements that we propose to make to claims administration would need to satisfy that licensing authority. They would need to modify our terms and conditions accordingly. In that sense it is important that a thorough investigation be undertaken because, in the event that government decides to go forward, it would be necessary to demonstrate that we have all of the infrastructure, skills, experience and expertise to be able to deliver those services in a compliant way.

I would also note that the discussions of the ministerial advisory committee on this review to date have taken the view that it would be imperative for any in-house service to achieve an equivalent level of performance so that the services being provided to injured and ill workers are not reduced as a result of any changes to claims administration.

**MR PETTERSSON:** The service agreement with EML sets out that they are meant to help us to transition. Would it be a reflection on EML if the ACT government was not able to transition?

**Mr Young:** The contract actually involves them assisting us to build up our internal capacity to manage claims rather than with the transition process. That work has been included in the contract under the category of “value-add services”; that is described in the report. I have been involved in that. It includes a range of training. They have had our rehabilitation case managers involved in training that they provide to claims managers. In the course of procuring our internal claims management systems, we have taken on a system which has a module that would allow expansion into the claims management space.

It is part of an overall governance principle that we have had from the very outset, which is that, in addition to providing the services to injured workers, we should be looking at increasing our internal capabilities. That has been going on partly via the EML services that are described and via work that we are doing within the group.

**MR PETTERSSON:** There are a bunch of performance fees and incentive fees in the service agreement. They are mainly to do with, from what I can gather, case management. Are there any performance fees or incentive fees in regard to the transition?

**Mr Young:** It is a contract condition that they deliver those services. There are mechanisms in place in the contract to do corrective action plans in the event that the services are not being delivered to the satisfaction of the contract manager.

The current KPIs that are in the contract, and which are described in the report, do not go to that specific deliverable. However, in the first year of the contract, there was a KPI around the transition services. I caution about the use of the word “transition”. The audit report, where it is referring to transition, is looking at it in the context of transferring from Comcare to the ACT self-insurer in the period around March 2019; whereas the question of the in-house capability-building as a value-added service in the delivery of those services to the ACT government is a separate matter.

There was a measure in the first year around transition, but in terms of continuing to build our internal capabilities, it is a matter that we manage under the general contract powers.

**MR BRADDOCK:** Minister, you mentioned in your opening statement improved outcomes for payments in the territory in moving from Comcare to self-insurance. Could you point me in the direction of where those outcomes have been measured and shown to be improved?

**Mr Gentleman:** Yes, I have some statistics here that I can provide to the committee. If we look at our workforce, our FTE going back to 2016-17, we had 22,432 FTE, and the wages cost was \$2.1 billion. The percentage of workforce claims was two per cent. We are now up to 25,172 FTE. The wages bill has gone to \$2.5 billion, so we are seeing increases over the years, but the number of claims accepted to date has reduced from two per cent, in April this year, to 1.7 per cent. We have already seen a reduction in claims. We have seen a reduction in average cost per claim, from \$47,764 to, to date this year, \$14,574. That is quite a dramatic change in the cost of claims, and in the paid-to-date physical injury figures as well. I will see what I can provide for the committee.

**Mr Young:** I believe some of those figures may relate to the ACT as a whole rather than exclusively to the public sector scheme. However, as the minister indicated, we would be very pleased to provide some statistics on the public sector specific—

**MR BRADDOCK:** Yes. Whilst taking the average claim down from 47,000 to 14,000 might seem to be a very good performance metric, it might not necessarily be in the interests of the claimant who needed that additional support, so I would like to make sure that we are checking on the outcomes for the claimants as well.

**Mr Young:** The average cost for ACT public sector claims on Comcare is significantly higher than that figure. If we look at the measures that are described in the audit report, they were developed—co-designed, in fact—with a delegation of

union representatives and government officials, with a view to facilitating a performance by EML and by our services generally that put the injured worker at the centre.

There are measures in there around ensuring timely and correct decision-making. We have successfully reduced the amount of time that it takes to make a decision on liability. Furthermore, we have implemented a service where injured workers are able to immediately access unlimited medical and allied health support the moment a claim is properly made.

