

ASBESTOS COMPENSATION COMMISSIONER

ANNUAL REPORT

2016–17

This publication is available online at www.worksafe.tas.gov.au
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Tasmania 7018

We welcome your feedback on this report
send to acc@justice.tas.gov.au

The Hon Guy Barnett MP

Asbestos Compensation Commissioner Annual Report 2016–17

I am pleased to submit the Asbestos Compensation Commissioner's Annual Report 2016–17 to you, for presentation to Parliament.

The financial statements presented here have been prepared in accordance with the provisions of the Financial Management and Audit Act 1990.



Mark Cocker

Asbestos Compensation Commissioner

Glossary:

the Act: *Asbestos-Related Diseases
(Occupational Exposure) Compensation Act 2011*

the Commissioner: Asbestos Compensation Commissioner

the Scheme: Asbestos Compensation Scheme

the year: reporting period from 1 July 2016 to 30 June 2017

CONTENTS

Commissioner's Message	6
Medical Process	9
Scheme Performance	10
Asbestos Levy	11
Right To Information	11
Financial Statements 2016-17 Statement by Asbestos Compensation Commissioner	13

COMMISSIONER'S MESSAGE

This is the sixth annual report of the Asbestos Compensation Commissioner.

About the Scheme

Tasmania's asbestos compensation scheme governs all statutory compensation in Tasmania for asbestos-related diseases reasonably attributable to exposure to asbestos at work.

It provides no-fault and timely compensation to workers, and members of the family of deceased workers, who have been diagnosed with an asbestos-related disease and are entitled to compensation under the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act).

The scheme is designed to be non-adversarial, providing help to claimants in completing the necessary employment and medical information to facilitate a determination of their claim.

Scheme objectives

The scheme aims to ensure that Tasmanian workers with an asbestos-related disease that is reasonably attributable to exposure at work, and their families, can access statutory compensation to assist them in a difficult period of their lives.

The scheme's objectives are to:

- ▶ provide fair and appropriate compensation and pay certain expenses to workers with asbestos-related diseases, and family members of deceased workers
- ▶ ensure applications are resolved promptly and effectively
- ▶ provide an effective and economical mechanism for resolving disputes
- ▶ provide a mechanism in which medical determinations are made accurately, and are based on evidence.

The role of the Commissioner

The Commissioner's role is to manage the scheme and to exercise the decision-making powers provided by the legislation.

The Commissioner is not the sole decision maker in determining an applicant's entitlement to compensation. A medical panel also provides a crucial role. The Commissioner is bound by the decisions of the medical panel on medical questions. The success of the scheme is very much dependant on the availability and expertise of a relatively small group of medical experts. I would like to thank them for their important contribution.

The Commissioner also provides advice to the Minister on matters relating to asbestos compensation in Tasmania. Information is also provided to the Department of Justice for developing compensation policy on asbestos-related diseases.

The Commissioner is supported by staff from the Department of Justice. The Commissioner has paid the Department \$231,105.53 this year for administrative support. This amount moves annually in line with the CPI index.

COMMISSIONER'S MESSAGE

Supporting workers and members of their families

Staff work closely with applicants to ensure their applications are processed accurately and promptly. This often requires personal meetings with applicants to ensure correct occupational and asbestos exposure history is recorded. In addition, many discussions occur with employers, former work colleagues and legal representatives to ensure all the necessary information about each applicant's occupational history is obtained. Tasmanian workers and members of their families accessing the scheme are treated with respect and dignity.

The scheme:

- ▶ provides advice to potential applicants on eligibility for compensation
- ▶ where necessary, makes home visits to correlate evidence and to provide advice and assistance in completing applications
- ▶ keeps applicants informed of the progress of their application
- ▶ ensures compensation is paid quickly, and where relevant, expenses are paid promptly.

In collecting medical and occupational evidence, staff liaise with applicants' medical professionals, previous employers, former work colleagues, legal professionals, and other relevant sources. This ensures the medical panel and the Commissioner have all the necessary information to determine the claim.

Monitoring the Scheme

The WorkCover Tasmania Board receives periodic performance reports detailing the operation and effectiveness of the scheme, plus other qualitative information. For more information about the Board, go to its website at www.workcovertas.gov.au.

Collecting data

Work is progressing to integrate asbestos data into WorkSafe Tasmania's information management system. This will provide for a more streamlined claims management process, managed through a dedicated user interface within the system; and regular migration of all payment transactions made to accepted claimants from the Department of Justice's finance systems.

