INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

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

Opinion

I have audited the financial report of Return to Work Corporation of South Australia for the financial year ended 30 June 2022.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Return to Work Corporation of South Australia as at 30 June 2022, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Chair, the Chief Executive Officer and the Chief Financial Officer.

Emphasis of matter

I draw attention to notes 4, 10 and 11 of the financial report. There is a significant uncertainty surrounding the financial impact of legislative reforms which will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in notes 10 and 11 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in note 6.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Return to Work Corporation of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

Responsibilities of the Chief Executive and members of the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19 of the *Return to Work Corporation of South Australia Act 1994*, I have audited the financial report of Return to Work Corporation of South Australia for the financial year ended 30 June 2022.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Return to Work Corporation of South Australia's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive

- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and members of the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson
Auditor-General
21 September 2022

ReturnToWorkSA

ABN 83 687 563 395

Annual financial report for the year ended 30 June 2022

ReturnToWorkSA

Annual financial report – 30 June 2022

Financial Statements

ReturnToWorkSA
Statement of Comprehensive Income
For the year ended 30 June 2022

	Notes	2022 $'000	2021 $'000
Premium Revenue	8a	**617,193**	533,365
Cost of claims	9	**(248,532)**	(1,235,128)
Claims management fees		**(70,876)**	(66,108)
Tribunal and ombudsman fees	12	**(7,982)**	(8,761)
Underwriting result		**289,803**	(776,632)
Net investment profit/(loss)	8b	**(190,779)**	399,369
Self-insured employer fee	8c	**12,342**	11,909
Other income		**351**	269
Net investment profit/(loss) and other income		**(178,086)**	411,547
General operating expenses	13	**(57,948)**	(53,753)
Finance costs	15	**(24)**	(78)
Total operating expenses		**(57,972)**	(53,831)
Operating profit/(loss) before tax equivalents		**53,745**	(418,916)
Tax equivalents	16	**-**	-
Total comprehensive result		**53,745**	(418,916)

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

ReturnToWorkSA
Statement of Financial Position
As at 30 June 2022

	Notes	2022 $'000	2021 $'000
Assets			
Trade and other receivables	20	**88,453**	81,360
Investments	28	**3,704,708**	3,896,221
Property, plant and equipment	21	**1,227**	2,341
Right-of-use assets	22	**7,020**	2,198
Total assets		**3,801,408**	3,982,120
Liabilities			
Trade and other payables	24	**21,366**	19,435
Outstanding claims	10, 11	**4,061,146**	4,301,344
Lease liabilities	25	**7,020**	2,336
Liability for employee benefits	17	**6,820**	7,694
Total liabilities		**4,096,352**	4,330,809
Net assets/(liabilities)		**(294,944)**	(348,689)
Equity			
Retained earnings		**(294,944)**	(348,689)
Total equity		**(294,944)**	(348,689)

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

ReturnToWorkSA
Statement of Changes in Equity
For the year ended 30 June 2022

	Retained earnings $'000
Total equity at 1 July 2020	70,227
Total comprehensive result	(418,916)
Total equity at 30 June 2021	(348,689)
Total equity at 1 July 2021	**(348,689)**
Total comprehensive result	**53,745**
Total equity at 30 June 2022	**(294,944)**

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

ReturnToWorkSA
Statement of Cash Flows
For the year ended 30 June 2022

	Notes	2022 Inflows (Outflows) $'000	2021 Inflows (Outflows) $'000
Cash flows from operating activities			
Premium receipts		**687,537**	596,179
Claim recoveries		**13,801**	13,147
Other receipts		**316**	296
Claim and other related payments		**(519,465)**	(473,766)
Interest received		**28,823**	29,406
Dividends received		**57,710**	78,539
Other payments to suppliers and employees		**(133,991)**	(121,133)
GST		**(45,976)**	(40,981)
Interest paid		**(24)**	(78)
Investment expenses		**(6,572)**	(6,020)
Net cash flows from/(used in) operating activities	27	**82,159**	75,589
Cash flows from investing activities			
Proceeds from the sale of investments		**527,684**	1,126,257
Acquisition of property, plant and equipment		**(41)**	(1,774)
Acquisition of investments		**(601,630)**	(1,231,641)
Net cash flows from/(used in) investing activities		**(73,987)**	(107,158)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		**(2,318)**	(2,188)
Net cash flows from/(used in) financing activities		**(2,318)**	(2,188)
Net increase/(decrease) in cash and cash equivalents		**5,854**	(33,757)
Cash and cash equivalents at the beginning of the period		**180,828**	214,585
Cash and cash equivalents at the end of the reporting period	19	**186,682**	180,828

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Reporting entity and objectives

ReturnToWorkSA (RTWSA), the principal trading name of the Return to Work Corporation of South Australia, is a not-for-profit statutory authority set up under the Return to Work Corporation of South Australia Act 1994. Domiciled in Australia, RTWSA provides insurance protection for South Australian employers and their workers in the event of work-related injury. RTWSA administers the Return to Work Act 2014 (the Act).
For financial reporting purposes four separate funds are recognised as comprising RTWSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

Compensation Fund
The Compensation Fund was established on 30 September 1987 under Section 64 of the repealed Workers Rehabilitation and Compensation Act 1986 and continues under the Return to Work Act 2014. Workers injured at work are supported and assisted in returning to work through the payment of income support, medical and other treatment costs.

Statutory Reserve Fund
The Statutory Reserve Fund was established under the repealed Workers Compensation Act 1971 and it came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

Insurance Assistance Fund
The Insurance Assistance Fund exists to support policies issued under Section 118(g) of the repealed Workers Compensation Act 1971. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed Act at a determined premium. The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

Mining and Quarrying Industries Fund
Amendments to the repealed Workers Rehabilitation and Compensation Act 1986 provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to RTWSA and credited to a special account entitled 'Mining and Quarrying Industries Fund' which is divided into two parts:

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed Act; and,

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in schedule 2 of the Work Health and Safety Act 2012.

Note 2 Statement of compliance

These financial statements are general purpose financial statements prepared in compliance with:

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

Note 3 Basis of preparation

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

RTWSA operates within the insurance industry predominantly providing for the recovery, return to work and compensation of workers with respect to injuries and diseases arising from their employment. The coverage provided is similar in nature to general insurance and accordingly the accounting standard AASB 1023 'General Insurance Contracts' is applied. RTWSA operates solely in the State of South Australia.

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned premiums included in the Statement of Financial Position. As RTWSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, RTWSA considers that substantially all of its assets, excluding property, plant and equipment, exist to back these insurance liabilities. As part of its investment strategy RTWSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

The Statement of Financial Position is prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current amounts and non-current amounts. Information regarding the amount of an item that is expected to be outstanding longer than 12 months is included within the relevant note to the financial statements.

Note 4 Use of judgements and estimates

RTWSA makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on RTWSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of the outstanding claims liability.

