

HOUSE OF ASSEMBLY  
LAID ON THE TABLE

14 November 2013

MAQOHSC Annual Report 2012–2013



**Mining & Quarrying**  
OCCUPATIONAL HEALTH &  
SAFETY COMMITTEE



Supported by  
**Government**  
of South Australia





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Image: MAQOHSC is a proud sponsor of the SA Mine Rescue Competition.

Disclaimer: The Mining and Quarrying Occupational Health and Safety Committee confirm the information in this report has been prepared with due care and is for information purposes only. Further required information can be obtained by contacting the Executive Officer MAQOHSC.



# Presiding Member's Report



It is my great pleasure to report on the Mining and Quarrying Occupational Health and Safety Committee's (MAQOHSC) performance by providing this Annual Report for 2012–2013. The Committee, Secretariat and Field Operations have experienced another challenging and rewarding year of service.

MAQOHSC is made up of representatives of the major stakeholders in the mining and quarrying industries, continued to raise awareness of the serious risks within those industries and implemented measures to improve the health and safety of workers.

MAQOHSC provides targeted resources for the mining and quarrying industries for practical, industry based approaches. By working closely with industry, whether it be a small quarry or a large mine, MAQOHSC has been able to tailor its products and activities to areas of high priority for the industry itself. This allows us to continue working towards improving workplace health and safety for all South Australia's mine and quarry workers.

I thank the Committee, both members and deputies and our staff for their hard work during the year. The diligence of this team and the strong and passionate commitment to improving health and safety has contributed to a strong performance during 2012–2013. A willingness to work together, to share information and examples of industry best practice and to improve MAQOHSC, has laid the groundwork for more improvement in years to come.

## STRATEGIC PLAN AND GOVERNANCE PERFORMANCE

MAQOHSC made significant achievements against the MAQOHSC Strategic Plan 2011–2014. The industry demand for services and resources aligned with the Strategic Plan's four key strategies of Prevention, Education and Training, Research and Innovation and Supporting Others. The dedication of the Committee, Secretariat and Field Operations kept our activities focussed and on target.

Personnel changes during the year provided an opportunity for the Committee and staff to rethink the direction of MAQOHSC and to undertake further strategic planning to ensure our direction and focus.

# Presiding Member's Report

## OPERATING HIGHLIGHTS

The MAQOHSC Committee facilitates a wide range of initiatives that address not only the safety, but also the general wellbeing of all workers in South Australia's mining and quarrying industries. MAQOHSC provides a range of services to the mining and quarrying sector such as safety audits and information sessions, supports relevant research such as dust studies and also develops resources for use by industry.

MAQOHSC supported registered employers in the mining and quarrying industries in South Australia to achieve a 69% reduction in the work injury rate over ten years (2002-2012) which is above the South Australia's Strategic Plan target of 40% reduction in injury by June 2012.

MAQOHSC continued workplace health promotion by providing the Mining and Quarrying Health Assessment and Surveillance Program. The emphasis of the MAQOHSC health assessments and cancer skin screening is a commitment to improving the knowledge, the lifestyles and health of all in the quarrying and mining industries.

The introduction of the *Work, Health and Safety Act 2012* (SA) requires promotion to industry. To support that transition MAQOHSC developed industry guides,

provided extensive, onsite field services, provided mentoring for OHS staff and increased our web resources, to assist stakeholders towards WHS compliance.

MAQOHSC assisted the quarrying and mining industries in a range of ways including updating information on safety management systems to help companies comply with the *Work, Health and Safety Act 2012* (SA) and the *Work Health and Safety Regulations 2012* (SA). This can have an impact on safety outcomes. Many in the quarrying industry appreciate the fact that MAQOHSC offered particular assistance to remote sites and smaller quarry operations with their workers receiving detailed site specific guidance.

MAQOHSC onsite field operations completed onsite tailored information workshops including WHS Compliance to the *Work, Health and Safety Act 2012* (SA) to more than 700 industry stakeholders including mine management teams and mine and quarry workers.

MAQOHSC maintained a commitment to research, including analysis of the impact of the long term effects of dust at mines and quarries, and encouraged funding submissions for new projects and / or innovations to industry. MAQOHSC continued a joint alliance again in the 2013 Commissioned Research Grants program run by SafeWork SA.

MAQOHSC also completed 14 onsite audits for stakeholders. All audits were conducted in accordance with Australian / New Zealand Standards.