Review of the Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011

An independent review of the operation of the Act is to be undertaken every fifth year, since the commencement of the Act on 30 October 2011. Therefore, the first review of the Act was undertaken in 2016.

Accordingly, the Minister approved the following terms of reference for this review:

Terms of Reference

Section 187 of the Act requires that an independent review of the operation of this Act be undertaken every fifth year from the commencement of this Act. The Act commenced on 30 October 2011.

COMMISSIONER'S MESSAGE

Scope

The review assessed the performance of the Act against the objectives defined in section 3 of the Act, being to:

- ▶ ensure the provision of fair and appropriate compensation, and the payment of certain expenses, in relation to the contraction by persons of asbestos-related diseases in the course of employment as workers in connection with this State
- ▶ provide for the prompt and effective resolution of applications under this Act for compensation or for the payment of certain expenses
- ▶ provide an effective and economical mechanism for resolving disputes relating to applications under this Act for compensation or for the payment of certain expenses
- ▶ make provision in relation to certain judgments and agreements relating to the contraction by persons of asbestos-related diseases in the course of employment as workers.

In addition to, and without limiting the above, the reviewer also investigated and reported on the:

- ▶ ongoing viability and sustainability of the scheme
- ▶ performance of the scheme in terms of entitlements, premiums and coverage.

Timing

A copy of the report of the review is to be laid before each House of Parliament within 12 months after every fifth year henceforth of the commencement of the Act.

In June 2016, the (then) Minister for Building and Construction, wrote to the Chair of the WorkCover Tasmania Board requesting the Board's assistance to provide strategic oversight of a review of the operation of the Act.

In appointing a reviewer, section 187 of the Act requires the review to be undertaken by 'a person who, in the opinion of the Minister, possesses appropriate qualifications to undertake the review; and include one or more persons who are not employed by the State of Tasmania, a State agency, the Commonwealth or a Commonwealth authority'.

The (then) Minister appointed Mr Michael Stevens to undertake the review, as Mr Stevens was considered to have the necessary knowledge, skills and experience to undertake the review, having been an Asbestos Compensation Commissioner for a number of years.

The (then) Minister requested that the WorkCover Tasmania Board approve the review plan prior to the review commencing, and that a draft of the final report be provided to the Board for comment prior to finalisation of the report. This was undertaken.

The WorkCover Tasmania Board provided the Minister, Hon Guy Barnett MP with the final report into the review of the Act required under section 187 of the Act.

Annual Review of the Scheme

The WorkCover Tasmania Board's actuary conducted the annual review of the operation of the Asbestos Compensation Scheme.

The Board's actuary was appointed to conduct an Asbestos Compensation Fund Actuarial Liability Valuation Report up to 30 June 2017.

For further details of the operation of the Asbestos Compensation Scheme, see the Asbestos Compensation Commissioner's annual report at www.justice.tas.gov.au.

Mark Cocker

Asbestos Compensation Commissioner

MEDICAL PROCESS

Medical register

Section 50 of the Act requires the Commissioner to establish and maintain a register of medical practitioners who are specialists in a field of medicine in which asbestos-related diseases occur. The current register comprises:

- ▶ Dr Emma Ball
- ▶ Associate Professor David Bryant
- ▶ Dr Christopher Clarke
- ▶ Dr Peter Corte
- ▶ Dr Ian Gardiner
- ▶ Dr Nick Harkness
- ▶ Dr Graham Hart
- ▶ Dr Robert Hewer
- ▶ Dr Cameron Hunter
- ▶ Dr Gregory Kaufman
- ▶ Mr James Markos
- ▶ Dr David Stock

Medical Panel

Three practitioners must be convened by the Commissioner to form a medical panel to assess each application for compensation.

This medical panel makes determinations based on questions asked by the Commissioner under section 8 of the Act. These include (but are not limited to):

- ▶ whether the person has an asbestos-related disease
- ▶ if contracting the asbestos-related disease is reasonably attributable to exposure to asbestos in the course of their employment as a worker
- ▶ whether or not the person with the asbestos-related disease is reasonably likely to die within two years
- ▶ the degree of impairment or incapacity of the person
- ▶ whether the person may recover from the disease or has so recovered.

In answering these questions, the Commissioner provides the medical panel with a copy of the person's application, medical information and industrial history. If further information is required, the Chair of the medical panel is to request this through the Commissioner.

Medical panel members do not physically examine applicants.

