



SCHEDULE 6  
Governance  
2015

Nominal Insurer

And

[Scheme Agent name]

# Schedule 6 – Governance

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# Schedule 6 – Governance

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## Overview

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The purpose of this Schedule 6 (*Governance*) is to set out the requirements for the Scheme governance that must be adhered to by the Scheme Agent during the term of this Deed.

### Format of this Schedule

The components of this Schedule 6 (*Governance*) are as follows:

1. Quality Management - this section describes the obligations of the Scheme Agent with regard to its Quality Management Framework.
2. Compliance Matrix - Attachment 6.02 (*Compliance Matrix*), identifies key compliance obligations and identifies how often audits, inspections and/or reviews should be conducted and the responsibility of each party.
3. Fraud Management - this section describes the obligations of the Scheme Agent with regard to its Fraud Identification and Management Model and the core competencies for Personnel and systems underpinning the delivery of the models.
4. Wage Audit - this section provides detailed instructions in respect of Nominal Insurer and the Scheme Agent responsibilities with regards to Wage Audits. Included are the following manuals:
  - (i) Appendix M (*Wage Audit Services Manual*).
  - (ii) Appendix N (*Wage Audit Insurer Manual*).
5. Data Quality – this section describes the obligations of the Scheme Agent in regard to providing data to the Nominal Insurer.
6. Reporting - this section describes the obligations of the Scheme Agent with regard to providing reports to the Nominal Insurer.
7. Appendices – this section contains the Manuals referred to in section 4.
8. Attachments – this section contains Attachment 6.02 (*Compliance Matrix*) and Attachment 6.05 (*Reports Matrix*) and templates.

### Glossary

Capitalised terms used in this Schedule 6 (*Governance*) have the meaning set out in the Glossary.

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### 1. Quality Management

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#### 1.1 Quality Management Framework

The Scheme Agent must operate a Quality Management Framework that incorporates documented procedures to ensure the consistent delivery of the Services and continuous improvement. This includes:

- (a) Ensuring that the Quality Management Framework is consistent with a recognised management methodology and incorporates:
  - (i) The development of an annual quality management plan;
  - (ii) Quality control;
  - (iii) Quality assurance; and
  - (iv) Quality improvement;
- (b) Ensuring that the Quality Management Framework integrates and addresses the key governance obligations and requirements set out in Attachment 6.02 (*Compliance Matrix*);
- (c) Conducting periodic systematic reviews that:
  - (i) Assess the Scheme Agent’s performance to identify performance gaps in the service delivery requiring improvement; and
  - (ii) Develops and implements mitigation or development strategies where gaps or opportunities have been identified;
- (d) Records and retains the history of the results of such reviews, and the recommendations; and
- (e) Tracks the implementation of each recommendation, recording its progress and its achievement.

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### 2. Compliance Matrix

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#### 2.1 Overview

- (a) Attachment 6.02 (*Compliance Matrix*) identifies the compliance audits, inspections and reviews which must be performed as part of the Services. Attachment 6.02 (*Compliance Matrix*) identifies how often audits, inspections and/or reviews should be conducted in relation to each relevant obligation and requirement under the Deed and the party responsible for undertaking the audit, inspection and/or review.
- (b) Included in Attachment 6.02 (*Compliance Matrix*) are the Scheme Internal Controls. The Internal Controls are designed to protect the assets of the Nominal Insurer and ensure that appropriate policies and procedures are in place within the Scheme Agent. The Internal Controls will be tested by the Approved Auditor annually in accordance with Internal Control requirements document.
- (c) In the event that a non compliance is identified as part of an audit, inspection and/or review, the Scheme Agent must rectify the non compliance and then reaudit the affected area and report its findings to the Nominal Insurer.
- (d) The Nominal Insurer may reaudit the non compliance identified as part of the audit, inspection and/or review after the Scheme Agent has rectified the non compliance.
- (e) All non compliances will be recorded in the Scheme Agent's Performance Management Register. An appropriate risk rating and agreed timeframe for resolution will be included in the Performance Management Register. The Scheme Agent is to provide updates to its Performance Management Register as they arise and inclusion on the agenda for Commercial Management Meeting, as described in Schedule 5 (*Performance Management and Remuneration*).
- (f) Nothing in this Schedule 6 (*Governance*) limits in any way the ability of the Nominal Insurer to perform any other audit, inspection and/or reviews under the Deed that may otherwise not be described in Attachment 6.02 (*Compliance Matrix*).

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### 3. Fraud Management

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#### 3.1 Overview

The Scheme Agent must have in place a Fraud Identification and Management Model that provides a proactive approach to the early, consistent and accurate identification and investigation of suspected Fraud.