Outstanding claims liability
RTWSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability are set out in Notes 10 and 11.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. RTWSA has adopted a risk margin of 19.3% for the Compensation Fund (2021: 16.5%) and 10.5% for the Statutory Reserve Fund and the Insurance Assistance Fund (2021: 10.5%) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 45.0% (2021: 45.0%) at 75.0% (2021: 75.0%) probability of sufficiency as approved by the Board. The risk margins were determined based on advice from Finity Consulting Pty Limited.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to RTWSA. The outstanding liability for the Mining and Quarrying Industries Fund, which had its triennial valuation at 30 June 2022, is $100,000.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

Note 4 Use of judgements and estimates (continued)

Premiums receivable

The premiums receivable balance is the estimate of premiums due up to 30 June to be received after allowing for impairment and refunds.

Note 5 Reporting by fund

(a) Statement of Comprehensive Income for the year ended 30 June 2022

	Compensation Fund	Statutory Fund	Assistance Fund	Mining & Quarrying Industries Fund Part A	Part B	2022 Total Funds	2021 Total Funds
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Premium revenue	617,193	-	-	-	-	**617,193**	533,365
Cost of claims	(255,487)	6,932	23	-	-	**(248,532)**	(1,235,128)
Claims management fees	(70,876)	-	-	-	-	**(70,876)**	(66,108)
Tribunal and ombudsman fees	(7,982)	-	-	-	-	**(7,982)**	(8,761)
Underwriting Result	282,848	6,932	23	-	-	**289,803**	(776,632)
Net investment profit	(178,322)	(10,087)	(1,635)	(19)	(716)	**(190,779)**	399,369
Self-insured employer fee	12,342	-	-	-	-	**12,342**	11,909
Other income	351	-	-	-	-	**351**	269
Net investment profit and other income	(165,629)	(10,087)	(1,635)	(19)	(716)	**(178,086)**	411,547
General operating expenses	(57,259)	-	-	-	(689)	**(57,948)**	(53,753)
Finance costs	(24)	-	-	-	-	**(24)**	(78)
Total operating expenses	(57,283)	-	-	-	(689)	**(57,972)**	(53,831)
Operating profit/(loss) before tax equivalents	59,936	(3,155)	(1,612)	(19)	(1,405)	**53,745**	(418,916)
Tax equivalents	-	-	-	-	-	**-**	-
Total comprehensive result	59,936	(3,155)	(1,612)	(19)	(1,405)	**53,745**	(418,916)

Note 5 Reporting by fund (continued)

(b) Statement of Financial Position as at 30 June 2022

	Compensation Fund $'000	Statutory Fund $'000	Assistance Fund $'000	Mining & Quarrying Industries Fund Part A $'000	Mining & Quarrying Industries Fund Part B $'000	2022 Total Funds $'000	2021 Total Funds $'000
Assets							
Trade and other receivables	88,433	-	-	-	20	**88,453**	81,360
Investments	3,467,169	192,407	31,173	363	13,596	**3,704,708**	3,896,221
Property, plant and equipment	1,227	-	-	-	-	**1,227**	2,341
Right-of-use assets	7,020	-	-	-	-	**7,020**	2,198
Total assets	3,563,849	192,407	31,173	363	13,616	**3,801,408**	3,982,120
Liabilities							
Trade and other payables	21,366	-	-	-	-	**21,366**	19,435
Outstanding claims	4,009,519	51,395	132	100	-	**4,061,146**	4,301,344
Lease liabilities	7,020	-	-	-	-	**7,020**	2,336
Liability for employee benefits	6,820	-	-	-	-	**6,820**	7,694
Total liabilities	4,044,725	51,395	132	100	-	**4,096,352**	4,330,809
Net assets/(liabilities)	(480,876)	141,012	31,041	263	13,616	**(294,944)**	(348,689)
Equity							
Retained earnings	(480,876)	141,012	31,041	263	13,616	**(294,944)**	(348,689)
Total equity	(480,876)	141,012	31,041	263	13,616	**(294,944)**	(348,689)

Note 6 Funding ratio

The funding ratio is a measure of financial sustainability showing the availability of assets to fund the Scheme's liabilities.

The Board approved policy sets a funding range of 90% to 120%. The percentage is calculated from dividing total assets by total liabilities.

	2022 $'000	2021 $'000
Funded position	**(294,944)**	(348,689)
Funding percentage	**92.8%**	91.9%

The mechanism for managing the funding position is the Average Premium Rate. Each year the Average Premium Rate for the Compensation Fund is reviewed and future projections of Scheme liability and cost are analysed to determine the most appropriate Average Premium Rate to achieve RTWSA's desired long-term funding and pricing position.

Note 7 Impact of COVID-19 pandemic

The COVID-19 pandemic continued to impact on the operations of RTWSA during the year and the impacts are included under the relevant disclosure notes. None of the impacts were material in the current year, while the main impact in 2020-21 was reduced growth in remuneration and premium.

Note 8 Income

(a) Premium revenue

	2022 $'000	2021 $'000
Registered employer premium	**617,194**	533,380
Fines and penalties	**(1)**	(15)
Premium revenue	**617,193**	533,365

Premium revenue

Premiums are payable by all registered South Australian employers under the Act. Premiums are calculated on the total remuneration paid by employers for the financial year, including consideration for claims experience, and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for premiums relating to the current financial year which are payable following the reporting period. Premiums attributable to future years and received in the current financial year have been classified as unearned premiums (refer Note 24).

(b) Net investment profit/(loss)

	2022 $'000	2021 $'000
Dividends	**57,710**	78,539
Interest received	**28,823**	29,406
Change in the net market values:		
Investments held at the end of financial year - unrealised	**(227,668)**	177,528
Investments sold during the financial year - realised	**(43,645)**	119,369
Investment profit/(loss)	**(184,780)**	404,842
Investment expenses	**(5,999)**	(5,473)
Net investment profit/(loss)	**(190,779)**	399,369

Investment income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date RTWSA's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

(c) Self-insured employer fee

	2022 $'000	2021 $'000
Self-insured employer fee - SA Government	**5,563**	5,414
Self-insured employer fee - non-SA Government	**6,779**	6,495
Self-insured employer fee	**12,342**	11,909

Note 9 Cost of claims

	2022 $'000	2021 $'000
Income support	**169,308**	172,254
Redemptions	**839**	(45)
Lump sum payments	**136,374**	109,554
Hospital treatment	**17,324**	16,405
Medical treatment	**84,249**	79,001
Vocational rehabilitation	**10,275**	12,059
Physiotherapy	**11,351**	11,278
Legal costs	**44,936**	38,645
Other	**25,251**	21,909
Claims paid	**499,907**	461,060
Less recoveries from other parties	**(12,546)**	(11,952)
Net claims paid	**487,361**	449,108
Increase/(decrease) in net outstanding claims liability	**(242,649)**	787,565
Net self-insurer settlements	**3,820**	(1,545)
Cost of claims	**248,532**	1,235,128

Claim recoveries

Claim recoveries are made from a range of parties in accordance with the Act. Recoveries received are offset against the cost of claims. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. Movements in recoveries receivable are also shown as a cost of claims.

