

<b>UNSW Accounting Procedure</b>	
<b>Linked UNSW Policy</b>	Provisions and Employee Benefits
<b>Responsible Officer</b>	Director, Corporate Finance and Advisory Services and Shared Services
<b>Contact Officer</b>	Senior Group Statutory Reporting Manager, Corporate Finance and Advisory Services
<b>Review</b>	Every year
<b>Effective Date</b>	31 December 2013

### 1. Objective

This procedure outlines the process of accounting for Workers Compensation adjustments required to reflect future liability provision of self insured outstanding claims as advised by an actuary and in accordance with AIFRS in NS Financials.

### 2. Basis for annual adjustment

UNSW, (the University) is self-insured for Workers' Compensation in both New South Wales and the Australian Capital Territory. It provides a professional level of service to all employees of the University within the legislative framework of licence issued by WorkCover NSW.

The University will request from the appointed Actuary (David A Zaman Pty Ltd) to provide an independent actuarial estimate of the University's liability in respect of its self insured outstanding claims incurred up to 31 December (of the previous year).

The Actuary report serves a dual purpose, first to comply with reporting requirements of a self insurer and second the actuarial report is used for accounting and management reporting purposes. The actuary's report sets the magnitude of provision required to satisfy future liability. Provision in the General Ledger is adjusted annually to reflect the actuary's report. Two separate reports are produced by the actuary to ascertain workers compensation liability, one for the University and another for the University Canberra ("ADFA").

For financial reporting purposes Workers Compensation liability is reported in the Statement of Finance Position under Provisions. These are further split between Current and Non Current Liabilities.

The Actuary sets the underlying risk premium rate for future periods as a percentage of anticipated payroll (2013 - 0.25%). The budgetary risk premium is charged by HR to the faculties as a percentage of payroll fortnightly.

### 3. Accounting treatment

#### 3.1 Processing workers compensation premium

The University Human Resources processes the workers compensation premium (2013 - 0.25% of payroll cost) and allocates the associated cost at Faculty/ School/ Division/ level. The accounting entries to reflect the charges to Faculties/ Schools/ Divisions for Workers Compensation premium are made through the following accounts:

- Expenses: 4009 - Salary Academic Workers Comp; 4109-Salary General Workers Comp; 4229-Salary General IT Casual W/Cmp; 4409-Salary Academic Casual W/Comp; 4709-Salary General IT W/Comp
- Provision: 8634 - Provision for Workers Comp – Non Current  
(These entries are at Faculty/ School/ Division level)

### **3.2 Annual adjustment to provision for workers comp**

The Provision in the general ledger for Workers Compensation is adjusted at year end to reflect the University's liability in respect of its self-insured outstanding claims.

Reconciliation of the provision takes the opening balance plus provision provided through payroll less payment for liabilities during the year, resulting in a closing balance. This closing balance is compared to the Actuary's computation as to the University's future liability. This comparison will invariably give rise to an under or over provision of Workers Compensation at year end.

### **3.3 Adjusting entry for under provision**

If the year-end balance of the provision is less than the Actuary's future liability computation an under provision occurs. Corporate Finance and Advisory Services will adjust the under provision at a 'Central' level.

### **3.3 Adjusting entry for over provision**

If the year-end balance of the provision is more than the Actuary's future liability computation an over provision occurs. Corporate Finance and Advisory Services will adjust the over provision at a 'Central' level.

### **3.4 Current and non-current provision**

Once the adjustments for under provisioning and over provisioning are complete a further adjustment is required to reflect liabilities that will fall in the next 12 months (Current) and liabilities that may be payable after 12 months (Non Current). The University adopts the Actuary's computations as to what portion of the future liability is deemed current and what proportion of the future liability is deemed non-current. This reclassification affects balance sheet accounts (i.e. 8519 Prov for Workers Comp – Current and 8634 Prov for Workers Comp – Non Current), and is adjusted at a 'Central' level.

## **4. Operational aspects**

### **4.1 Monthly Premiums**

The Workers Compensation Premium based on a percentage of payroll is processed in the normal payroll process and charged directly to the Faculty/ School/ Division.

### **4.2 Annual provision adjustment (central level)**

Charges or credits are posted through manual general journals charging or crediting adjustments to the Workers Compensation provision at a 'Central' level. This Annual adjustment and postings to individual faculties is processed by Corporate Finance and Advisory Services – centrally.

Further Corporate Finance and Advisory Services will ensure that at a higher level there is a correct split between Current and Non Current Liabilities – provision for Workers Compensation.