#### 3.2 Scope

- (a) The Scheme Agent Fraud Identification and Management Model must identify both internal and external Fraud or Suspect Activity on the Scheme by the Scheme Agent, its Related Bodies Corporate, Third Party Service Providers, Designated Key Subcontractors, Workers and Employers.
- (b) The Fraud Identification and Management Model must comply with all legislative requirements and must contain:
  - (i) The internal reporting mechanism to the Scheme Agent's Fraud Co-ordinator of Suspect Activity and or Fraud;
  - (ii) Detailed procedures for the management of all aspects of Suspect Activity and Fraud;
  - (iii) Training modules and educational materials for Personnel in relation to Suspect Activity/Fraud and the procedures for its management and reporting internally. This must include fact sheets for easy reference;
  - (iv) Requirements for the engagement of external investigators including service level agreements and performance criteria;
  - (v) All documentation/templates necessary to ensure that all reports, statements, evidence and records of Suspect Activity and Fraud meet the requirements of the Nominal Insurer and requirements of the Law; and
  - (vi) Timeframes for Personnel to report Suspect Activity, Fraud and overpayments to the Scheme Agent Fraud Co-ordinator and the Nominal Insurer.

#### 3.3 Reporting Requirements

The reporting requirements for this section 3 of this Schedule 6 (*Governance*) in relation to the Fraud Identification and Management Model are detailed in section 6 of this Schedule 6 (*Governance*). All instances of cheque Fraud must be managed in accordance with the requirements detailed in section 2.6 of Appendix I (*Banking Manual*).

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### 3.4 Competency of Scheme Agent Personnel

- (a) The Scheme Agent must:
- (i) Provide a dedicated Fraud Co-ordinator who is suitably qualified and empowered (with recognised Fraud/risk experience) to facilitate information and or evidence gathering within the Scheme Agent's organisation in relation to Fraud investigations and prosecutions;
  - (ii) Upon selection or appointment of a Fraud Co-ordinator forward a notice to the manager of the WorkCover NSW Fraud Branch outlining the name, contact details and relevant skills and experience of the Fraud Co-ordinator;
  - (iii) Ensure that the Fraud Co-ordinator has the necessary skill set to manage and supervise Personnel and investigations;
  - (iv) Ensure that the Fraud Co-ordinator needs to possess necessary skill set to review the matters referred to them by the Scheme Agent's Personnel and have the necessary experience and expertise to prepare referrals to the Nominal Insurer;
  - (v) Ensure that the Fraud Co-ordinator is authorised within the Scheme Agent structure to:
    - (A) Access and analyse information across all business areas of the Scheme Agent's organisation;
    - (B) Direct the Scheme Agent's Personnel across all business areas of the Scheme Agent in relation to Suspect Activity and Fraud;
    - (C) Facilitate a representative to provide evidence for prosecutions;
    - (D) Undertake a calculation;
    - (E) Extract evidence from finance records;
    - (F) Undertake a cheque trace;
    - (G) Research, analyse and collate information from internal and external data sources to assist in investigations and evidentiary processes; and
    - (H) Liaise with key stakeholders, especially WorkCover NSW Fraud Branch to facilitate research, investigations and prosecutions into Workers Compensation Fraud and abuse;
  - (vi) Ensure that the Fraud Co-ordinator understands Claims Services, Underwriting Services, Banking and Financial Management Services and Third Party Service Provider operations and issues;

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- (vii) Provide any information relevant to a Fraud investigation, or information requested by WorkCover and / or the Nominal Insurer, in the specified time frame and in accordance with the Approved format;
- (viii) Implement recommendations of WorkCover and / or the Nominal Insurer in relation to the Fraud investigation, including best practice Fraud identification and investigation techniques;
- (ix) Assist WorkCover (in its role as regulator) as and when required during the investigation or prosecution of suspected Fraud; and
- (x) Ensure that all of its Personnel involved in the management of Claims Services, Underwriting Services and Banking and Financial Management Services undertake an Approved or accredited Fraud identification course within the first 12 months of the Commencement Date or the date of the Personnel's appointment. The Fraud identification course must be one that is Approved by the Nominal Insurer.

### 3.5 Evidence Based Decision Making

In delivering the Services, the Scheme Agent must utilise an evidence based decision making model that includes methods that:

- (a) Determines the issue or matter that requires a decision;
- (b) Gathers relevant information and evidence about the issue in a manner free of preference or prejudice;
- (c) Proposes and evaluates relevant option/s to address the issue;
- (d) Considers all the implications of the decision on the relevant Employer, Worker and key parties, including cost benefit, risk assessment and alternatives;
- (e) Selects the best option based on the most logical, rational, reasonable and commercial outcome;
- (f) Ensures decisions are made and communicated within defined time frames and reviews processes are articulated;
- (g) Considers and applies the relevant Laws and WorkCover guidelines;
- (h) Identifies escalation points in the management of decisions requiring higher authority levels or for decisions that may be contentious; and
- (i) Ensures that regular reviews of the effectiveness of the evidence based decision making model are undertaken, in accordance with the Scheme Agent's Quality Management Framework.