The Committee continues as a Diamond Sponsor of the "Passport to Safety" program which targeted schools in remote or regional areas where mining and quarrying activities are likely to be located. The program assists students in gaining the basic knowledge and understanding of Occupational Health and Safety, giving young South Australian students knowledge of work safety in the growing industry of mining and quarrying.

Overall, MAQOHSC had a productive year at a time of legislative change assisting industry with change while providing resources, research and hands on assistance. Industry utilised the MAQOHSC Guides and Safety Alerts, accessed our web page in increasing numbers and our Tool Box DVDs and other resources continued to be used throughout the period.

I am pleased to present this annual report on behalf of the MAQOHSC Committee.

**Margaret Sexton**  
Presiding Member  
MAQOHSC

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MAQOHSC supported employers to achieve 69% reduction in work injury rate over ten years (2002-2012)

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# About the Committee

## LEGISLATION

The Mining and Quarrying Occupational Health and Safety Committee is a tripartite body which exists under Schedule 2 of the *Work Health and Safety Act 2012*.

Schedule 2 of the Act provides the Committee with direction regarding its operation and its application of monies available from the Mining and Quarrying Industries Fund (the Fund).

WorkCoverSA administers the Fund pursuant to Schedule 1 of the *Workers Rehabilitation and Compensation Act 1986*.

The Committee is subject to the control and direction of the Minister for Industrial Relations.

## THE COMMITTEE'S FUNCTION

The Committee's principal function is to oversee expenditure of the Fund to minimise injury and disease and promote occupational health and safety in the mining and quarrying industries.

The Act provides that the Committee may utilise the Fund for the following purposes:

- to promote and support practices, procedures and arrangements designed to protect workers from silicosis;
- to support education in the field of occupational health or safety in the mining and quarrying industries;
- to initiate or support research and studies into occupational health or safety that could benefit workers in the mining and quarrying industries;
- to promote and support persons or organisations working to prevent, alleviate or treat the kinds of disabilities suffered by workers in the mining and quarrying industries; and,
- to support any other kind of activity that could directly or indirectly improve occupational health or safety in the mining and quarrying industries, or assist in the rehabilitation of disabled workers in those industries.

The Committee has all such powers as are reasonably necessary for the effective performance of its functions (including the power to establish subcommittees and to engage, as may be appropriate, experts or consultants to assist the Committee in the performance of its functions).



# Membership of the Committee

The Committee will consist of 7 persons appointed by the Minister, of whom:

- 2 will be persons working in the field of occupational health and safety nominated by the SafeWork SA Advisory Council; and
- 1 will be a member of the Department (SafeWork SA) who has experience in the mining and quarrying industries; and
- 1 will be a person nominated by the South Australian Chamber of Mines and Energy, and 1 will be a person nominated by Cement Concrete and Aggregates Australia, to represent the interests of employers involved in the mining and quarrying industries; and
- 2 will be persons nominated by the United Trades and Labour Council (SA Unions) to represent the interests of workers who work in the mining and quarrying industries.

The Minister may appoint a suitable person to be a deputy of a member of the Committee.

During any period of absence of that member, the appointed deputy is able to act as a member of the Committee.

Members and deputy members of the Committee, who held office during the 2012–2013 financial year, are listed in *Table 1* below.

**Table 1 – Committee membership during 2012–2013**

Role	Appointment date	Name
Presiding Member	18 October 2010	Margaret Sexton
Member	18 October 2010	Wayne Hanson
	Not applicable	Vacant <sup>1</sup>
	16 January 2012	Eric McInerney
	7 May 2012	Glenn Murray
	18 October 2010	Martin O'Malley
	18 October 2010	Shelley Rowett
Deputy Member	18 March 2013	Marcus Hanson
	18 October 2010	Aaron Cartledge
	18 March 2013	Heidi O'Neil <sup>2</sup>
	Not applicable	Vacant <sup>3</sup>
	18 October 2010	Maurice Howard
	18 October 2010	Graeme Sauer

<sup>1</sup> No SA Unions member appointed

<sup>2</sup> Replaced Eric McInerney, CCAA deputy member

<sup>3</sup> No deputy SACOME member appointed

# Strategic Direction 2011–2014



## VISION

MAQOHSC is a recognised leader in work health and safety in South Australia's mining and quarrying industries

## MISSION

To make South Australia's mining and quarrying workplaces safer

## OUR KEY STRATEGIES

### PREVENTION

Promote and support activities that prevent harm in the workplace

- Promote best practice work health and safety systems and processes.
- Foster the principles of consultation, collaboration and participation.
- Provide practical resources, information, advice and assistance to customers.
- Identify and share solutions across industry.
- Take a global view and look ahead to anticipate challenges and opportunities.