With respect to faster access to services and faster determinations, we have measures in place to ensure that determinations, as well as being made in a timely way, are being made correctly. There are disincentives in those measures to make an incorrect decision in a fast way.

We also measure the amount of time that injured workers are away from work. We have seen that reduce quite significantly in the two years since the self-insurance arrangements commenced. As the minister mentioned in his opening statement, one of the things that we started doing under these new arrangements was measuring injured worker satisfaction on a scale of responses that have a range of 200 units, and we have seen an improvement in the order of 40 out of those 200. So there have been significant improvements in access to services, quality and timeliness of decision-making and those outcomes at the end. It is a pleasure to be involved in a system that is able to, by facilitating those better services, not only improve the health, financial and social situation of injured workers, who have been shown to disproportionately bear the costs of work-related injury, but, as a result of that, have substantial, positive impacts on public sector productivity and a reduction in the ultimate costs of workers compensation.

On that question of cost, the cost of claims and positive outcomes are not mutually exclusive. A well-managed scheme will cost less than a poorly managed one. That was one of the principles that we took moving into this. Historically, we were quite reliant on the commonwealth, in the form of Comcare, to decide how much resources go towards managing these claims. By coming to a self-insurance arrangement, we have been able to exert more control and ensure that we have very expert, properly resourced claims administration services in place. That has resulted, ultimately, in a reduction in premium costs, as well as those improvements in worker outcomes.

**MR BRADDOCK:** Yes. I would still like to see those statistics; that would be great.

**THE CHAIR:** My question is about data quality. The report states:

... 'a quality assurance of claim files to be completed, with a random sample Quality Assurance undertaken to provide assurance to the Steering Committee regarding data quality'. ... The Workplace Safety and Industrial Relations Division advised that 'the Quality Assurance processes did occur across a period of four months to ensure that the data was migrating correctly from the Commission Data Warehouse'. However, there is no evidence of what these quality assurance processes were, how they were designed or undertaken. There is no documentation associated with the quality assurance processes and procedures that were purported to be implemented.

Could you please run through transferring data or documents from Comcare to the territory, and what quality assurance is there that ensures those documents being transferred are correct or complete?

**Mr Young:** We certainly noted and welcomed the findings. In response, I would make a number of observations. First I will give some context. The report shows well that there was extensive governance put in place around the ICT processes and the claim data transfer that looked at the fitness and purpose of the systems at both ends of that transaction. The standardisation of reporting, the quality checking of the data that was to be transferred and a whole range of other infrastructure was done around ICT security assessments and consideration of the transfer mechanisms. There was very extensive governance in place.

In that one finding, what it has picked up is that, although there were mechanisms in place to check what was ultimately in the final system, compared to the first system, there were arrangements in place to ensure that the information that was to be transferred was complete, and that it did not include other people's personal or medical information; so there were thorough validation processes prior to the transfer. At the other end, it has picked up that there was a check of the number of records and the size of the file. With not having checks in place to check that, the data had somehow become corrupted, or it was incomplete at the other end.

The audit report, in looking at the transition project methodology, because of its scope, did not have access to the totality of tools that we have in place to manage this function. There are a whole range of business-as-usual functions that go to exactly that issue—checking that the information that we have, and that we are using to manage claims, is complete and proper. To name just a few of those, the audit report notes that the commonwealth, in its capacity as regulator, maintains a data warehouse. That holds the historic records that were transferred to the territory. They have not been deleted from the commonwealth system. That historic record is still there; essentially, it is duplicated.

There is a monthly process whereby we report claims experience and performance back into that data warehouse, and a validation process that picks up potential differences. That happens as part of a business-as-usual process. That is a mechanism by which contents of the claims file are being matched back against the historical record.

**THE CHAIR:** The Auditor-General could not have access to that mechanism? They could not find any evidence that suggested that there was good data collection.

