



Australian Government  
Safety, Rehabilitation and  
Compensation Commission

Comcare

# Claims management systems audit tool

Auditing claims management systems  
of licensed self insurers under the  
*Safety, Rehabilitation and Compensation Act 1988*

June 2008

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# Definitions

**Consultation:** Consultation involves the sharing of information and the exchange of views between licensees and stakeholders. It provides for the genuine opportunity to effectively contribute to a decision making process. The extent and nature of the consultation will vary between workplaces and the nature of the issue.

**Corporate governance:** The processes by which organisations are directed, controlled and held to account. The term encompasses authority, accountability, stewardship, leadership, direction and control exercised throughout an organisation. It includes the transparency of corporate structures and operations, the implementation of effective risk management and internal control systems and the accountability of management to stakeholders.

**Documentation:** The documentation used by the leadership group to communicate its commitment to minimising the human and financial cost of injury and providing for fair compensation when an injury occurs. As examples it could take the form of a policy, management arrangements or an employer/employee agreement(s). (In reference to Element 1 page 11)

**Documented commitment:** A statement by the licensee of its commitment, intentions and principles in relation to its overall claims management performance which provides a framework for action and for the setting of its claims management objectives and targets.

**Senior management:** At the level required for the certification of the Licensee Improvement Program Report – Chief Executive Officer/Executive Manager.

**Stakeholders:** Includes but is not limited to employees, service providers, rehabilitation providers, case managers, medical practitioner, the claims manager, managers/supervisors and Comcare.

# Introduction

The Claims management systems audit tool is the audit tool endorsed by the Safety, Rehabilitation and Compensation Commission (the Commission) for application to organisations with self insurance licences under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act).

These organisations (licensees) are required to meet the standards set by the Commission for the management of workers' compensation claims. These standards require licensees to develop, implement and maintain claims management systems consistent with the Commission's performance standards and the SRC Act.

The Commission's Claims Management Systems Audit Tool provides the means to undertake an assessment and review of a licensee's management of its workers' compensation claims and to establish areas for improvement.

The tool is based on the following Australian/New Zealand standards:

- AS/NZS 4801:2001 Occupational health and safety management systems – Specification with guidance for use, and
- AS/NZS 4804:2001 Occupational health and safety management systems – General guidelines on principles, systems and supporting techniques.

The audit tool assesses claims management systems against five elements:

1. Commitment and corporate governance (6 criteria)
2. Planning (6 criteria)
3. Implementation (24 criteria)
4. Measurement and evaluation (8 criteria)
5. Review and improvement (2 criteria).

There are a total of 46 criteria. Each audit criterion is linked to a condition of licence, through the General Conditions of Licence and the Commission's Performance Standards and Measures, as well as to the SRC Act.

## Related documentation:

1. Claims management systems audit tool workbook
2. Rehabilitation management systems audit tool
3. Rehabilitation management systems audit tool workbook

# Applying the audit tool

## Audit process

The audit process is a three stage process:

### 1. Preparation

- a. Notification of audit
- b. Audit scope

### 2. Audit

- a. Entry interview
- b. Documentation review and site visit
- c. Exit interview

### 3. Finalisation

- a. Report preparation
- b. Report finalisation.

## 1. Preparation

### Notification of audit

The auditor will contact the licensee to advise that a claims management systems audit is to be undertaken. The auditor will identify, in consultation with the licensee, the timing of the audit. The auditor will provide the licensee with a copy of the Claims management systems audit tool and Claims management systems audit workbook.

### Audit Scope

In conducting claims management system audits it is important to ensure that audit findings are representative of the state of the licensee's overall claims management system. The scope of any claims management systems audit will be sufficient to produce reliable and robust findings regarding the state of the licensee's claims management systems. If a licensee does not manage claims centrally then site selection will be at the discretion of the auditor and will be based on the auditor's satisfaction that the selection is sufficiently representative of the organisation and will produce reliable outcomes.

In conducting claims management systems audits there will be a need to examine a certain number of claim files. As such, the auditor will need to apply the population sampling technique in the table on page 8.