### EDUCATION AND TRAINING

Support education and training in work health and safety

- Provide accurate, relevant and user friendly education and training information, tools and resources.
- Deliver training, coaching and mentoring activities and field services which build the work health and safety skills of people and organisations.
- Support work health and safety skill development in the education sectors.
- Support conferences, seminars and events which contribute to the increase of work health and safety knowledge.

### RESEARCH AND INNOVATION

Support research and innovation in work health and safety

- Support and promote work health and safety research projects, particularly those related to the exposure of workers to silica dust.
- Support the sharing and dissemination of research findings and products.
- Promote and encourage the development and sharing of innovative solutions.
- Support research conferences and seminars on work health and safety.

### SUPPORTING OTHERS

Support people and organisations working to prevent and minimise harm

- Build and maintain relationships with workers, employers, industry associations, unions and government.
- Provide support to those who assist in the prevention or treatment of disabilities or the rehabilitation of disabled workers.
- Assist small businesses to develop their work health and safety systems, processes and people.

# Strategic Direction 2011–2014

## OUR UNDERPINNING PRINCIPLES

Our commitment to improving the health and safety of South Australia's mine and quarry workers underpins everything we do. Our stakeholders include workers, health and safety representatives, health and safety committees, personnel with a work health and safety or rehabilitation service function, supervisors and managers, employers and their representative bodies, unions, industry bodies, service providers and government.

### ANALYSIS

Our activities will be purposeful and focussed

- Align our work to national and State work health and safety strategies.
- Analyse data to identify key areas of focus.
- Base our activities on an awareness and understanding of our environment.
- Manage emerging issues and the opportunities and challenges they present.
- Understand the needs of our customers and key stakeholders.
- Utilise the wealth of experience and knowledge of our key stakeholders.

### EVALUATION

We will continually review, evaluate and improve our processes and activities

- Evaluate the performance of the Committee against governance standards, its budget and business plan.
- Evaluate the management and delivery of projects, programmes and field services delivered for the Committee by other parties.
- Strive to deliver best practice governance, application of resources and effort by the Committee.
- Apply continuous improvement principles and the pursuit of excellence.

### COMMUNICATION AND ENGAGEMENT

We will communicate and engage with industry and key stakeholders

- Build and maintain effective relationships with key stakeholders, industry, customers and government.
- Engage with industry and key stakeholders to communicate our aims and objectives and to share expertise and intelligence.
- Continually develop and improve our communications processes and media.
- Increase MAQOHSC's regional presence.
- Share the outcomes of the Committee's activities, programmes and projects.

### OUR BUSINESS

As a tri-partite Committee, we will conduct our business in an independent, prudent, professional and customer focussed way

- Transparency and good governance will characterise our Committee activities.
- Consultation, collaboration and participation will be the norm for our Committee, our secretariat and our field services activities.
- Independence and professionalism will be evident in our secretariat and field services activities.
- Excellent customer service is our minimum standard.



# Freedom of information

In accordance with the *Freedom of Information Act 1991* (FOI Act), information concerning the operation of the Mining and Quarrying Occupational Health and Safety Committee can be found throughout this report.

During the 2012-2013 year, members of the Committee did not engage in any overseas travel in their capacity as Committee members.

All project reports that have been received and accepted by the Committee are available to the public and can be accessed by contacting the Executive Officer on (08) 8303 0499.

To access documents other than those mentioned, it is necessary to apply in writing under the FOI Act to:

The Executive Officer  
Mining and Quarrying Occupational Health and  
Safety Committee  
SafeWork SA  
GPO Box 465  
ADELAIDE SA 5001

# Financial Report 2012–2013

## AUDITING COMPLIANCE

I confirm that the Auditor General has completed the audit and has provided their Independent Auditor's Report with an unqualified audit opinion, this was dated 23 September 2013.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

### Mining and Quarrying Industries Fund

Part A \$'000	Part B \$'000	2012 Total \$'000		Notes	Part A \$'000	Part B \$'000	2013 Total \$'000
10	694	704	Investment profit	4	24	1,658	1,682
-	(849)	(849)	Total expenses	5	-	(692)	(692)
10	(155)	(145)	<b>TOTAL COMPREHENSIVE RESULT</b>		24	966	990