Accredited impairment assessors

The scheme uses impairment assessors who are accredited under the Act and who are authorised to perform impairment assessments. Current accredited impairment assessors include:

- ▶ Dr Emma Ball
- ▶ Dr Jonathan Burdon
- ▶ Dr Robin Dubow
- ▶ Dr Andreas Ernst
- ▶ Dr Russell Gibbs
- ▶ Dr Nick Harkness
- ▶ Dr Helen McArdle
- ▶ Dr John O'Sullivan
- ▶ Dr Andrew Rees
- ▶ Dr Peter Sharman
- ▶ Dr Tim Stewart
- ▶ Dr David Stock

An application will be referred to an impairment assessor if the worker is diagnosed by a medical specialist as having a non-imminently fatal asbestos-related disease. The impairment assessor provides an assessment about the percentage of whole person impairment (WPI) in relation to the asbestos-related disease. If an applicant is assessed as having 10% or more WPI, the application is forwarded to a Medical Panel for its determination. Where an applicant has less than a 10% WPI, they do not receive compensation. These individuals with less than 10% WPI are entitled to one free impairment assessment each calendar year.

SCHEME PERFORMANCE

Applications

The Commissioner received nine applications during the year:

Application status	Number
Compensation paid to worker*	3
Compensation paid to members of the family*	2
Pending claim	1
Less than 10% WPI**	1
Not eligible to apply to the Scheme	1
Claim not accepted	1
TOTAL	9

*The diseases relating to the 5 successful claims were:

- ▶ two mesothelioma
- ▶ one lung cancer
- ▶ two asbestosis.

**These applicants, assessed as having less than 10% WPI, are therefore currently not entitled to compensation. These claimants are eligible for one annual impairment assessment to track any increase in their degree of whole person impairment. Under the Act, once an applicant is assessed at 10% WPI or greater, the application is sent to a Medical Panel for the determination of medical questions. The amount of compensation payable is based on the assessed level of impairment.

In the previous financial year (2015–16), the Commissioner received 14 applications.

Occupation of worker when exposed (accepted claims)

Labourer	1
Carpenter	2
Electrician	1
Truck Driver/Mechanic	1

Scheme expenditure

Claim payments for the year totalled \$1,541,911.40 million. This consisted of lump sum payments for imminently fatal and non-imminently fatal asbestos-related diseases, funeral, travel and rehabilitation expenses.

The scheme also covered reasonable medical expenses during the year. These costs were \$88,104.72.

The scheme also covered the costs of impairment assessors and the medical panel. During the year, these costs were \$67,840.

As at 30 June 2017, \$17,439,972.21 million was remaining in the Asbestos Compensation Fund.

For exact costs, see the Audited Financial Statements in this Annual Report.

The Act established the Asbestos Compensation Fund and an associated levy.

In March 2017, the Minister provided notice that the levy was reduced for the second time since the scheme began, from 3.5% to 3.0%.

The levy is effective for the 2016–17 financial year.

The scheme actuary noted that the actual numbers of asbestos compensation claims reported since the scheme began is lower than expected. If left unchanged, the actuary predicts Fund revenue would exceed expenditure. The result is a reduction in a cost to business, and this means the scheme should continue to be viable.

Levy funds collected for the year (from the licensed insurers, self-insurers and state service agencies) was \$7,109,313.13 million.

During the year, no requests were made under the Right to Information Act 2009.

Asbestos Compensation Fund Actuarial Valuation Report

PricewaterhouseCooper was appointed to conduct an Asbestos Compensation Fund Actuarial Valuation.¹

Fund Report Card

The below table shows the Tasmanian Asbestos Compensation Fund claim metrics for the current and previous years, and projected for the next year:

Metric	2015–16	2016–17	2016–17	2017–18
	Actual	Actual	Expected	Projected
Number of new claims accepted by the Fund				
Mesothelioma	4	1	7.5	7.3
Lung cancer + other imminently fatal conditions	2	3	3.0	3.0
Non-imminently fatal > 10% Whole Person Impairment (WPI)	3	3	4.5	4.3
Sub-total	9	7	15	14.5
Number of new reports not yet accepted by the Fund				
Non-imminently fatal < 10% WPI	0	-1	n/a	n/a
Pending claim	1	-1	n/a	n/a
Sub-total	1	-2	n/a	n/a
Number of new reports not entitled to compensation	4	2	n/a	n/a
Total	14	7	n/a	n/a
Claims payments (\$000)				
Lump sums	2,351	1,401	5,450	5,387
Medicals ¹	207	149	701	697
Other ²	66	62	348	321
Total	2,624	1,612	6,501	6,405
Claims Handling Expenses (\$000)	268	247	244	240

Notes:

- ▶ 1 Medical benefits include travel and funeral benefits
- ▶ 2 Other benefits include weekly, Medical Panel and impairment assessment benefits

¹ The PricewaterhouseCooper fund report card provides data up to 30 April 2017.