The scope of the audit should be confined to an examination of the current claims management system to ensure that the audit findings are timely and relevant. As such the audit sample should be confined to an investigation of claims that have had some form of activity within 12 months prior to the date of the audit.

In order to adequately assess how well a licensee is exercising its powers and meeting its responsibilities under the SRC Act an appropriate sample must be drawn from the claim file population. The audit should analyse a range of claim activity undertaken in the 12 month period prior to the audit. An example of the breadth of activity that should be reviewed includes initial decisions, permanent impairment claims, death claims and funeral expenses, incapacity determinations and suspensions.

It is also useful to cross reference the claim sample with files selected for rehabilitation management systems audits. Cross referencing rehabilitation and claims management files will produce a more accurate representation of how well claims are being managed in all aspects.

The precise number of selected files remains dependent upon the following population sampling table.

Claims with activity in 12 months prior to audit	Suggested number of claim files to be sampled	Approximate audit timeframe (excluding writing of report)
1-15	All	Up to 2 days
16-90	16	Up to 3 days
91-150	30	Up to 4 days
151-280	56	Up to 6 days
281-500	70	Up to 8 days
501 or more	100	Up to 10 days

## 2. Audit

The Claims management systems audit tool contains 46 criteria grouped into five elements. In conducting an audit, an auditor will make judgements as to whether the criteria have been met. This judgement is informed by considering evidence that verifies that systems exist and that they are being effectively and appropriately administered. The types of evidence that the auditor may take into account include:

- documentation such as reports, minutes of meetings, policies and procedures
- claims management files
- interviews with relevant personnel
- workplace observations
- IT system review.

### Entry interview

The auditor is to hold discussions with licensee workplace representatives to explain the purpose of the audit, the process to be applied and the scope of the audit. The entry interview provides the licensee with the opportunity to be properly briefed on the audit approach.

### Documentation review

The licensee is required to collate documentation that will assist the auditor to evaluate performance against the audit criteria. The auditor will generally spend the first day of the audit undertaking documentation review although it is at the discretion of the auditor to request that the evidence be provided at an earlier date and assessed off-site.

Examples of the types of evidence that may be supplied to the auditor include:

- policies and procedures
- minutes or outcomes of meetings
- training records
- internal audit reports
- internal performance reports
- staff bulletins.

The Claims management audit systems tool workbook will assist licensees to identify and prepare relevant documentation for the auditor.

The privacy and confidentiality of all information collected for the purposes of the audit is protected under the Privacy Act.

## **File review**

Following consideration of the documentation provided, the auditor will undertake reviews of the selected claims management files.

## **Interviews**

The auditor will also require the licensee to arrange a suitable time to meet with and interview a selection of employees. Groups of employees who may be interviewed include:

- senior management
- workplace managers
- claims managers
- reconsideration officers
- injured employees.

The workbook identifies questions that may be asked of employee groups during the course of the audit process to assess the extent to which policies and procedures are being followed in practice.

Any information collected through interviews is protected under the Privacy Act and respondent confidentiality will be respected. Individual responses will not be made available to the licensee.

## **Exit interview**

Once the auditor has completed the documentation and file review at the site, a verbal overview of the key audit findings is provided to the licensee workplace representative/s. The auditor will broadly identify areas where the system is working well and areas where improvement and/or corrective action is required. The auditor will advise the licensee of the timeframe for completion of the draft audit report.

## **3. Finalisation**

### **Report preparation**

The auditor will consider the evidence reviewed during the course of the audit against each criterion and prepare a draft report that identifies how the licensee performed against the audit criteria. The report will clearly identify all corrective actions that are required by the licensee.

A draft audit report will be provided by the auditor to the licensee for comment within fifteen working days of the completion of the audit. The licensee is required to provide comment to the auditor on the report within fifteen working days of receipt of the draft. Following receipt and consideration of the licensee comments, the audit report will be finalised within ten working days.

### **Corrective action plans**

The licensee is required to develop, within established timeframes, action plans to address any identified areas requiring corrective action and forward these plans to Comcare. The licensee is required to monitor improvements and inform Comcare accordingly.