## STATEMENT OF FINANCIAL POSITION AS AT THE 30 JUNE 2013

### Mining and Quarrying Industries Fund

Part A \$'000	Part B \$'000	2012 Total \$'000		Notes	Part A \$'000	Part B \$'000	2013 Total \$'000
-	25	25	<b>ASSETS</b>				
188	13,174	13,362	Trade and other receivables		-	12	12
188	13,199	13,387	Investments	6	212	14,093	14,305
			<b>TOTAL ASSETS</b>		212	14,105	14,317
-	98	98	<b>LIABILITIES</b>				
100	-	100	Payables		-	38	38
100	98	198	Outstanding claims	7	100	-	100
88	13,101	13,189	<b>TOTAL LIABILITIES</b>		100	38	138
			<b>NET ASSETS</b>		112	14,067	14,179
88	13,101	13,189	<b>EQUITY</b>				
88	13,101	13,189	Retained earnings		112	14,067	14,179
88	13,101	13,189	<b>EQUITY</b>		112	14,067	14,179



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

### Mining and Quarrying Industries Fund

Part A \$'000	Part B \$'000	2012 Total \$'000		Notes	Part A \$'000	Part B \$'000	2013 Total \$'000
			Cash flows from operating activities				
-	(753)	(753)	Payments to suppliers		-	(739)	(739)
4	257	261	Interest received	4	4	249	253
3	223	226	Dividends	4	3	242	245
7	(273)	(266)	Net cash from operating activities	9	7	(248)	(241)
			Cash flows from investing activities				
(7)	273	266	(Acquisition)/Disposal of investments		(7)	248	241
(7)	273	266	Net cash from investing activities		(7)	248	241
-	-	-	Net increase/(decrease) in cash		-	-	-
-	-	-	Cash at the beginning of the period		-	-	-
-	-	-	Cash at the end of the period		-	-	-

Notes to and forming part of the financial statements are included on pages 10 to 16.

# Financial Report 2012–2013

## NOTE 1 – STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

### (a) Mining and Quarrying Industries Fund

Amendments to the *Workers Rehabilitation and Compensation Act 1986* provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. It is exempt from payment of income tax and stamp duties. The financial statements have been prepared in accordance with this Act.

Funds standing to the credit of the Silicosis Fund were transferred to WorkCoverSA, 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 the Fourth Schedule.

At 30 June 2013 Finity Consulting Pty Limited, Actuaries provided an estimate of the extent of the existing and prospective liabilities under the Silicosis scheme under the repealed Act. The next review will be conducted June 2016.

With effect from 1 January 2006 the *Occupational Health Safety and Welfare (SafeWork SA) Amendment Act* transferred the responsibility for the administration of this fund to SafeWork SA.

### (b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements are not a general purpose financial report but are prepared consistently with the *WorkCover Corporation Act 1994* and *Australian Accounting Standards (AASBs)* with the exception of the disclosure requirements of AASB7 and AASB132.

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities,

income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASBs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The Statement of Comprehensive Income and Statement of Financial Position have been prepared on an accruals basis and are in accordance with historical cost basis except for investments that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

The Statement of Cash Flows has been prepared on a cash basis.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

### (c) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable in foreign currencies have been translated to

Australian currency at rates of exchange current at the end of the reporting period, with resulting exchange differences brought to account at 30 June 2013.

### (d) Investments

Investments are measured at fair value. Changes in the fair values of investments at the end of the 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.

Fair value of investments represents the 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.
- Receivables are initially recognised at fair value and subsequently at amortised cost less impairment losses (Note 1(e)).
- 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.

### (e) Impairment

An impairment is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is an indication of impairment.

### (f) Investment income

Interest income is recognised in the Statements of Comprehensive Income as it accrues, using the effective interest method.

Dividend income is recognised in the Statement of Comprehensive Income on the date the right to receive payments is established which in the case of quoted securities is the ex-dividend date.



## NOTE 2 – CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, 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 The Fund 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 outstanding claims liability.

The outstanding claims liability has been established on the basis of an independent actuarial assessment 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 end of the reporting period.

## NOTE 3 – RISK MANAGEMENT

The Mining and Quarrying Industries Fund's investments are pooled with investments of WorkCoverSA.

It is not possible to identify specific assets belonging to the Mining and Quarrying Industries.

Investment income is allocated to the Mining and Quarrying Industries Fund based on the average earning rate of WorkCoverSA as a whole, the Mining and Quarrying Industries Fund is not subject to the interest rate risk of any of its individual investments, but rather to the interest rate risk of WorkCoverSA.