Note 10 Outstanding claims liability – Compensation Fund

(a) Outstanding claims

	Notes	2022 $'000	2021 $'000
Expected future gross claims payments (undiscounted)		**6,236,175**	5,811,675
Discount to present value		**(2,875,304)**	(2,170,785)
Central estimate		**3,360,871**	3,640,890
Risk margin		**648,648**	600,747
Liability for outstanding claims		**4,009,519**	4,241,637
Recoveries	20	**(86,639)**	(84,188)
Net liability for outstanding claims		**3,922,880**	4,157,449
Current liability for outstanding claims		**649,322**	509,872
Non-current liability for outstanding claims		**3,360,197**	3,731,765
Total liability for outstanding claims		**4,009,519**	4,241,637
Change in liability for outstanding claims		**(232,118)**	802,097
Change in claim recoveries receivable		**(2,451)**	(9,264)
Movement in net outstanding claims liability		**(234,569)**	792,833
Weighted average expected term to settlement		**12.0 years**	15.0 years

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by RTWSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 302, Valuations of General Insurance Claims, the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. The addition of the risk margin brings the estimate of claims to a 75% (2021: 75%) probability of sufficiency, as approved by the Board.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 19.3% (2021: 16.5%) to bring the estimated net liability to a 75% (2021: 75%) probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on the actuary's estimate. If the timing of claim payment cash flows varies from the actuary's projection then the proportions of the overall claims liability that are shown as current and non-current will vary.

Note 10 Outstanding claims liability – Compensation Fund (continued)

(a) Outstanding claims (continued)
The Scheme is designed to provide services and up to two years of income support and up to three years of medical support for workers injured at work, together with long-term financial support for those seriously injured at work. Assumptions adopted in relation to the projected future payments made to claims are detailed below in Note 10(e).

The estimate of the value of the claims liability is based on the Act including the transitional provisions. Any divergence of the experience from the current valuation assumptions, whether favourable or adverse, will be reflected over time in relation to valuation assumptions.

Developments which potentially affect the Scheme's operating environment and the uncertainty of the liability estimate include:

- employer premium changes introduced with the intention of increasing the engagement of employers in the prevention and management of workplace injuries
- future cost growth in medical and treatment related expenditure items, particularly for long term claims
- the outcomes for claims with pending disputes
- actual experience for two year income support claims and whole person impairment assessments
- actual experience for serious injury claims
- the culture of the scheme and the implications for return to work outcomes
- future changes in the overall economic environment.

The decrease in the outstanding claims liability includes the net impact of the increase in the average discount rate from 2.40% at 30 June 2021 to 3.91% at 30 June 2022.

Note 10(f) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

(b) Net claims incurred

	Current year $'000	Prior years $'000	**2022 Total $'000**	Current year $'000	Prior years $'000	2021 Total $'000
Undiscounted						
Gross incurred	1,241,968	(1,124)	**1,240,844**	1,165,766	1,281,327	2,447,093
Recoveries	(17,821)	(5,966)	**(23,787)**	(15,427)	(7,989)	(23,416)
Net incurred	1,224,147	(7,090)	**1,217,057**	1,150,339	1,273,338	2,423,677
Discounted						
Gross incurred	803,421	(463,849)	**339,572**	835,764	493,057	1,328,821
Recoveries	(15,540)	(2,059)	**(17,599)**	(14,976)	(8,159)	(23,135)
Net incurred	787,881	(465,908)	**321,973**	820,788	484,898	1,305,686
Discount and discount movement						
Gross incurred	(438,547)	(462,725)	**(901,272)**	(330,002)	(788,270)	(1,118,272)
Recoveries	2,281	3,907	**6,188**	451	(170)	281
Net discount movement	(436,266)	(458,818)	**(895,084)**	(329,551)	(788,440)	(1,117,991)

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

Note 10 Outstanding claims liability – Compensation Fund (continued)

(c) Claims development

The table below shows the development of incurred cost on net outstanding claims relative to the ultimate expected estimate over the past eleven financial years.

	Prior years* $'000	Year ended 30 June 2012 $'000	Year ended 30 June 2013 $'000	Year ended 30 June 2014 $'000	Year ended 30 June 2015 $'000	Year ended 30 June 2016 $'000	Year ended 30 June 2017 $'000	Year ended 30 June 2018 $'000	Year ended 30 June 2019 $'000	Year ended 30 June 2020 $'000	Year ended 30 June 2021 $'000	Year ended 30 June 2022 $'000
Estimate of ultimate claims cost**												
At the end of the year	7,643,814	625,012	665,173	574,982	353,734	406,719	411,384	421,395	534,781	563,788	637,576	596,452
One year later	7,818,752	616,974	602,689	403,139	373,333	407,683	407,585	466,182	578,043	622,625	588,872	-
Two years later	7,808,876	581,152	435,366	400,500	339,167	409,268	436,585	473,493	644,584	579,956	-	-
Three years later	7,807,233	415,185	448,842	387,006	364,907	422,385	462,185	582,935	629,443	-	-	-
Four years later	7,281,835	416,116	433,620	401,389	384,569	422,591	521,700	558,439	-	-	-	-
Five years later	7,314,659	413,940	426,533	413,075	419,405	468,244	497,636	-	-	-	-	-
Six years later	7,218,876	415,322	446,462	405,411	432,706	449,187	-	-	-	-	-	-
Seven years later	7,316,941	431,659	433,923	410,852	382,424	-	-	-	-	-	-	-
Eight years later	7,323,716	424,538	447,763	393,610	-	-	-	-	-	-	-	-
Nine years later	7,308,714	434,123	426,511	-	-	-	-	-	-	-	-	-
Ten years later	7,306,661	419,096	-	-	-	-	-	-	-	-	-	-
Eleven years later	7,245,072	-	-	-	-	-	-	-	-	-	-	-
Current estimate of cumulative claims costs**	7,245,072	419,096	426,511	393,610	382,424	449,187	497,636	558,439	629,443	579,956	588,872	596,452
Cumulative payments**	6,953,924	357,993	351,281	313,133	273,876	312,101	308,094	316,982	336,100	278,837	198,125	75,382
Outstanding payments**	291,148	61,103	75,230	80,477	108,548	137,086	189,542	241,457	293,343	301,119	390,747	521,070
Discount adjustment***	207,047	13,075	12,296	10,310	10,890	10,277	10,292	9,294	6,789	2,471	713	603
Net outstanding claims	**498,195**	**74,178**	**87,526**	**90,787**	**119,438**	**147,363**	**199,834**	**250,751**	**300,132**	**303,590**	**391,460**	**521,673**

* Development of incurred cost estimate for accidents prior to 30 June 2011 since 30 June 2011.

** Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

*** Discount adjustment from beginning of accident year to current valuation date.

Note 10 Outstanding claims liability – Compensation Fund (continued)

(C) Claims development (continued)

	2022 $'000	2021 $'000
Prior years	**498,195**	631,925
Year ended 30 June 2012	**74,178**	97,721
Year ended 30 June 2013	**87,526**	118,785
Year ended 30 June 2014	**90,787**	116,964
Year ended 30 June 2015	**119,438**	182,656
Year ended 30 June 2016	**147,363**	193,992
Year ended 30 June 2017	**199,834**	255,149
Year ended 30 June 2018	**250,751**	313,736
Year ended 30 June 2019	**300,132**	365,669
Year ended 30 June 2020	**303,590**	418,769
Year ended 30 June 2021	**391,460**	563,362
Year ended 30 June 2022	**521,673**	-
Net outstanding claims	**2,984,927**	3,258,728
Claims handling expenses	**303,321**	309,898
Risk margin	**634,632**	588,823
Net liability for outstanding claims	**3,922,880**	4,157,449

(d) Maturity profile

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2022	628,775	763,013	412,505	589,926	692,055	836,606	3,922,880
2021	488,535	684,164	356,681	571,799	812,620	1,243,650	4,157,449

(e) Key assumptions

The key assumptions used by Finity Consulting Pty Limited in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2022	2021
Economic assumptions		
Inflation rate - income support	0.00% to 3.00%	0.00% to 2.80%
Inflation rate - medical, legal and other costs	2.30% to 5.00%	1.50% to 2.90%
Superimposed inflation rate - medical payments	0.00% to 2.00%	0.00% to 2.00%
Superimposed inflation rate - other	0.00% to 9.00%	0.00% to 2.00%
Discount rate	3.91%	2.40%
Duration and severity of claims	Refer below	Refer below
Claims handling expenses	9.90%	9.30%
Risk margin	19.30%	16.50%

Note 10 Outstanding claims liability – Compensation Fund (continued)

(e) Key assumptions (continued)

Finity Consulting Pty Limited has made a range of assumptions relating to the projected durations that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the distribution of claims between injured and seriously injured workers
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of the long-term claims for seriously injured workers.

On 28 July 2022 the Return to Work (Scheme Sustainability) Amendment Act 2022 was proclaimed. The Amendment Act:

- codifies the approach to combining injuries
- increases the threshold for accessing serious injury benefits from 30% to 35% WPI for physical injury claims
- allows serious injury claimants to elect to receive a section 56 economic loss lump sum payment instead of ongoing income support
- allows for a redemption of medical expenses on serious injury claims.

The outstanding claims liability valuation reflects changes arising from the Amendment Act.

While the overall impact of the Amendment Act was a reduction in the outstanding claims liability there is significant uncertainty on how the reforms will operate in practice. As a consequence the risk margin to bring the estimated claims liability to a 75% probability of sufficiency as at 30 June 2022 has increased to 19.3% compared to 16.5% last year.

(f) Sensitivity to changes in key assumptions

The sensitivity of the discounted net outstanding claims estimate and profit/(loss) impact at the 75th percentile (i.e. after allowing for the risk margin) to changes in key assumptions is shown in the following table:

	Increase/ (decrease) in net liability $'million	Percentage of net liability
Economic and modelling assumptions		
Strong economic scenario (2% gap between inflation and discount rate)	(394)	(10%)
Weak economic conditions (-1% gap)	519	13%
Duration and severity of claims		
Superimposed inflation is 1% higher than assumed for medical care costs for serious injury claims	356	9%
Impact of removing mortality loadings for catastrophic claims	402	10%
Reforms only cut out 10% of SI claims for a new accident year, combined with an assessment rush pre 1 January 2023 that means more claims remain covered by the current 30% SI	300	8%

In conducting its valuation Finity Consulting Pty Limited modelled a number of other scenarios under which the assumptions for future claims experience differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by plus or minus amounts which were within the variation range of values shown above.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability.

Note 11 Outstanding claims liability – Other Funds

(a) Outstanding claims – SRF and IAF

	SRF $'000	IAF $'000	**2022 Combined $'000**	2021 Combined $'000
Open claims	1,839	-	**1,839**	1,434
Total incurred but not yet reported (IBNR)	31,267	84	**31,351**	36,796
Claims handling expenses	2,814	7	**2,821**	3,249
Central estimate	35,920	91	**36,011**	41,479
Risk margin	15,475	41	**15,516**	18,128
Net liability for outstanding claims	51,395	132	**51,527**	59,607

The value of the claims liability is determined by RTWSA following an independent actuarial valuation by Finity Consulting Pty Limited. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 75% (2021: 75%) probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos-related disease claims that will be made after 30 June 2022 due to exposure prior to 30 June 2022. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos-related disease IBNR component was estimated by Finity Consulting Pty Limited based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease, recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

(b) Maturity profile – SRF and IAF

	Up to 1 yr $'000	1 to 3 yrs $'000	3 to 5 yrs $'000	5 to 10 yrs $'000	10 to 20 yrs $'000	Over 20 yrs $'000	Total $'000
2022	2,943	5,327	6,001	13,574	18,199	5,483	51,527
2021	2,449	5,346	6,179	14,788	21,120	9,725	59,607

Note 11 Outstanding claims liability – Other Funds (continued)

(c) Movement in liability – SRF and IAF

	SRF			IAF		
	2022	2021	Change	2022	2021	Change
	$'000	$'000	$'000	$'000	$'000	$'000
Asbestos-related						
Reported	1,336	980	356	-	-	-
IBNR / re-opened claims	31,236	36,654	(5,418)	84	99	(15)
	32,572	37,634	(5,062)	84	99	(15)
Non-asbestos-related						
Reported	503	454	49	-	-	-
IBNR / re-opened claims	31	43	(12)	-	-	-
	534	497	37	-	-	-
Central estimate	33,106	38,131	(5,025)	84	99	(15)
Claims handling expenses	2,814	3,241	(427)	7	8	(1)
Risk margin	15,475	18,080	(2,605)	41	48	(7)
Total outstanding claims liability	51,395	59,452	(8,057)	132	155	(23)

(d) Key assumptions

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

	2022	2021
Inflation rate		
asbestos claims	5.25%	4.50%
non-asbestos claims	3.25%	2.50%
Discount rate	3.80%	1.87%
Claim handling expenses	8.50%	8.50%
Risk margin		
reported claims	10.50%	10.50%
IBNR claims	45.00%	45.00%

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos-related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

(e) Sensitivity to changes in key assumptions

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos-related claims.

(f) Mining and Quarrying Industries Fund – Silicosis liability

The 30 June 2022 triennial valuation undertaken by Finity Consulting Pty Limited estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being $100,000.

Note 11 Outstanding claims liability – Other Funds (continued)

(g) Summary of Other Funds

	2022 $'000	2021 $'000
Statutory Reserve Fund	51,395	59,452
Insurance Assistance Fund	132	155
Mining and Quarrying Industries Fund	100	100
Net liability for outstanding claims	51,627	59,707
Current liability for outstanding claims	2,943	2,450
Non-current liability for outstanding claims	48,684	57,257
Total liability for outstanding claims	51,627	59,707
Change in liability for outstanding claims	(8,080)	(5,268)

Note 12 Tribunal and ombudsman fees

	2022 $'000	2021 $'000
South Australian Employment Tribunal	7,621	8,407
Ombudsman funding	361	354
Total tribunal and ombudsman fees	7,982	8,761

Note 13 General operating expenses

	Notes	2022 $'000	2021 $'000
Employee benefits	17	33,073	31,679
Depreciation and amortisation	14	3,331	3,079
Loss on disposal of non-current assets		-	1
Other operating costs		21,544	18,994
Total general operating expenses		57,948	53,753

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were $435,800 (2021: $414,400). No other services were provided by the Auditor-General's Department.