ASBESTOS COMPENSATION FUND FINANCIAL STATEMENTS 2016-17

Financial Statements 2016-17 Statement by Asbestos Compensation Commissioner

The accompanying Financial Statements of the Asbestos Compensation Fund are in agreement with the relevant accounts and records and have been prepared in compliance with Treasurer's Instructions issued under the provision of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2017 and the financial position as at the end of the year.

At the date of signing, I am not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



Mark Cocker

Commissioner of the

Asbestos Compensation Commissioner

14 August 2017



Tasmanian Audit Office

Independent Auditor's Report

To the Members of Parliament

Asbestos Compensation Fund

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Asbestos Compensation Fund (the Fund), which comprises the statement of financial position as at 30 June 2017 and statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of compliance by the Asbestos Compensation Commissioner (the Commissioner).

In my opinion, the accompanying financial report:

- (a) presents fairly, in all material respects, the financial position of the Fund as at 30 June 2017 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* and Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with 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 the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

...1 of 3

Responsibilities of the Commissioner for the Financial Report

The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of section 160 of the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* and for such internal control as the Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Commissioner is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Commissioner is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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 the 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 the 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- Conclude on the appropriateness of the Commissioner'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 Fund'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 my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund 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.

I communicate with the Commissioner regarding, 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 my audit.



Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Tasmanian Audit Office

14 August 2017
Hobart

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 Actual \$'000	2016 Actual \$'000
Continuing operations			
Revenue and other income from transactions			
Levies	1.1	7 040	5 588
Interest	1.2	129	119
Total revenue and other income from transactions		7 169	5 707
Expenses from transactions			
Compensation awarded	2.1	1 545	2 652
Medical expenses	2.2	157	225
Administration expenses	2.3	232	244
Total expenses from transactions		1 934	3 121
Net result from transactions (net operating balance)		5 235	2 586
Other economic flows included in net result			
(Increase)/decrease in Provision for Compensation Payable	4.2	5 621	4 345
Increase/(decrease) in Future levies receivable	3.1	(10 856)	(6 931)
Total other economic flows included in net result		(5 235)	(2 586)
Net result		-	-
Comprehensive result		-	-

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2017

	Notes	2017 Actual \$'000	2016 Actual \$'000
Assets			
<i>Financial assets</i>			
Cash and deposits	5.1	17 440	12 136
Receivables	3.1	78 173	89 098
Total assets		95 613	101 234
Liabilities			
<i>Financial liabilities</i>			
Payables	4.1	39	39
Provision for Compensation Payable	4.2	95 574	101 195
Total liabilities		95 613	101 234
Net assets		-	-
Equity			
Accumulated funds		-	-
Total equity		-	-

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 Actual \$'000	2016 Actual \$'000
Cash flows from operating activities		<i>Inflows (Outflows)</i>	<i>Inflows (Outflows)</i>
Cash inflows			
Levies		7 109	7 031
Interest		129	119
Total cash inflows		7 238	7 150
Cash outflows			
Compensation awarded		(1 545)	(2 652)
Medical expenses		(157)	(225)
Administration expenses		(232)	(258)
Total cash outflows		(1 934)	(3 135)
Net cash from (used by) operating activities	5.2	5 304	4 015
Net increase/(decrease) in cash held and cash equivalents		5 304	4 015
Cash and deposits at the beginning of the reporting period		12 136	8 121
Cash and deposits at the end of the reporting period	5.1	17 440	12 136

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	2017 Actual \$'000	2016 Actual \$'000
Balance as at 1 July 2016		-	-
Total comprehensive result		-	-
Total		-	-
Balance as at 30 June 2017		-	-

	Notes	2017 Actual \$'000	2016 Actual \$'000
Balance as at 1 July 2015		-	-
Total comprehensive result		-	-
Total		-	-
Balance as at 30 June 2016		-	-

This Statement of Changes in Equity should be read in conjunction with the accompanying notes. Further details on the calculation of equity are included in Note 3.1.