### Overview

WorkCoverSA's risk management framework is the principal means by which identified risks are managed. WorkCoverSA has developed a risk management strategy that supports the risk management framework. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage WorkCoverSA'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 and regular review by the Board Audit and Risk Committee and management of a 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, 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 WorkCoverSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WorkCoverSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by WorkCoverSA. WorkCoverSA'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 WorkCoverSA's activities. WorkCoverSA, 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.

WorkCoverSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk

WorkCoverSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about WorkCoverSA'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.

# Financial Report 2012–2013

## Investments – risk management framework

WorkCoverSA's Investment Policy document defines the investment policies for the management and oversight of WorkCoverSA's investment portfolio. It overviews the broader context against which the WorkCoverSA investment program operates, sets forth the specific investment objectives for the portfolio and the Board's governance arrangements for the investment program. The Investment Policy objectives are:

- assist in minimising employer premiums by delivering investment returns that exceed the actuarial discount rate achieved by adopting a moderate-risk, balanced-investment portfolio
- ensure maintenance of the purchasing power of money held to fund the Scheme's incurred, predominantly inflation indexed, liabilities by focusing on maximising real investment returns, measured over rolling three-year periods

Achievement of these objectives will be subject to:

- the expected impact of the investment program on the volatility of the funding ratio being acceptable
- there being an acceptable risk that the nominal investment return in any one year will be negative
- assets being sufficiently liquid to meet any Scheme cash outflow requirements

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances. Other documents integral to WorkCoverSA's investment activities are:

- Investment strategy – this Board approved document incorporates the asset allocation that has been adopted to achieve the Board's investment objectives. This document is reviewed at least annually.
- Fund Manager Guidelines and Credit Limits - this document outlines the

detailed operating controls and limitations applying to each investment portfolio. This document is reviewed at least annually.

- Risk Management Statement and Derivatives Policy – this Board Investment, Premiums and WorkCover Finance Committee approved document specifies WorkCoverSA's policies for the use of derivatives within the Compensation Fund. This document is reviewed annually.

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

In meeting the investment objectives, WorkCoverSA's investment strategy currently maintains exposure to a range of assets. The management of these assets are conducted on a day to day basis through 20 (2012:20) portfolios managed by external specialist fund managers, with the two cash portfolios, managed internally. Exposures within each asset class are maintained within the Board approved target ranges as determined by the Investment Strategy document. The allowable range of investments (and resulting risk exposure) for each fund manager is determined by the Fund Manager Guidelines. Fund manager and each asset group performance are monitored monthly and comprehensively reviewed at least annually. The Investments Guidelines and Fund Manager guidelines set out for each asset group and portfolio:

- the desired portfolio characteristics
- the required performance and variability in relation to a recognised benchmark appropriate to that portfolio
- the type of asset that can be held
- the extent and nature of trading and the types of financial instrument that can be utilised by the fund manager

Management in conjunction with specialist advisors monitors each fund manager against risk and return criteria and their contractual obligations. The Board Investment, Premiums and WorkCover Finance Committee review investment program risk and compliance activity for individual portfolios and the overall Compensation Fund.

WorkCover SA 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 portfolios and a portfolio held under a separate trust agreement.

## Credit risk - investments

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

WorkCoverSA manages its exposure to credit risk related to fixed interest and cash investments through its Investment Strategy and Investment Guidelines and Investment Credit Limits documents. Credit exposures are monitored against approved limits with breaches notified to the Board Investment, Premiums and WorkCover Finance Committee. These documents impose the following restrictions:

- credit limits are placed on all categories of debt investments on an individual and cumulative basis
- for each individual investment and on a cumulative investment category basis minimum credit
- ratings requirements are imposed based on Standard and Poor's (or equivalent Moody's) ratings
- maturity constraints are imposed on non-government guaranteed debt instruments.



### **Liquidity risk**

Liquidity risk is the risk that WorkCoverSA will not be able to meet its financial obligations as they fall due. WorkCoverSA'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 WorkCoverSA's reputation. At least 20% of WorkCoverSA's investments could be liquidated within seven business days if required.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WorkCoverSA'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.

WorkCoverSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk

### **Currency risk**

WorkCoverSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. WorkCoverSA 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, overseas infrastructure, and approximately 40 per cent of the international equity securities are covered by forward exchange contracts whilst 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.

### **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 WorkCoverSA 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.

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

WorkCoverSA's investments in interest bearing securities consist of marketable securities which are not held for trading.

### **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).

WorkCoverSA 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.