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### **4. Wage Audit**

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#### **4.1 Overview**

- (a) To ensure that Employers are paying the appropriate Premium, the WH&S and Workers Compensation Legislation gives WorkCover and the Nominal Insurer a legal right to access an Employer's Wage records to conduct a Wage Audit.
- (b) The Wage Audit services contractors conduct Wage Audits on behalf of the Nominal Insurer for Employers insured under the Scheme. They also conduct Wage Audits on Employers who are not insured.
- (c) Routine Wage Audits are among a range of strategies the Nominal Insurer uses to help improve the level of compliance among Employers with their Workers Compensation Premium obligations. The Wage Audit program is designed to ensure Scheme costs are fairly distributed among all Employers and that Employers pay the correct Premium.
- (d) The Nominal Insurer has developed a set of Manuals that clearly outline both the Nominal Insurer's and Scheme Agent's responsibilities. The Scheme Agent must comply with its obligations regarding Wage Audits as set out in the Manuals.

#### **4.2 Wage Audit Services Manual**

Refer Appendix M (*Wage Audit Services Manual*).

#### **4.3 Wage Audit Insurer Manual**

Refer Appendix N (*Wage Audit Insurer Manual*).

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### 5. Data Quality

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#### 5.1 Data Quality Management

The Scheme Agent must:

- (a) Capture, utilise and submit accurate, complete and timely data;
- (b) Ensure appropriate data collection processes are in place that allow for the timely, accurate, and complete collection and submission of data;
- (c) Monitor data quality to ensure data is being captured consistently, accurately and completely;
- (d) Ensure that any incorrect data is amended and resubmitted to the Nominal Insurer;
- (e) Implement controls to ensure the accurate translation of information to data, to support the delivery of Services;
- (f) Ensure that its systems are capable of submitting data to the Nominal Insurer's Corporate Data Repository weekly; and
- (g) Ensure data submitted to the Nominal Insurer meets the requirements of the relevant Manuals, guidelines and legislation.

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### 6. Reporting

#### 6.1 Overview

- (a) The Reporting requirements provides the Nominal Insurer with the tools for evaluating the performance of the Scheme Agent's obligations under this Deed.
- (b) The Scheme Agent must at a minimum provide to the Nominal Insurer the following reports:
  - (i) Operational Reports; and
  - (ii) Strategic Reports.
- (c) The Scheme Agent must provide the required reports in the format prescribed by the Nominal Insurer. Ad hoc reports will be requested from time to time and the Scheme Agent will provide these reports to the Nominal Insurer at no cost.

#### 6.2 Operational Reports

The following are the Operational Reports that the Scheme Agent will provide to the Nominal Insurer, on the frequency detailed in Attachment 6.05 (*Reports Matrix*) including:

- (a) Key Subcontractors;
- (b) Destruction list – records;
- (c) Customer complaints;
- (d) De-registered companies;
- (e) Employers who fail to make weekly payments of compensation;
- (f) Vocational re-education programs;
- (g) Managing GST obligations Appendix J (*Taxation Manual*);
- (h) Monthly financial returns Appendix K (*Financial Reporting Manual*);
- (i) Reconciliation of financial return to Corporate Data Repository (CDR) Appendix K (*Financial Reporting Manual*);
- (j) Premium Collection;
- (k) Claims and Policy data submissions; and
- (l) Wage Audit activity report.

#### 6.3 Strategic Reports

In addition to the provision of the Operational Reports, the Scheme Agent is required to submit Quarterly, bi-annual and annual strategic reports. The following are the reports that the Scheme Agent will provide to the Nominal Insurer:

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### 6.3.1 Quarterly Strategic Reports:

- (a) Quality Management.
- (b) Fraud Management.

### 6.3.2 Bi-annual and Annual Strategic Reports:

- (a) Strategic Plan.
- (b) Submission to Scheme Actuary.
- (c) Operational risk management.
- (d) Risk management, Fraud identification and information security.
- (e) Board declaration (bi-annual).
- (f) Principals declaration.
- (g) Disengagement Plan.
- (h) Records management procedure.
- (i) Performance report.
- (j) Internal annual Audit Plan (including Internal Controls).
- (k) Yearly financial returns in accordance with Appendix K (*Financial Reporting Manual*).
- (l) Bi-annual & Annual valuation.

Refer to Attachment 6.05 (*Reports Matrix*) for frequency and further details of these reports.

Service Standard reports are to be submitted in accordance with the frequency specified in each Service Standard.

### 6.4 Report Timeline

The Scheme Agent must electronically submit the reports in the prescribed format from its Scheme Agent email account, to the Nominal Insurer by the due date specified in Attachment 6.05 (*Reports Matrix*) or within 10 Business Days of the end of each reporting period or as specified in the relevant Manual, whichever is earlier. Where no format is prescribed by the Nominal Insurer, the Scheme Agent must submit the reports in PDF, Excel or Word format. Hard copies of reports are to be submitted when requested. The Scheme Agent must submit ad hoc reports from time to time in accordance with the timeframes identified in the request issued by the Nominal Insurer.

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### **7. Appendices**

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Appendix M (*Wage Audit Services Manual*)

Appendix N (*Wage Audit Insurer Manual*)

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### **8. Attachments**

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Attachment 6.01 (*Quality Management Report Template*)

Attachment 6.02 (*Compliance Matrix*)

Attachment 6.03 (*Fraud Management Report Template*)

Attachment 6.04 (*Wage Audit Report Template*)

Attachment 6.05 (*Reports Matrix*)