## Licensee audits

All licensees, irrespective of tier level, are required to conduct their own claims management systems audits using an approved audit tool. Licensees who do not use the Commission's claims management systems audit tool will be required to submit any alternative audit tool, along with a mapping exercise/gap analysis, to Comcare for approval.

Licensees with the claims management function at the second tier will need to provide claims management systems audit reports to Comcare in order for a desktop review to be undertaken. Licensees with the claims function at the third tier will only need to provide the executive summaries from claims management systems audit reports to Comcare.

### Timing of audits

Licensees are required to submit a licensee improvement program (LIP) report to the Commission by 31 March each year. In preparing the LIP report, licensees are expected to reference the results of all internal claims management systems audits. Accordingly, licensees should complete all internal claims management systems audits in sufficient time to facilitate timely preparation of the annual LIP report.

### Competent auditors

All licensees' auditors in claims management and rehabilitation must have knowledge of the SRC Act and Regulations, relevant experience and be independent of the area being audited. There are presently no formally recognised accreditation standards for auditing these functions.

### Sampling variations

Where a licensee's auditor uses discretion in relation to the sampling methodology outlined on page 8, the auditor must provide justification for the alternate sampling methodology in the audit report.

## Advice and assistance

All enquiries about the Claims management systems audit tool and workbook should be directed to the Director, Self Insurance Section, Comcare, GPO Box 9905, Canberra ACT 2601.

# Audit criteria

## Element 1: Commitment and corporate governance

The licensee will document its commitment to claims management. This documentation\* will benchmark the organisation's objectives, be used to formulate strategic direction and be reviewed to ensure it remains relevant to the licensee and strives for continuous improvement. It will be endorsed and supported at the executive level and be relevant to the organisation's overall values, vision and business objectives.

Sound corporate governance\* is the process by which organisations are directed, controlled and held to account. The licensee's executive will provide stewardship for its claims management system and commit adequate resources to ensure continuous improvement.

### 1.1 Documented commitment

- 1.1.1 The licensee sets the direction for its claims management system through a documented commitment by senior executive.

### 1.2 Corporate governance

- 1.2.1 The licensee's claims management system recognises legislative obligations.
- 1.2.2 The licensee's claims management system promotes the principle of continuous improvement and provides for effective workers' compensation arrangements.
- 1.2.3 The licensee's claims management system promotes communication of relevant information to employees.
- 1.2.4 The licensee's claims management system provides for internal and external accountability.
- 1.2.5 The licensee's claims management system includes appropriate control structures to manage risk.

\*See definitions on page 5

## Element 2: Planning

The successful implementation and operation of a claims management system requires an effective planning process with well defined and measurable outcomes. Planning is essential for both the initial implementation of an overall management system and for specific elements that make up that system.

### 2.1 Claims management planning

- 2.1.1 The licensee's claims management system plans provide for legislative compliance.
- 2.1.2 The licensee's claims management system plans include objectives, targets and performance measures.
- 2.1.3 The licensee's claims management system plans provide for equitable, efficient and effective claims management.
- 2.1.4 The licensee's claims management system plans provide for appropriate training requirements.

### 2.2 Administrative arrangements

- 2.2.1 The licensee identifies the administrative and financial limitations for each level of claims manager.
- 2.2.2 The licensee has documented procedures for paying compensation to injured employees, dependants of deceased employees, providers of medical treatment and other recipients.

## Element 3: Implementation

A licensee shall achieve its claims management system objectives, identified in its claims management system plans, by involving its people as well as focusing and aligning its systems, strategies, resources and structure.

### 3.1 Resources

- 3.1.1 The licensee allocates adequate resources to support its claims management programs.
- 3.1.2 The licensee implements relevant training programs to support its claims management system.

### 3.2 Communication and awareness

- 3.2.1 The licensee defines and communicates responsibilities to relevant stakeholders.
- 3.2.2 The licensee ensures that employees are aware of their legislative rights and obligations in relation to workers' compensation.