**Mr Young:** Their finding was that the records of the transition project did not show how that issue would be managed. My response is to note that that was a finding; in hindsight, we would have documented it better. But, in practice, in order to manage that risk, I have access to not just the project methodology of what was happening in the transition but also all of the mechanisms that I have in place as part of the ongoing management of the scheme. That includes the validation process that I described.

In addition, on the receipt of each one of those active claims, EML conducted a triage

process. They looked at and updated the return to work planning for each of those received files. So an experienced claims manager eyeballed the contents to identify that the files were fit for purpose and able to be used for management going forward.

Furthermore, the ACT government initiated with EML a project where we compared payment records—payments to injured workers in lieu of lost earnings—to the payroll records of the ACT government versus what is in the claims system. That means there are two independent systems that are essentially measuring the same thing, and they would reconcile.

Those are three of a number of what I would call business-as-usual processes that we have in place to ensure that the data that we are using is complete and up to date. As the report indicates, in the event that there is something missing from the data that was transferred, there is a memorandum of understanding in place that allows us to access the historic files at short notice.

I do note the finding. If I was doing it again, we would make sure that there were documented processes, but I am comfortable that we have ongoing arrangements in place to ensure that we have a complete and fit-for-purpose dataset housed inside ICT systems that have good security arrangements and ongoing validation measures.

**MR PETTERSSON:** Do you know whether we have had to access that archive data at all?

**Mr Young:** It does happen occasionally because the digitised files only go back so far—two years, I believe; it is all active claims and historic claims. In the event that we have a very old claim reactivated—if somebody suffers an aggravation or something happens—we would be able to access those records very quickly.

**THE CHAIR:** Beyond the two years?

**Mr Young:** Absolutely. That was, in part, because current and recent files existed in a digitised format with Comcare and were able to be transferred electronically, but a number of historic archived files were only in hard copy. The likelihood of a claim that has been closed for 10 years coming back is very low, so, as a project management cost control measure, we elected to rely on the MOU and continued access to the historic files rather than having somebody digitise millions of pieces of paper in the unlikely event that it would be coming back. So yes is the short answer to that question, however, not as a result of any problems with the data transition.

**THE CHAIR:** Thank you.

**MR PETTERSSON:** Yes. Can you explain how the territory's injury management team works with EML to support rehab and return to work?

**Mr Young:** The legislative environment that our self-insurance scheme operates in is the commonwealth Safety, Rehabilitation and Compensation Act. That sets, essentially, the rules around the key aspects of the management of workers compensation for all employees covered by that act. It separates the responsibility for claims administration from return to work and rehabilitation case management. As a



historic artefact, before we commenced self-insurance, the ACT government had a team of rehabilitation case managers—they sit within the injury management team that you described—and Comcare had a team of claims managers.

The claims managers—formerly with Comcare, now with EML—receive claims, assess liability, make payments, manage disputes and organise medical and allied health services. The rehabilitation case managers focus on facilitating a safe and timely return to work—for example, by identifying reasonable duties, working with directorates to make workplace modifications and appointing and managing third-party rehabilitation case managers. They are separate functions but, of course, in order to be managed effectively, the claims managers and the rehabilitation case managers need to work very closely. The arrangements that we have in place with EML provide for that close cooperation at a number of levels by way of data reporting, regular meetings, case conferencing et cetera.

**MR PETTERSSON:** Thanks.

**THE CHAIR:** Just on the government's response, Ms Orr, the minister at the time, said:

Until these assets are paid by Comcare, there are a number of safeguards in place that will ensure the territory continues to have sufficient funds to meet our liabilities as a self-insurer to our injured workers.

What are those safeguards that you have in place?

**Mr Gentleman:** Just going back to the Auditor-General's comments today about the government as a whole being able to support its resource spend, for example, if we were to run out of assets within the compensation scheme then we would go to Treasury and ask for support from Treasury. We do not perceive that that will occur.

**THE CHAIR:** But that is a risk that the Auditor-General also mentioned—that because of the delay in the agreement there is a financial risk to the territory.