Notes to and forming part of the Financial Statements for the year ended 30 June 2017

Note 1. Income from transactions	22
1.1 Levies	22
1.2 Interest	22
Note 2. Expenses from transactions	23
2.1 Compensation Awarded.....	23
2.2 Medical Expenses	23
2.3 Administration Expenses	23
Note 3. Assets	24
3.1 Receivables	24
Note 4. Liabilities	25
4.1 Payables.....	25
4.2 Provision.....	25
Note 5. Cash Flow Reconciliation	28
5.1 Cash and deposits	28
5.2 Reconciliation of Net Result to Net Cash from Operating Activities.....	28
Note 6. Financial Instruments	28
6.1 Risk Exposures	28
6.2 Categories of Financial Assets and Liabilities	32
6.3 Comparison between Carrying Amount and Net Fair Values of Financial Assets and Liabilities.....	32
Note 7. Employee Expenditure	33
Note 8. Events Occurring After Balance Date	33
Note 9. Significant Accounting Policies	33
9.1 Objectives and Funding.....	33
9.2 Basis of Accounting	34
9.3 Functional and Presentation Currency.....	34
9.4 Changes in Accounting Policies.....	34
9.5 Foreign Currency	35
9.6 Rounding	35
9.7 Fund Taxation.....	35
9.8 Goods and Services Tax	35

Note I. Income from transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

I.1 Levies

The levy is set by the Minister for Building and Construction (the Minister) each year. In setting the levy, the Minister is to take in to account:

- ▶ the expected degree of payments and other expenses the Commissioner will be required to pay in the financial year; and
- ▶ the amount of any other money that is expected to be received by the Commissioner in the financial year; and
- ▶ the period during which payment of the levy is likely to be required; and
- ▶ any deficit or surplus projected to occur at the end of the financial year; and
- ▶ any other matters that are prescribed.

The levy is the rate levied on the premiums of licensed insurers and the notional premiums of self-insurers. The rate for the 2016-17 financial year remains at 3.5 per cent, consistent with the 2015-16 rate.

The total expenses required by the Fund over its entire life are able to be recouped under the levy. Therefore, the Fund retains a Future levies receivable for all estimated future expenditure from the Fund. For this reason, the Fund does not accumulate any equity.

	2017 \$'000	2016 \$'000
Levies relating to the 2014-15 financial year	-	445
Levies relating to the 2015-16 financial year	525	4 925
Levies relating to the 2016-17 financial year	6 515	218
Total	7 040	5 588

I.2 Interest

Interest on funds invested is recognised as it accrues using the effective interest rate method.

Note 2. Expenses from transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

2.1 Compensation Awarded

Compensation related expenditure is recognised when the claim for compensation is approved by the Commissioner.

	2017 \$'000	2016 \$'000
Aged Based Lump Sum	-	202
Lump Sum	1 002	1 766
Whole Person Impairment	507	581
Funeral Expenses	33	90
Travel Expenses	3	8
Rehabilitation	-	5
Total	1 545	2 652

2.2 Medical Expenses

	2017 \$'000	2016 \$'000
Impairment Assessor	44	42
Medical expenses	88	150
Medical Panel	25	33
Total	157	225

2.3 Administration Expenses

Expenses from activities other than those identified above are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

	2017 \$'000	2016 \$'000
Administration costs paid to the Department of Justice	170	168
Actuarial costs	30	27
External audit fees	28	9
Internal audit fees	-	8
Other	4	32
Total	232	244

External audit fees payable for the 2016-17 financial statements were \$8,800 (\$8,620 for 2015-16).

Note 3. Assets

Assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the Fund and the asset has a cost or value that can be measured reliably.

The Fund has an overdraft facility on its account to allow for the delay in receiving reimbursement for GST payments from the Australian Taxation Office.

3.1 Receivables

Receivables, other than Future levies receivable, are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, these receivables are not discounted back to their present value.

The calculation of the Future levies receivable is based on the fact that all expenditure incurred by the Scheme over its entire life can be off-set by licensed insurers and self-insurers through the levy. The Receivable is calculated as at 30 June 2017 and reflects the negative equity of the Fund, given the large number of claims that the Fund will be required to pay out over its life. The movement in equity for the period is not reported separately but part of the increase or decrease in Future levies receivable.

For future levies receivable, due to the long settlement period, the Fund discounts these receivables back to their present value.