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

	No.	2022 $'000	No.	2021 $'000
Below $10,000	1	9	-	-
$10,000 or above	11	3,112	7	1,785
Total	12	3,121	7	1,785

Note 14 Depreciation and amortisation

	Notes	2022 $'000	2021 $'000
Leasehold improvements including office furniture and fittings		**636**	678
Computer, communications and general office equipment		**515**	214
Right-of-use land and buildings		**2,126**	2,126
Right-of-use motor vehicles		**54**	61
Total depreciation and amortisation	13	**3,331**	3,079

Note 15 Finance costs

	2022 $'000	2021 $'000
Interest and finance charges paid/payable for lease liabilities	24	78
Finance costs	24	78

Note 16 Taxation

In accordance with Treasurer's Instruction 22 Tax Equivalent Payments, effective 1 July 2015, RTWSA is required to pay to the SA Government an income tax equivalent. The Return to Work Corporation of South Australia Act 1994 restricts the application of tax equivalents to financial years in which RTWSA has achieved a funding level of at least 100% (with its outstanding claims liabilities at a 75% probability of sufficiency) and it has achieved a profit from insurance operations. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires the corporate income tax rate (30%) to be applied to the operating profit. The current income tax liability, if applicable, relates to the income tax expense outstanding for the current period.

RTWSA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

Income, expenses and assets are recognised net of GST, except when the amount of GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office.

Note 17 Employee benefits

	Notes	2022 $'000	2021 $'000
Salaries and wages		**29,287**	28,272
Long service leave		**(18)**	88
Annual leave		**783**	659
Skills and experience retention leave		**77**	70
Employment on-costs - superannuation		**2,944**	2,590
Total employee benefits expenses	13	**33,073**	31,679

(a) Key management personnel

RTWSA key leadership personnel include the Minister, Board members, the Chief Executive Officer and members of the Executive Team. The compensation disclosed in this note excludes salaries and other benefits the Minister receives. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account under section 6 the Parliamentary Remuneration Act 1990.

	2022 $'000	2021 $'000
Compensation		
Salaries and other short-term employee benefits	**2,325**	2,421
Post-employment benefits	**221**	230
Total	**2,546**	2,651

(b) Remuneration of Employees

	2022 No.	2021 No.
The number of employees whose remuneration received or receivable falls within the following bands		
$154,001 to $157,000*	**N/A**	1
$157,001 to $177,000	**14**	14
$177,001 to $197,000	**10**	6
$197,001 to $217,000	**5**	-
$217,001 to $237,000	**2**	2
$257,001 to $277,000	**3**	3
$277,001 to $297,000	**-**	1
$297,001 to $317,000	**-**	2
$317,001 to $337,000	**1**	1
$337,001 to $357,000	**1**	1
$437,001 to $457,000	**-**	1
$457,001 to $477,000	**1**	-
Total	**37**	32

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2020-21.

The total remuneration received by those employees for the year was $7.6 million (2021: $6.8 million).

Note 17 Employee benefits (continued)

The table includes all employees whose normal remuneration was equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits, any fringe benefits tax paid, or payable in respect of those benefits, as well as any termination benefits for employees who have left RTWSA.

(c) Liability for employee benefits

	2022	2021
	$'000	$'000
Current		
Accrued salaries and wages	-	703
Annual leave	2,770	2,420
Skills and experience retention leave	82	65
Long service leave	2,507	2,586
	5,359	5,774
Non-current		
Long service leave	1,461	1,920
	6,820	7,694

Employee benefits - wages, salaries, skills and experience retention leave, annual leave and long service leave, accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

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

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

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

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 1.25% at 30 June 2021 to 3.50% at 30 June 2022. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The salary inflation rate used in the actuarial assessment performed by the Department of Treasury and Finance was 2.50% at 30 June 2021 and 30 June 2022 for long service leave liability.

The net financial impact of the changes to actuarial assumptions in the current financial year is a decrease in the long service liability of $0.7 million and employee benefits expense of $0.8 million. The impact of future periods is impracticable to estimate as the long service leave is calculated using a number of demographical and financial assumptions, including the long-term discount rate.

Note 17 Employee benefits (continued)

The unconditional portion of the long service leave provision is classified as current as RTWSA does not have an unconditional right to defer the settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after ten years of service.

(d) Related party transactions

RTWSA is a statutory authority and is wholly owned and controlled by the South Australian Government. Related parties of RTWSA include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Note 18 Remuneration of board and committee members

Board members during the financial year ended 30 June 2022 were:

Member	Board	Appointed / Resigned	Investment & Finance Committee	Audit & Risk Committee	Human Resources Committee	Technology Committee
Ms. N Borda	Member	Appointed 1 Nov 21	-	-	-	Member
Mrs. J Denley	Member	Resigned 31 Oct 21	-	-	-	-
Dr. W Griggs	Member		Member	-	-	Member
Mr. C Latham	Member		Chair	Member	-	-
Mr. N McBride	Member	Resigned 31 Oct 21	-	-	-	-
Mr. G McCarthy	Chair		Member	-	Member	Chair
Ms. E Perry	Member		-	Member	Chair	-
Mr. J Rau	Member	Appointed 1 Nov 21	Member	-	-	-
Ms. Y Sneddon	Member		Member	Chair	-	-

Committee membership is at 30 June 2022.

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

	2022	2021
$20,000 to $39,999	**4**	-
$60,000 to $79,999	**4**	6
$100,000 to $119,999	**1**	1

The total remuneration received and receivable by board members for the year was $473,000 (2021: $471,000) which includes superannuation contributions.

The Minister's Advisory Committee is established under section 171 of the Return to Work Act 2014 (the Act). Its role includes advising the Minister for Industrial Relations on the operation of the Act. The members' remuneration paid/payable was $60,000 (2021: $62,000). Members of the Committee include S. Mead (Presiding Member), D. Blairs, D. Connor, K.J. Crowe, E. Dabars, S.C. Knight, E.T. Mah, and R. Paterson. E. Macey resigned on 17 June 2022.

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

Note 19 Cash and cash equivalents

	2022 $'000	2021 $'000
Cash equivalents	**186,682**	180,828

Cash and cash equivalents in the Statement of Cash Flows includes cash at bank and on-hand in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are included as part of investments

Note 20 Trade and other receivables

	Notes	2022 $'000	2021 $'000
Current receivables			
Trade receivables		**20,072**	17,468
Less allowance for doubtful debts		**(6,600)**	(7,100)
		13,472	10,368
Refunds		**(12,512)**	(14,805)
Recoverable claim payments	10	**20,547**	21,337
Sundry receivables and prepayments		**854**	1,609
Total current receivables		**22,361**	18,509
Non-current receivables			
Recoverable claim payments	10	**66,092**	62,851
Total non-current receivables		**66,092**	62,851
Total trade and other receivables		**88,453**	81,360
Impairment of receivables			
Opening balance		**(7,100)**	(8,600)
Amounts written off		**1,000**	1,200
Decrease/(increase) in allowance recognised		**(500)**	300
Closing Balance		**(6,600)**	(7,100)

The carrying amounts of receivables approximates net fair value due to being receivable on demand. Claim recoveries receivable are stated at the amounts estimated in the actuarial valuation.