WorkCoverSA manages its exposure to market risk through the adoption of a longer-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.

# Financial Report 2012–2013

## NOTE 4 – INVESTMENT PROFIT/(LOSS)

	Part A \$'000	Part B \$'000	2013 Total \$'000	2012 Total \$'000
Interest	4	249	253	261
Dividends	3	242	245	226
Change in net market values:				
Investments held at end of the financial year	16	1,083	1,099	139
Investments realised during the financial year	1	84	85	78
	<b>24</b>	<b>1,658</b>	<b>1,682</b>	<b>704</b>

## NOTE 5 – EXPENSES

	Part A \$'000	Part B \$'000	2013 Total \$'000	2012 Total \$'000
Investment expenses	-	20	20	27
Operating expenses	-	672	672	822
	<b>-</b>	<b>692</b>	<b>692</b>	<b>849</b>

## NOTE 6 – EXPENSES

Investments classified at fair value through profit and loss

	Part A \$'000	Part B \$'000	2013 Net Market Value \$'000	2012 Net Market Value \$'000
Deposits with financial institutions	31	2,079	2,110	1,725
Government / semi-government securities	35	2,295	2,330	2,747
Non-government debt instruments	23	1,556	1,579	1,388
Securities listed on the Australian Stock Exchange	31	2,061	2,092	2,051
Securities listed on overseas stock exchanges	71	4,075	4,776	3,822
Unit Trusts – unlisted property & debt security assets	22	1,452	1,474	1,597
Derivatives	(1)	(55)	(56)	32
	<b>212</b>	<b>14,093</b>	<b>14,306</b>	<b>13,362</b>
Current	30	2,019	2,049	1,758
Non-current	182	12,068	12,250	11,604
	<b>212</b>	<b>14,087</b>	<b>14,299</b>	<b>13,362</b>



#### **NOTE 7 – OUTSTANDING CLAIMS LIABILITY**

As at 30 June 1989 the balance of the Silicosis Fund established under the repealed Act was transferred to WorkCoverSA under the Mining and Quarrying Industries Fund established for that purpose.

At 30 June 2013 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 (refer note 1(a)).

#### **NOTE 8 – RELATED PARTIES**

There are no related party transactions for the year ended 30 June 2013. The names of persons who were Committee Members at any time during the financial year are as follows:

- M. Sexton
- M. O'Malley
- S. Rowett
- G. Murray
- E. McInerney
- G. Day (resigned 23 Oct 2012)
- W. Hanson

The Mining and Quarrying Industries Fund is a controlled entity of the WorkCover Corporation of SA (WorkCoverSA).

All investments held by the fund are pooled with WorkCoverSA's investments. Investment income is allocated to the fund based on the average earning rate of WorkCoverSA as a whole.

All expenses incurred by the fund are initially paid for by WorkCoverSA. The actual costs are then reimbursed by the Fund.

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## NOTE 9 – RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO COMPREHENSIVE RESULT

	Part A	Part B	2013 Total	2012 Total
	\$'000	\$'000	\$'000	\$'000
Comprehensive result	24	966	990	(145)
Adjustments for:				
Investment profit	(24)	(1,658)	(1,682)	(704)
(Increase)/decrease in receivables	-	13	13	-
Increase/(decrease) in payables	-	(60)	(60)	-
Interest receivable	4	249	253	261
Dividends receivable	3	242	245	226
Net cash from operating activities	7	(248)	(241)	(362)



### **STATEMENT BY PRESIDING OFFICER, MINING AND QUARRYING OCCUPATIONAL HEALTH AND SAFETY COMMITTEE**

In accordance with the Fourth Schedule of the *Workers Rehabilitation and Compensation Act, 1986*, I hereby state that:

1. in my opinion the financial statements present fairly the results of the financial transactions of the Fund during the year ended 30 June 2013 and sufficiently explain the financial position of the fund as at that date, and
2. at the date of signing the financial statements I am not aware of any circumstances that would render any particulars included in the statements misleading or inaccurate.

The Mining and Quarrying financial statements have been audited as part of WorkCoverSA's Total Compensation Fund.

The accompanying financial statements have been prepared consistently with all applicable Accounting Standards with the exception of the disclosure requirements of AASB7 and AASB132.

In accordance with a resolution of the Committee.

Margaret Sexton  
Presiding Officer  
Mining and Quarrying Occupational Health and Safety Committee

Date: 23 September 2013



Mining and Quarrying  
Occupational Health and  
Safety Committee

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