	2017 \$'000	2016 \$'000
Receivables	73	142
Future levies receivable	78 100	88 956
Total	78 173	89 098
Settled within 12 months	6 629	6 548
Settled in more than 12 months	71 544	82 550
Total	78 173	89 098

The decrease in the Future levies receivable is due to the change in the Provision for compensation payable (see Note 4.2) as a result of the actuarial review completed by the Fund's actuary, PricewaterhouseCoopers as at 30 June 2017.

Note 4. Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

4.1 Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Fund becomes obliged to make future payments as a result of a purchase of assets or services.

	2017 \$'000	2016 \$'000
Accrued Expenses	39	39
Total	39	39
Settled within 12 months	39	39
Total	39	39

Settlement is usually made within 30 days.

4.2 Provision

A provision arises if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

The Provision for Compensation Payable includes actuarially assessed costs of claims made and an actuarially assessed estimate for claims yet to be made. The Fund did not retain a provision on commencement, but engaged an actuary to provide an initial estimate of the compensation payable as at 30 June 2012. Consequently, the movement in this provision for the period is not reported separately but part of the increase in the Provision for Compensation Payable.

The Fund only has one provision which is the Provision for Compensation Payable. The Provision for Compensation Payable is measured as the present value of the expected future payments to persons who have an accepted claim for compensation or who are estimated by the actuary to be entitled to compensation in the future.

The actuarial valuation contains numerous assumptions regarding the future numbers of claims and the characteristics of the persons.

Given the uncertainty of this portfolio of claims a range of assumptions may be plausible which reflect the current environment in which claims are managed and settled.

The main assumptions are:

- ▶ Claim numbers, both the starting number assumed for 2017-18 and the Incurred But Not Reported (IBNR) run-off curve;
- ▶ Age distribution of imminently fatal claims;
- ▶ Whole person impairment percentage of non-imminently fatal claims; and
- ▶ Inflation and discount rates.

The Fund's actuary, PricewaterhouseCoopers, in valuing the liabilities as at 30 June 2017, has estimated the compensation payable for claims yet to be lodged on an inflated and discounted basis.

The following inflation rates and discount rates were used in measuring the provision for compensation payable:

	2017 \$'000	2016 \$'000
Compensation Expected to be Paid Not later than one year		
Wages inflation rate	2.50	2.50
Discount rate	1.68	1.65
Later than one year		
Wages inflation rate	2.79	2.34
Discount rate	3.11	2.76

A wage inflation factor is used to inflate the estimated future compensation costs. This is primarily due to the bulk of the scheme benefits being linked to average weekly ordinary full-time earnings. Forecasts of wage inflation are adopted in the short term, then a long term gap between inflation and bond yields in the long term, with the inflation rates blended to the long term rate across the four to ten year range.

The estimate of the Provision is discounted to allow for the time value of money. The rate used to discount is based upon the current yield curve and expectations of longer term yield beyond the term of available Government bonds.

(a) Sensitivity analysis for the valuation

The Provision for Compensation Payable represents the best estimate and is based on standard actuarial assessment techniques. The table below shows the key sensitivities of the valuation.

30 June 2017			
Assumptions	\$million	\$million	%
Central estimate (including expenses)	95.6		
IBNR Claim Numbers			
Reduce claim numbers by 30%	67.3	(28.3)	(29.6)
Increase claim numbers by 30%	123.9	28.3	29.6
Average Claim Size			
Higher average medical costs, at the maximum level (compared with 45% assumption)	104.2	8.6	9.0
Inflation and discount rates			
'Gap' between inflation and discount increased by 1% for compensation paid later than 1 year	103.7	8.2	9.0

Note: The effect of each variation is made in isolation from the others. The combined effect of two or more changes may involve interactions and substitutions which are not considered in the valuation.

Compensation will be funded by funds held in investments and by future levies. The Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 gives the Minister authority to impose levies each year to meet annual operating costs.

(b) Carrying amount

	2017 \$'000	2016 \$'000
Provision – compensation payments for reported claims		
Outstanding at beginning of period	1 653	2 335
Net movement during the period	(340)	(682)
Outstanding at end of period	1 313	1 653
Provision – estimated compensation for future claims		
Estimated at beginning of period	99 542	103 205
Net movement during the period	(5 281)	(3 663)
Estimate at end of period	94 261	99 542
Total Provision for Compensation Payable as at 30 June	95 574	101 195
Breakdown of compensation payable		
Settled within 12 months	6 590	6 690
Settled in more than 12 months	88 984	94 505
Total	95 574	101 195

The Fund includes in its provision an estimate for compensation payable for claims yet to be made of \$95.574 million (\$101.195 million as at 30 June 2016). This figure is shown in the Statement of Financial Position as a liability with the corresponding outstanding contributions receivable asset (net of cumulated surplus or deficit to date) representing the right to levy employers for these outstanding claims.