Collectability of receivables is reviewed on an ongoing basis. Allowances for doubtful debts are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. Bad debts are written off when identified. The calculation of the impairment of receivables includes estimates to allow for businesses affected by adverse economic effects related to COVID-19.

Note 21 Property, plant and equipment

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Cost			
Balance at 1 July 2020	6,775	506	7,281
Additions	-	1,613	1,613
Disposals	-	-	-
Balance at 30 June 2021	6,775	2,119	8,894
Balance at 1 July 2021	6,775	2,119	8,894
Additions	-	37	37
Disposals	-	(11)	(11)
Balance at 30 June 2022	6,775	2,145	8,920
Accumulated Depreciation			
Balance at 1 July 2020	(5,461)	(200)	(5,661)
Depreciation charge	(678)	(214)	(892)
Disposals	-	-	-
Balance at 30 June 2021	(6,139)	(414)	(6,553)
Balance at 1 July 2021	(6,139)	(414)	(6,553)
Depreciation charge	(636)	(515)	(1,151)
Disposals	-	11	11
Balance at 30 June 2022	(6,775)	(918)	(7,693)
Carrying Amounts			
At 30 June 2021	636	1,705	2,341
At 30 June 2022	-	1,227	1,227

Property, plant and equipment with a value equal to or in excess of $15,000 is capitalised, otherwise it is expensed. All assets acquired, including leasehold improvements, computer and communications and general office equipment are stated at cost less accumulated depreciation and accumulated impairment losses, deemed to be fair value. All assets are owned by RTWSA.

Refer to Note 23 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements.

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2022	2021
Leasehold improvements including office furniture and fittings	5-10	5-10
Computer, communications and general office equipment	3-5	3-5

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Note 22 Right-of-use assets

	Land and buildings $'000	Motor vehicles $'000	Total $'000
Cost			
Balance at 1 July 2020	6,378	184	6,562
Additions	-	110	110
Disposals	-	(161)	(161)
Balance at 30 June 2021	6,378	133	6,511
Balance at 1 July 2021	6,378	133	6,511
Additions	6,973	29	7,002
Disposals	-	(37)	(37)
Balance at 30 June 2022	13,351	125	13,476
Accumulated Depreciation			
Balance at 1 July 2020	(2,126)	(97)	(2,223)
Depreciation charge	(2,126)	(61)	(2,187)
Disposals	-	97	97
Balance at 30 June 2021	(4,252)	(61)	(4,313)
Balance at 1 July 2021	(4,252)	(61)	(4,313)
Depreciation charge	(2,126)	(54)	(2,180)
Disposals	-	37	37
Balance at 30 June 2022	(6,378)	(78)	(6,456)
Carrying Amounts			
At 30 June 2021	2,126	72	2,198
At 30 June 2022	6,973	47	7,020

Right-of-use assets for land and buildings and motor vehicles leased by RTWSA as lessee are measured at cost.

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

Depreciation is calculated on a straight line basis so as to write off the cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

	2022	2021
Right-of-use land and buildings	Lease term	Lease term
Right-of-use motor vehicles	Lease term	Lease term

RTWSA has a limited number of leases:

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

The lease liabilities related to the right-of-use assets are disclosed in Note 25. The maturity analysis of lease liabilities is disclosed in Note 28(d). Expenses related to leases include depreciation, as disclosed in note 14, and interest expense, as disclosed in note 15.

Impairment

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

Note 23 Fair value measurement (non-financial assets)

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value of non-financial assets, which must be estimated for recognition or for disclosure purposes, is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

RTWSA had no valuations categorised into levels 1 or 2.

In determining fair value, the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible and financially feasible) have been taken into account.

Current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As no factors were identified to suggest an alternative use, fair value measurement was based on current use.

	Leasehold improvements including office furniture and fittings $'000	Computer, communications and general office equipment $'000	Total $'000
Balance at 1 July 2020	1,314	306	1,620
Additions	-	1,613	1,613
Depreciation	(678)	(214)	(892)
Balance at 1 July 2021	636	1,705	2,341
Balance at 1 July 2021	636	1,705	2,341
Additions	-	37	37
Depreciation	(636)	(515)	(1,151)
Balance at 1 July 2022	-	1,227	1,227

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

	$'000
2021	(892)
2022	(1,151)

Note 24 Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade payables	**20,246**	18,400
Unearned premiums	**77**	77
Employment on-costs	**882**	759
Non-current		
Employment on-costs	**161**	199
Total trade and other payables	**21,366**	19,435

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

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

RTWSA contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at the reporting date relates to any contributions due but not yet paid.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave is 42% at 30 June 2022 (2021: 42%). The average factor for the calculation of employer superannuation on-costs has risen to 10.6% at 30 June 2022 (2021: 10.1%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

Note 25 Lease liabilities

(a) Lease liabilities

	2022 $'000	2021 $'000
Current		
Lease liabilities	**1,234**	2,313
Non-current		
Lease liabilities	**5,786**	23
Total lease liabilities	**7,020**	2,336

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

(b) Cash outflow for leases

	2022 $'000	2021 $'000
Land and buildings	**2,289**	2,201
Motor vehicles	**54**	65
Total cash outflow for leases	**2,343**	2,266

Note 25 Lease Liabilities (continued)

(c) Extension options

The lease for office space is for a five year term to 30 June 2027 with a right of renewal for a further five years. As at 30 June 2022 it is not reasonably certain that RTWSA will take up the option to extend the lease beyond 30 June 2027.

Note 26 Provisions

	2022 $'000	2021 $'000
Balance at the start of the year	-	82
Provisions made/(written back) during the year	-	-
Provisions used during the year	-	(82)
Balance at the end of the year	-	-

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

Note 27 Reconciliation of comprehensive result to net cash flows from operating activities

	2022 $'000	2021 $'000
Total comprehensive result	**53,745**	(418,916)
Add / (less) non-cash items		
Depreciation	**3,331**	3,079
Net loss on sale of non-current assets	-	1
Change in net market values of investments	**271,313**	(296,897)
Movement in assets and liabilities		
Increase/(decrease) in payables	**1,935**	2,559
(Increase)/decrease in receivables	**(7,093)**	(10,875)
Increase/(decrease) in outstanding claims liability	**(240,198)**	796,829
Increase/(decrease) in employee benefits	**(874)**	(109)
Increase/(decrease) in provisions	-	(82)
Net cash flows from operating activities	82,159	75,589

Note 28 Risk management

(a) Overview

RTWSA's risk management framework is the principal means by which identified risks are managed. RTWSA has developed a corporate governance framework that supports risk management. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage RTWSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment of the Risk Appetite Statement, which is reviewed annually
- the establishment and regular review by the Board and management of a corporate risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems, which provide up to date, and reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with RTWSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by RTWSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by RTWSA. RTWSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in RTWSA's activities. RTWSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by RTWSA are:

- insurance risk
- operational risk
- financial risk.

(b) Insurance risk

As set out in Note 1, RTWSA provides insurance protection in the event of work-related injury, in accordance with the Act, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the Act the Compensation Fund is funded by charging premiums to all employers covered by the Act which are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or premium rate applicable to each employer is determined annually based on the industry in which the employer operates and the Average Premium Rate. Small employers, with annual remuneration less than $13,760 (subject to indexation), are not required to register or pay a premium.