### 3.3 Application of the legislation

- 3.3.1 The licensee complies with the provisions of the SRC Act when making decisions on claims.
- 3.3.2 The licensee complies with the provisions of the SRC Act when using its powers under that Act.
- 3.3.3 The licensee complies with the provisions of the SRC Act when determining initial liability.
- 3.3.4 The licensee complies with the provisions of the SRC Act when determining liability for incapacity.
- 3.3.5 The licensee complies with the provisions of the SRC Act when determining liability for benefits.
- 3.3.6 The licensee complies with the provisions of the SRC Act when determining liability for permanent impairment.
- 3.3.7 The licensee complies with Part X of the SRC Act, the transitional provisions, particularly in relation to determining permanent impairment and incapacity benefits.

### 3.4 Information and consulting

- 3.4.1 The licensee informs employees of the status of their claims.
- 3.4.2 The licensee ensures consultation between all parties in regards to the claims management process.

### 3.5 Claims reviews

- 3.5.1 The licensee provides employees with a reasonable opportunity to provide information or comment when claims for ongoing liability are being assessed or reviewed.
- 3.5.2 Claim reviews are timely, made accurately and guided by equity, good conscience and the substantial merits of each case without regards to technicalities.

### 3.6 Reconsiderations and AAT

- 3.6.1 The licensee complies with the provisions of the SRC Act when managing reconsiderations.
- 3.6.2 The licensee informs Comcare as soon as practicable of any proceedings in relation to a matter arising in respect of a claim under the SRC Act.

### 3.7 Commission guidelines

- 3.7.1 The licensee complies with any general policy guidelines issued by the Commission, as per the provisions of Section 73A of the SRC Act.

### 3.8 Surveillance

- 3.8.1 The licensee has a policy on the use of covert surveillance.
- 3.8.2 Any application to conduct covert surveillance complies with the provisions of the licensee's policy on covert surveillance.
- 3.8.3 Approval for covert surveillance was undertaken only on the authority of the person(s) defined in the licensee's policy on the use of covert surveillance.
- 3.8.4 The licensee ensures that any operative undertaking covert surveillance on behalf of the licensee has been issued with and has agreed to written instructions on the policy of the licensee with regards to covert surveillance and the manner in which it is to be conducted.

### 3.9 Confidentiality

- 3.9.1 The licensee maintains the confidentiality of information and applies legislative requirements.

### 3.10 Document management

- 3.10.1 The licensee maintains the relevant level of reporting, records and/or documentation to support its claims management programs and legislative compliance.

## Element 4: Measurement and evaluation

A licensee shall measure, monitor and evaluate its claims management system performance and take corrective action where required. Measuring, monitoring and evaluating are key activities which ensure that the licensee is performing in accordance with its commitment to claims management, objectives and targets as well as initial and ongoing planning. The results should be analysed and used to determine areas of success and to identify activities requiring corrective action and improvement.

A licensee shall establish, implement and maintain documented procedures to monitor and measure, on a regular basis, the key characteristics of its claims management system operations and activities. Periodic audits of the claims management system are necessary to determine whether the system has been properly implemented and maintained and whether the licensee has met its performance objectives.

### 4.1 Monitoring

4.1.1 The licensee monitors planned objectives and performance measures for core claims management activities.

### 4.2 Auditing

4.2.1 The licensee conducts an audit program to measure performance of its claims management system.

4.2.2 The claims management system audits are performed by competent personnel.

4.2.3 The claims management system audits are conducted in accordance with the requirements of the Commission.

4.2.4 The outcomes of claims management system audits are appropriately documented, actioned and reviewed at appropriate senior executive level.

4.2.5 The licensee communicates the outcomes and results of claims management system audits to its employees.

### 4.3 Reporting

4.3.1 The licensee reports to senior executive on its claims management system performance.

4.3.2 The licensee provides the Commission with reports as requested.

## Element 5: Review and Improvement

A licensee shall regularly review and continually improve its claims management system with the objective of improving its overall claims management performance.

### 5.1 Continuous Improvement

- 5.1.1 The licensee analyses claims management system performance outcomes against documented objectives to determine areas requiring improvement.
- 5.1.2 The licensee promotes continuous improvement strategies within its claims management system.