Note 5. Cash Flow Reconciliation

5.1 Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund, being short term of three months or less and highly liquid. Deposits are recognised at amortised cost, being their face value.

	2017	2016
	\$'000	\$'000
Special Deposits and Trust Fund balance		
T741 Asbestos Compensation Fund	17 440	12 136
Total cash and deposits	17 440	12 136

5.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2017	2016
	\$'000	\$'000
Net result	-	-
Decrease (increase) in Receivables	10 925	8 375
Increase (decrease) in Provision for Compensation Payable	(5 621)	(4 345)
Increase (decrease) in Payables	-	(15)
Net cash from (used by) operating activities	5 304	4 015

Note 6. Financial Instruments

6.1 Risk Exposures

(a) Risk management policies

The Fund has exposure to the following risks from its use of financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risk.

The Commissioner has overall responsibility for the establishment and oversight of the Fund's risk management framework. The risk management policies utilised by the Department of Justice are used to identify and analyse risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Assets		
Receivables	Receivables are recognised at amortised cost, less any impairment losses, however; due to the short settlement period, receivables are not discounted back to their present value.	It is the Fund's policy to issue invoices with 30 day terms of trade.
Cash and deposits	Deposits are recognised at amortised cost, being their face value.	Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund.

The Fund monitors receivables on a monthly basis and follow up procedures are undertaken for all debts that are overdue. Action taken is dependent on the length of time the debt is overdue.

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Fund's maximum exposure to credit risk. The Fund does not hold any collateral or other security over its receivables. The Fund's credit risk is considered to be minimal.

The following tables analyse financial assets that are past due but not impaired.

Analysis of financial assets that are past due at 30 June 2017 but not impaired				
	Past due 30 days \$'000	Past due 60 days \$'000	Past due 90 days \$'000	Total \$'000
Receivables	-	73	-	73

Analysis of financial assets that are past due at 30 June 2016 but not impaired				
	Past due 30 days \$'000	Past due 60 days \$'000	Past due 90 days \$'000	Total \$'000
Receivables	-	-	142	142

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Assets		
Receivables	Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.	It is the Fund's policy to issue invoices with 30 day terms of trade.

The following tables detail the undiscounted cash flows payable by the Fund by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2017			
Maturity analysis for financial liabilities	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	39	39	39
Total	39	39	39

2016			
Maturity analysis for financial liabilities	1 Year \$'000	Undiscounted Total \$'000	Carrying Amount \$'000
Financial liabilities			
Payables	39	39	39
Total	39	39	39

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Fund is exposed to is interest rate risk.

The Fund's exposure to interest rate risk is considered to be minimal. The majority of the Fund's interest bearing financial instruments are managed by the Department of Treasury and Finance.

At the reporting date the interest rate profile of the Fund's interest bearing financial instruments was:

	2017 \$'000	2016 \$'000
Variable rate instruments		
Financial assets		
Cash in Special Deposits and Trust Funds	17 440	12 136
Total	17 440	12 136

Changes in variable rates of 100 basis points at reporting date would have the following effect on the Fund's profit or loss and equity:

Sensitivity Analysis of Fund's Exposure to Possible Changes in Interest Rates				
	Statement of Comprehensive Income		Equity	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
30 June 2017				
Cash in Special Deposits and Trust Fund	174	(174)	174	(174)
Net sensitivity	174	(174)	174	(174)
30 June 2016				
Cash in Special Deposits and Trust Fund	121	(121)	121	(121)
Net sensitivity	121	(121)	121	(121)

This analysis assumes all other variables remain constant.

6.2 Categories of Financial Assets and Liabilities

	2017	2016
	\$'000	\$'000
Financial assets		
Cash and deposits	17 440	12 136
Receivables	73	142
Total	17 513	12 278
Financial Liabilities		
Financial liabilities measured at amortised cost	39	39
Total	39	39

6.3 Comparison between Carrying Amount and Net Fair Values of Financial Assets and Liabilities

	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash in Special Deposits and Trust Fund	17 440	17 440	12 136	12 136
Receivables	73	73	142	142
Total financial assets	17 513	17 513	12 278	12 278
Financial liabilities				
Payables	39	39	39	39
Total financial liabilities	39	39	39	39

The Fund does not have any financial assets or financial liabilities carried at fair value through the profit and loss or any available for sale financial assets.