The Average Premium Rate is set annually by the Board in accordance with its funding and premium setting policy based on an actuarial assessment of the expected claims and expenses of the Compensation Fund and an estimate of the likely overall remuneration for all the employers that are required to pay premiums under the Act. The Average Premium Rate is then used as a basis for determining an individual premium rate for individual industry groups.

Note 28 Risk management (continued)

(b) Insurance risk (continued)

The risk associated with premium rate pricing is controlled by obtaining external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models. The number of registered (non self-insured) employers insured under the Act for the financial year was approximately 56,000. The entitlements payable to injured workers are determined by the Act.

RTWSA's approach to determining the outstanding claims provisions and related sensitivities is set out in Notes 10 and 11. A key control utilised by RTWSA in seeking to ensure the adequacy of the claims provision is the regular completion of actuarial valuations:

- Compensation Fund - every six months
- Statutory Reserve Fund - every twelve months
- Insurance Assistance Fund - every twelve months
- Mining and Quarrying Industries Fund - every three years.

(c) Operational risk

Operational risk relates to the risk of loss arising from system failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above, which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

(d) Financial risk

RTWSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

RTWSA's exposure to these risks arises primarily in relation to its investment portfolio, and also in relation to its other financial assets. This note presents information about RTWSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Investments – risk management framework
RTWSA's Investment Policy and Strategy document describes the framework within which the RTWSA investment program functions, including the Board's governance arrangements for the investment program.

The mission of the investment program is to contribute to an improved funding position for the Scheme. The investment program will achieve this by delivering, over the long term, a rate of return that exceeds the average actuarial discount rate.

The current long term return objective for the investment program is a return of CPI + 2.5%. This will be achieved through adopting a moderate risk, balanced investment portfolio.

The formal Investment Policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances.

Note 28 Risk management (continued)

(d) Financial risk (continued)

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment consultancy firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

The Board Investment and Finance Committee monitors the investment program on a regular basis.

RTWSA has a master custody arrangement with National Australia Bank (NAB). All assets are held by NAB under safe custody, except for the internally managed cash and a global equity index fund.

At any particular time the composition of the portfolio will vary from the Board approved Investment Strategy targets depending on the decisions of individual fund managers and market movements. However, any variance to the target is required to be within Board approved limits.

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value
- listed securities and Government securities are valued by reference to market quotations
- underlying property assets and investments in unlisted unit trusts are valued by reference to independent third parties.

All investments are classified as backing insurance liabilities (outstanding claims liabilities).

Note 28 Risk management (continued)

(d) Financial risk (continued)

As at 30 June 2022

	Level 1 $'000	Level 2 $'000	level 3 $'000	Total $'000
Deposits with Financial Institutions	357,653	-	-	357,653
Debt securities	1,452,008	-	-	1,452,008
Australian equities	201,008	-	-	201,008
Overseas equities	769,976	-	-	769,976
Real assets (property and infrastructure)	390,285	328,526	228,432	947,243
Derivatives	-	(23,180)	-	(23,180)
Total investments at fair value through profit and loss	3,170,930	305,346	228,432	3,704,708
Current				373,155
Non-current				3,331,553
Total investments				3,704,708

As at 30 June 2021

	Level 1 $'000	Level 2 $'000	level 3 $'000	Total $'000
Deposits with Financial Institutions	236,289	-	-	236,289
Debt securities	1,647,400	-	-	1,647,400
Australian equities	218,680	-	-	218,680
Overseas equities	934,811	-	-	934,811
Real assets (property and infrastructure)	368,097	294,313	212,626	875,036
Derivatives	-	(15,995)	-	(15,995)
Total investments at fair value through profit and loss	3,405,277	278,318	212,626	3,896,221
Current				330,365
Non-current				3,565,856
Total investments				3,896,221

The hierarchy for the fair value measurement of investments is:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs, other than quoted prices included within level 1, that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

Note 28 Risk management (continued)

(d) Financial risk (continued)

Use of derivatives

In the normal course of its investment activities RTWSA is party to arrangements involving derivatives. Derivatives held within portfolios through RTWSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market
- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers' risk management policies and RTWSA's Derivatives Policy and Fund Manager Guidelines. Where there is inconsistency, RTWSA's Fund Manager Guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions, with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which RTWSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the Unit Trusts in which RTWSA invests is approved and monitored by the responsible entity or trustee for the respective Unit Trust.

No single instrument is individually material to the future cash flows of RTWSA. RTWSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. RTWSA, through its separate account investment portfolios, uses derivative instruments as follows:

Forward exchange contracts

- RTWSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, RTWSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes RTWSA intentionally maintains some un-hedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

Futures contracts

- RTWSA invests across a range of markets. Futures contracts give investors the ability to increase or decrease exposure to these markets with very low transaction costs
- the gain or loss on outstanding futures contracts as at the reporting period are taken up in the financial statements as an unrealised gain or loss based on the fair value as at the end of the reporting period
- futures contracts are predominantly used for transactional efficiency and value added strategies.

Credit risk

Credit risk is the risk of financial loss to RTWSA if a premium payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

Note 28 Risk management (continued)

(d) Financial risk (continued)

Credit risk - investments

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

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

As at 30 June 2022

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Government	-	-	-	746,302	120,533	-	-	-	-	866,835
Corporate	-	-	-	113,316	41,330	124,401	195,874	40,114	70,134	585,169
Cash	318,026	20,000	-	-	-	-	-	-	(8,899)	329,127
	318,026	20,000	-	859,618	161,863	124,401	195,874	40,114	61,235	1,781,131

As at 30 June 2021

	Short-term issue ratings*			Long-term issue ratings**					Not Rated***	
	A1+	A1	A2	AAA	AA	A	BBB	BB/B		Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Government	-	-	-	835,769	159,025	-	-	-	-	994,794
Corporate	-	-	-	97,220	40,643	142,950	288,745	34,576	64,456	668,590
Cash	194,394	12,000	-	-	-	-	-	-	(3,182)	203,212
	194,394	12,000	-	932,989	199,668	142,950	288,745	34,576	61,274	1,866,596

* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

** Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

*** Not rated assets for this table are non-defensive assets and consist predominately of cash or investments in pooled funds.

Credit risk - other financial assets

The only significant exposure to credit risk in relation to assets, other than investments, relates to trade receivables, which include premiums due and payable from registered and self-insured employers and overpayment recoveries from employers, workers and providers. RTWSA is able to enforce the collection of debts due under the Act or via restitution principles through a court of competent jurisdiction. RTWSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

Note 28 Risk management (continued)

(d) Financial risk (continued)
15.6% of RTWSA's trade receivables and sundry receivables were past due greater than 30 days (2021: 22.4%). The ageing of RTWSA's trade receivables and sundry receivables at the reporting date was:

	2022 $'000	2021 $'000
Not past due	**11,423**	8,355
Past due 1-30 days	**662**	943
Past due 31-60 days	**2,017**	1,949
Past due 61 days to one year	**224**	730
	14,326	11,977

There were no significant concentrations of credit risk.