**Mr Gentleman:** It is a possibility; I do not know that it will occur.

**Mr Young:** Just by way of background, the Comcare workers compensation scheme operates via legislation. It is somewhat unusual by Australian standards in that it is a long tail scheme. Even if an injured worker wanted to, they could not knock on my door one day and say, "I'm injured. It's going to take me 20 years to recover. That will amount to a claim of \$1.2 million over the life of my claim. Give me the money now." That is unable to occur via the legislation. We know that, because of the application of that legislation, even in the most severe cases, the maximum amount that will be paid out in a particular year is a certain amount. So it is not a scenario where there will be a run on the insurer.

We know that a claim that occurs now will play out over many years. We can model the running off of our historic claims and have a very good picture of what the ultimate cash per annum requirement in order to run the scheme is going to be. Based on that very stable, long-term intelligence, we know that there are sufficient funds in

the scheme to cash manage it and we know that the annual income coming into the fund by way of premiums that we charge to agencies would allow that cash management to continue.

I would characterise it as an opportunity cost. When those funds come under the management of the territory, we will be able to invest them and to invest them in a sophisticated way that matches the asset returns against the profile of the liabilities. There are financial benefits that come from having access to that. I see it more as an opportunity cost to the government arising from the delay rather than a risk of insolvency.

**THE CHAIR:** Okay.

**Mr Miners:** There are really two parts to this. One is that, as Mr Young says, there are sufficient funds and earnings there to manage the scheme, so it is not about to become unfunded. Secondly, as the minister said, we have the capacity to borrow in the markets to top up the fund if need be, and certainly the government can do that. Both those options are there to make sure that the fund can continue to run.

**THE CHAIR:** Who do you borrow from?

**Mr Miners:** We normally issue Treasury bonds. We would go out to market and sell bonds in the ACT government's name. There is a range of buyers for those products. A lot of them are done through the financial institutions, the banks, or other governments, who will hold those bonds, and private investors through different funds.

**THE CHAIR:** Certainly, the interest there would be quite high when you are borrowing money.

**Mr Miners:** We have just been to market and had an issuance that was oversubscribed. There is a lot of demand for ACT government bonds at the moment. We are the only sub-national government in the Asia-Pacific region that is AAA rated, so there is certainly great interest, and there is no issue for us at the moment raising funds.

**THE CHAIR:** Minister, you mentioned in your opening statement that it is a lot faster now for people to get their claims processed. Was there a delay before when Comcare was looking after the insurance? What was happening before and what is different now?

**Mr Gentleman:** The time lines were different. Under Comcare, there was a legislative requirement to do a process. One of the reasons that we wanted to move away was that those processes were slow; they had some litigious content to them as well. Rather than ensuring that we got the health and wellbeing of our injured workers remedied as soon as possible, you would see a longer period for claims to occur, sometimes with an associated cost as well. We are now seeing much quicker claims, a lower cost and better outcomes for the employees.

**THE CHAIR:** Why is there a lower cost? What is the difference there?

**Mr Gentleman:** The amount of time off work is quite relevant to the cost of a claim. The quicker we can get people back to work has an immediate impact, of course, on the cost for us, but also the worker and their long-term career. There is a much bigger impact when we get people back to work early and they return to a normalisation, if you like. Having been involved in Comcare claims in the past for employees, in a different role, I can see where people would get into, if you like, a cycle of going back to Comcare for costs and not returning to work in the time line that is preferred. They would fall into a compensation claim cycle that was not good psychosocially and not good for their family either.

**THE CHAIR:** As there are no further questions, thank you, Minister, and thank you, gentlemen.

**Mr Gentleman:** Thank you.

**THE CHAIR:** On behalf of the committee, I would like to thank the Auditor-General, Minister Gentleman and their officials who have appeared today. The secretary will provide you with a copy of the proof transcript of today's hearing when it is available. If witnesses have taken any questions on notice today, could you please get those answers to the committee support office or committee secretary within five working days of the receipt of the uncorrected proof? If members wish to lodge questions on notice, please get those to the committee support office or committee secretary within five working days of the hearing, day one being the next working day after the hearing.

**The committee adjourned at 1.10 pm.**