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair value of receivables are recognised at amortised cost, less any impairment losses, however; due to the short settlement period, receivables are not discounted back to their present value.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts.

Note 7. Employee Expenditure

The Fund does not incur any employee expenditure as part of its operations. The Commissioner has entered into a Service Level Agreement with the Department of Justice to provide the Commissioner with administrative support to enable him to fulfil his responsibilities. As a result, the Fund pays a monthly fee to the Department of Justice for these services, rather than any direct employee expenses. All staff management and leave liabilities are managed by the Department of Justice.

Additionally, the Commissioner does not receive any remuneration for performing the role. The Commissioner is the only Key Management Person for the fund. There were no material related party transactions between the Commissioner and Fund requiring disclosure during 2016-17.

Note 8. Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on the Fund's Financial Statements as at 30 June 2017.

Note 9. Significant Accounting Policies

9.1 Objectives and Funding

The Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 (the Act) received Royal Assent on 4 October 2011 and was Proclaimed on 31 October 2011. The Act establishes the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and certain expenses to workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Act requires that the Asbestos Compensation Commissioner (the Commissioner) administer the Scheme through the Asbestos Compensation Fund (the Fund).

The Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 has four main objectives:

- ▶ to ensure the provision of fair and appropriate compensation, and the payment of certain expenses in relation to the contraction by persons of asbestos-related diseases in the course of employment as workers in connection with this State;
- ▶ to provide for the prompt and effective resolution of applications under the Act for compensation or for the payment of certain expenses;
- ▶ to provide an effective and economical mechanism for resolving disputes relating to applications under this Act for compensation or for the payment of certain expenses; and
- ▶ to make provision in relation to certain judgements and agreements relating to the contraction by persons of asbestos-related diseases in the course of employment as workers.

The Commissioner has entered into a Service Level Agreement with the Department of Justice to provide the Commissioner with administrative support to enable him to fulfil his responsibilities.

According to Section 160 of the Act, the Commissioner is required to prepare financial statements on the activity of the Fund and provide them to the Auditor-General.

The Fund is predominantly funded through a levy, set by the Minister for each year, payable by licensed insurers and self-insurers. Further details regarding the levy can be found in Note 1.1.

9.2 Basis of Accounting

The Act received Royal Assent on 4 October 2011 and commenced on 31 October 2011. The Fund began operations on 31 October 2011 with no equity provided upon creation. Initial funding was provided from the transfer of HIH funds (see Note 1.5(a)) with a levy on the premiums of licensed insurers and the notional premiums of self-insurers to provide ongoing funding. The Fund is operated on a break-even arrangement and does not accumulate equity.

The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- ▶ the Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB);
- ▶ the provisions of the Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011; and
- ▶ the Treasurer's Instructions issued under the provisions of the Financial Management and Audit Act 1990.

The Financial Statements were signed by the Delegate of the Asbestos Compensation Commissioner on 10 August 2017.

Compliance with the AAS may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Fund is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention.

The Financial Statements have been prepared on the basis that the Fund is a going concern.

9.3 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Commissioner's functional currency.

9.4 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

In the current year, the Commissioner has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities – The objective of this Standard is to make amendments to AASB 124 Related Party Disclosures to extend the scope of that Standard to include not-for-profit public sector entities. This Standard applies to annual reporting periods beginning on or after 1 July 2016. The impact is increased disclosure in relation to related parties. There is no financial impact.

(b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

- ▶ *AASB 9 Financial Instruments and 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* - The objective of these Standards is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing, uncertainty of an entity's future cash flows, and to make amendments to various accounting standards as a consequence of the issuance of AASB 9. These standards apply to annual reporting periods beginning on or after 1 January 2018. The future impact is to recognise impairment losses on financial assets on an expected basis rather than an incurred basis and introduces a fair value through other comprehensive income category for non-equity financial assets. The financial impact is expected to be minimal.

2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 - The objective of this Standard is to amend AASB 107 Statement of Cash Flows to require entities preparing statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This Standard applies to annual periods beginning on or after 1 January 2017. The impact is increased disclosure in relation to cash flows and non-cash changes.

9.5 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

9.6 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

9.7 Fund Taxation

The Fund is exempt from all forms of taxation except Fringe Benefits Tax and is registered for the Goods and Services Tax. All taxation issues are managed by the Department of Justice on the Commissioner's behalf.

9.8 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the GST incurred is not recoverable from the Australian Taxation Commission (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the ATO is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

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