Liquidity risk
Liquidity risk arises from the possibility that RTWSA will not be able to meet its financial obligations as they fall due. RTWSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to RTWSA's reputation. At least 15% of RTWSA's investments could be liquidated within five business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 83.4% (2021: 87.5%) of RTWSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. RTWSA's asset allocation is such that, if required, it could be realisable as cash within a few months. Accordingly RTWSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities, excluding outstanding claims, based on the remaining undiscounted obligations. The maturity profiles of outstanding claims are outlined in notes 10 & 11.

As at 30 June 2022

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 years $'000	No Term $'000	Total $'000
Lease liabilities	1,234	2,702	3,084	-	-	7,020
Trade and other payables	21,205	161	-	-	-	21,366

As at 30 June 2021

	1 year or less $'000	1 to 3 years $'000	3 to 5 years $'000	Over 5 years $'000	No Term $'000	Total $'000
Lease liabilities	2,313	23	-	-	-	2,336
Trade and other payables	19,236	199	-	-	-	19,435

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect RTWSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Note 28 Risk management (continued)

(d) Financial risk (continued)

RTWSA is exposed to market risk primarily through:
- currency risk
- interest rate risk
- market price risk.

Currency risk
RTWSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. RTWSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property and overseas infrastructure are covered by forward exchange contracts. Approximately 33% of the international equity securities holdings are covered by forward exchange contracts. The remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact of a strengthening or weakening Australian dollar on assets held in foreign currencies. This analysis is based on foreign currency exchange rate variances that RTWSA considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
	$'000	$'000	$'000	$'000
30 June 2022				
US Dollar (10% movement)	(28,442)	28,442	(28,442)	28,442
China (10% movement)	(3,221)	3,221	(3,221)	3,221
Euro (10% movement)	(3,923)	3,923	(3,923)	3,923
JPY (10% movement)	(1,459)	1,459	(1,459)	1,459
Sterling (10% movement)	(4,344)	4,344	(4,344)	4,344
Other (10% movement)	(10,655)	10,655	(10,655)	10,655
30 June 2021				
US Dollar (10% movement)	(37,301)	37,301	(37,301)	37,301
China (10% movement)	(3,398)	3,398	(3,398)	3,398
Euro (10% movement)	(7,152)	7,152	(7,152)	7,152
JPY (10% movement)	(2,263)	2,263	(2,263)	2,263
Sterling (10% movement)	(4,032)	4,032	(4,032)	4,032
Other (10% movement)	(13,505)	13,505	(13,505)	13,505

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by RTWSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

RTWSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of RTWSA's defensive or low risk exposure to provide capital stability and secure income. RTWSA's investments in interest bearing securities consist largely of marketable securities.

Note 28 Risk management (continued)

(d) Financial risk (continued)

RTWSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis is based on interest rate variances that RTWSA considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
1% interest rate movement - interest bearing investments				
2022	(96,527)	96,527	(96,527)	96,527
2021	(106,445)	106,445	(106,445)	106,445

Market price risk
Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

RTWSA is exposed to market price risk in all asset groups with the highest systematic risk in listed securities. These investments consist of investments listed on the Australian Stock Exchange and other major international exchanges (excluding listed debt). The market price risk in all other asset groups is considered less significant.

RTWSA manages its exposure to market price risk through the adoption of a long-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and overseas listed equities on RTWSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation excludes the impact from currency risk. Industry standard categorisations have been adopted for RTWSA's equity exposures.

	Profit or loss		Equity	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Listed Securities				
30 June 2022				
Australian equities - (20% movement)	40,202	(40,202)	40,202	(40,202)
Overseas equities - (20% movement)	153,995	(153,995)	153,995	(153,995)
30 June 2021				
Australian equities - (20% movement)	43,736	(43,736)	43,736	(43,736)
Overseas equities - (20% movement)	186,962	(186,962)	186,962	(186,962)

Note 28 Risk management (continued)

(d) Financial risk (continued)

Fair value measurements
The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets
- Level 2: inputs, other than quoted prices included within level 1, that are observable for the asset either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted infrastructure assets.
The following table presents the changes in level 3 instruments for the years ended 30 June 2022 and 2021:

	Financial year ended 30 June 2022 $'000	Financial year ended 30 June 2021 $'000
Unit Trusts - unlisted infrastructure		
Opening balance	**212,626**	198,985
Contributions	**-**	2,387
Withdrawals	**(5,403)**	(3,538)
Gains recognised in investment profit	**21,209**	14,792
Closing balance	**228,432**	212,626

Note 29 Employer financial guarantees

Under section 129 of the Act and schedule 3 of the Regulations, RTWSA administers financial guarantees lodged by non-SA Government self-insured employers. As at 30 June 2022, RTWSA held security to the value of $302.3 million (2021: $285.3 million) in financial guarantees or other approved substituted financial securities for self-insured employers. These guarantees are held in the event of a self-insured employer no longer being able to meet its claim liabilities.

Note 30 Self-insured Insolvency Contribution Aggregate

The Act requires fees paid by self-insured employers to include a fair contribution towards the actual and prospective liabilities of RTWSA arising from the insolvency of self-insured employers and other liabilities of the RTWSA as an insurer of last resort. The Self-Insured Insolvency Contribution Aggregate ("SIICA") is a pooled fund representing contribution fees received over time less any amounts paid by RTWSA as a result of the insolvency of a self-insured employer in excess of a financial guarantee held by RTWSA plus notional attributed interest (calculated by applying the Reserve Bank of Australia cash rate to the balance as at 30 June each year). The SIICA balance as at 30 June 2022 is $55.2 million (2021: $54.9 million).

Note 31 Impact of standards and statements not yet implemented

RTWSA has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

The material impacts on RTWSA are outlined below:

(a) AASB 17 - Insurance Contracts

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

Application date is 1 July 2025.

There will be significant changes in terminology, presentation and disclosure, including making a choice on whether changes in discount rates and other market variables are accounted for in Comprehensive Income or in Other Comprehensive Income.

Note 32 Events after the reporting period

The Return to Work (Scheme Sustainability) Amendment Bill 2022 was passed on 6 July 2022 and proclaimed as an Act on 28 July 2022. The Amendment Act has been treated as an adjusting event after the reporting period and reflected in the financial statements. Apart from the above there have been no events after the reporting period which would have a material effect on RTWSA's financial statements at 30 June 2022.

ReturnToWorkSA
Certificate under section 23(2) of the Public Finance and Audit Act 1987
30 June 2022

In our opinion the financial statements for the Return to Work Corporation of South Australia:

- are in accordance with the accounts and records of the Return to Work Corporation of South Australia;
- comply with relevant Treasurer's Instructions;
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Return to Work Corporation of South Australia at the end of the financial year and the result of its operation and cash flows for the financial year.

In our opinion the internal controls employed by the Return to Work Corporation of South Australia for the financial year over its financial reporting and its preparation of financial statements have been sufficiently effective to enable the presentation of financial statements that are free from material misstatement.

G. McCarthy

Chair

M. Francis

Chief Executive Officer

Des Quirk

D. Quirk

Chief Financial Officer

8 September 2022